



ANNUAL REPORT

2020-21



FINANCIAL INTELLIGENCE UNIT – INDIA

Department of Revenue

Ministry of Finance, Government of India

DIRECTOR'S MESSAGE



It gives me an immense pleasure to present the 15th Annual Report of Financial Intelligence Unit – India (FIU-INDIA) for the year 2020-21. FIU-INDIA is engaged in the generation and dissemination of financial intelligence in accordance with the mandate assigned to it under the Prevention of Money Laundering Act 2002 (PMLA) and ensures compliance of various international standards laid out by the Financial Action Task Force (FATF) and the Egmont Group of FIUs. FIU-INDIA plays a key role in countering money laundering & terror financing at the domestic & global level.

India along with other major economies around the globe continued to battle with Covid-19 pandemic during the FY 2020-21. However, the rapid immunization program in India will certainly lead to containing the spread of this disease and put our economy on the path of an expedited recovery. It is beyond doubt that the pandemic has further accelerated the process of

adoption of digital technologies by many years and this will have a significant impact on the financial sector across the globe.

FIU-INDIA continues to keep a close eye on the emerging trends in the financial landscape and plays an important role in formulating necessary policy to mitigate the emerging risks.

During the year, FIU-INDIA disseminated over 81,000 STRs to law enforcement agencies. FIU-INDIA has also received over 1.29 crore (12.9 million) Cash Transaction Reports (CTRs), over 1.88 lakh (0.18 million) Counterfeit Currency Reports, over 3.6 crore (36 million) Cross- Border Wire Transfer Reports (CBWTRs) and over 7.9 lakh (0.79 million) Non-Profit Transaction Reports (NTRs). As per feedback received from the Law Enforcement Agencies (LEAs), intelligence analysed and disseminated by FIU-INDIA have resulted in successful cases of detection of money laundering and tax evasion.

In this year, FIU-INDIA received 2647 requests from domestic agencies and provided information in all such cases. With respect to foreign FIUs, 137 requests for information and 209 voluntary disclosures were received and 405 requests were sent to them on behalf of domestic agencies.

The new FINnet 2.0 system which is currently under development and is

DIRECTOR'S MESSAGE

expected to go-live in 2022 will further strengthen the mechanism for collection, analysis and dissemination of information at FIU-INDIA. Officers and staff of FIU-INDIA have continued to work diligently and with dedication to serve the nation.



(Pankaj Kumar Mishra)
Director, FIU-INDIA

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CHAPTER 1

FINANCIAL INTELLIGENCE UNIT - INDIA



CHAPTER 1: INTRODUCTION

1.1 Introduction to FIU-INDIA

Financial Intelligence Units (FIUs) are specialized government agencies created to act as an interface between the financial sector and law enforcement agencies for collecting, analysing and disseminating information, particularly about suspicious financial transactions, pertaining to money laundering, financing of terrorism and proliferation financing.

Egmont Group definition of FIU

A central, national agency responsible for receiving (and as permitted, requesting), analysing and disseminating to the competent authorities, disclosures of financial information:

- i. concerning suspected proceeds of crime and potential financial of terrorism, or*
- ii. Required by national legislation or regulation, in order to combat money laundering and terrorism*

FIUs have to conform to international standards, particularly the recommendations of the Financial Action Task Force (FATF).

FATF Recommendation 29:

"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 offences 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."

Financial Intelligence Unit-India (FIU-INDIA) was established by the Government of India on 18th November, 2004 for coordinating and strengthening collection and sharing of financial intelligence through an effective national, regional and global network to combat money laundering and related crimes. It was set up as an independent body reporting to the Economic Intelligence Council (EIC) headed by the Finance Minister and since 2016 is under the administrative control of Department of Revenue, Ministry of Finance.

FIU-INDIA is headed by the Director, who is an officer of the rank of Additional Secretary to the Government of India. It is an administrative FIU and does not investigate cases.

FIU-INDIA is an officer-oriented and technology-intensive multi-disciplinary organization with a sanctioned strength of 75 (Appendix A – List of Serving officers).

CHAPTER 1: INTRODUCTION

FIU-INDIA receives reports on cash transactions, suspicious transactions, counterfeit currency transactions, funds received by non-profit organizations, cross-border wire transfers and immovable properties transactions. FIU-INDIA analyses the reports received and disseminates actionable intelligence to law enforcement

agencies, intelligence agencies and regulators.

FIU-INDIA performs both operational and strategic analysis and identifies key money laundering trends, typologies and developments based on the analysis of its database.

Different Reports to be filed under PMLA



Cash
Transaction
Report
(CTR)



Suspicious
Transaction
Reports
(STR)



Counterfeit
Currency
Reports
(CCR)



NPO Reports
(NTR)



Cross Border
Wire
Transfer
Report
(CBWTR)



Immovable
Property
Reports (IPR)

CHAPTER 1: INTRODUCTION

FIU-INDIA PARTNERS

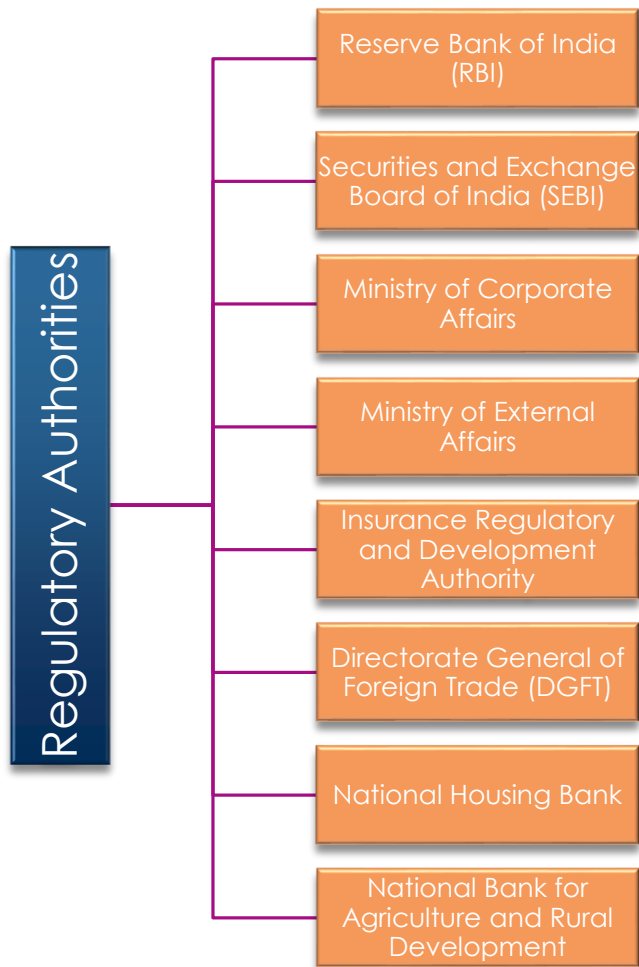


STATE POLICE

INTELLIGENCE AGENCIES

CHIEF SECRETARY of STATES

CHAPTER 1: INTRODUCTION



INTERNATIONAL GROUPS: FIU-INDIA is a member of following International groups to partner with other countries in countering money laundering, terror and proliferation financing

1. Financial Action Task Force
2. Eurasian Group on Combating Money Laundering (EAG)
3. Asia / Pacific Group On Money Laundering (APG)
4. Egmont Group

CHAPTER 1: INTRODUCTION

Financial Action Task Force (FATF)

India is one of the 37-member jurisdictions and 2 regional organizations (European Commission and Gulf Co-operation Council) that are the members of the Financial Action Task Force (FATF). Officers from FIU-INDIA have been a part of the Indian delegation to FATF on a regular basis and have actively participated in the activities of the FATF and its working groups.

FATF Style Regional Bodies (FSRBs)

FATF has certain FATF-Style Regional Bodies (FSRBs) having similar form and functions as those of FATF. Out of the 9 FSRBs, India is a member of 2 (two) viz., the Asia Pacific Group (APG) and the Eurasian Group (EAG). FIU-INDIA has been an active participant in the activities of both APG and EAG.

The APG facilitates the adoption, implementation and enforcement of internationally accepted anti-money laundering and anti-terrorist financing standards set out in the recommendations of the Financial Action Task Force (FATF).

The EAG plays an important role in ensuring effective interaction and cooperation at the regional level and integration of EAG member states into the international system of anti-money laundering and combating financing of

terrorism in accordance with the Recommendations of the FATF and the anti-money laundering and combating financing of terrorism standards of other international organizations, to which EAG member-states are party.

Egmont Group of FIUs

The Egmont Group of FIUs promotes international cooperation and free exchange of information among all FIUs. It aims to provide a forum for FIUs to improve understanding and awareness of issues and an opportunity for enhancement of their capacities to develop intelligence to combat money laundering and terrorist financing.

The 164 member FIUs undertake to subscribe to the Egmont Group principles and work for co-operation and exchange of information on the basis of reciprocity or mutual agreement and follow the basic tenets laid in the Egmont Charter.

FIU-INDIA has been a member of the Egmont Group since 2007. Ever since its membership, FIU-INDIA has played an active role in the activities of the Egmont Group participating in the meetings of Working Groups such as the Membership Support & Compliance working group (MSCWG), Information Exchange Working Group (IEWG) and Policy & Procedure Working Group (PPWG) of the Egmont Group.

CHAPTER 1: INTRODUCTION

New and Modern State of the Art office of FIU-INDIA

Financial Intelligence Unit-India, a multi-disciplinary body, shifted its office premises from Hotel Samrat, Chanakyapuri, New Delhi to the newly renovated office premises at Jeevan Bharti Building, Connaught Place, New Delhi. The new office of FIU-INDIA is fully functional from 7th December, 2020. This newly renovated office is spread over two floors of Tower 2 (6th and 7th Floors). It is designed keeping in view the safety and security requirements of the FIU where the access to personnel, network hubs and server rooms are fully secured from

external and environmental threats. The new office also has a provision of a training room and a Conference room, equipped with the state of the art features to facilitate effective communication and delivery. The training room is utilized for conducting training programs in online as well as offline mode for the Reporting Entities. The conference room, with a capacity to accommodate 60 persons, has been provisioned for holding domestic as well as the international seminars / conferences besides conducting internal meetings with the Reporting Entities, Law enforcement agencies and for conducting the outreach activities.



FIU-INDIA officers during the inauguration of new office building

CHAPTER 1: INTRODUCTION

Impact of the Covid-19 pandemic on FIU-INDIA

The onset of Covid-19 pandemic in India and the national lockdown starting on 24th March, 2020 impacted all operations of FIU-INDIA.

Due to legitimate security concerns, FIU-INDIA prohibits remote access to internal data from outside the office environment. Therefore, regular functioning of FIU-INDIA cannot be carried out by personnel exclusively working from home

FIU-INDIA duly implemented the Government of India guidelines &

measures such as duty rosters, staggered working hour timings and work-from-home wherever possible to ensure that the operations were not severely disturbed.

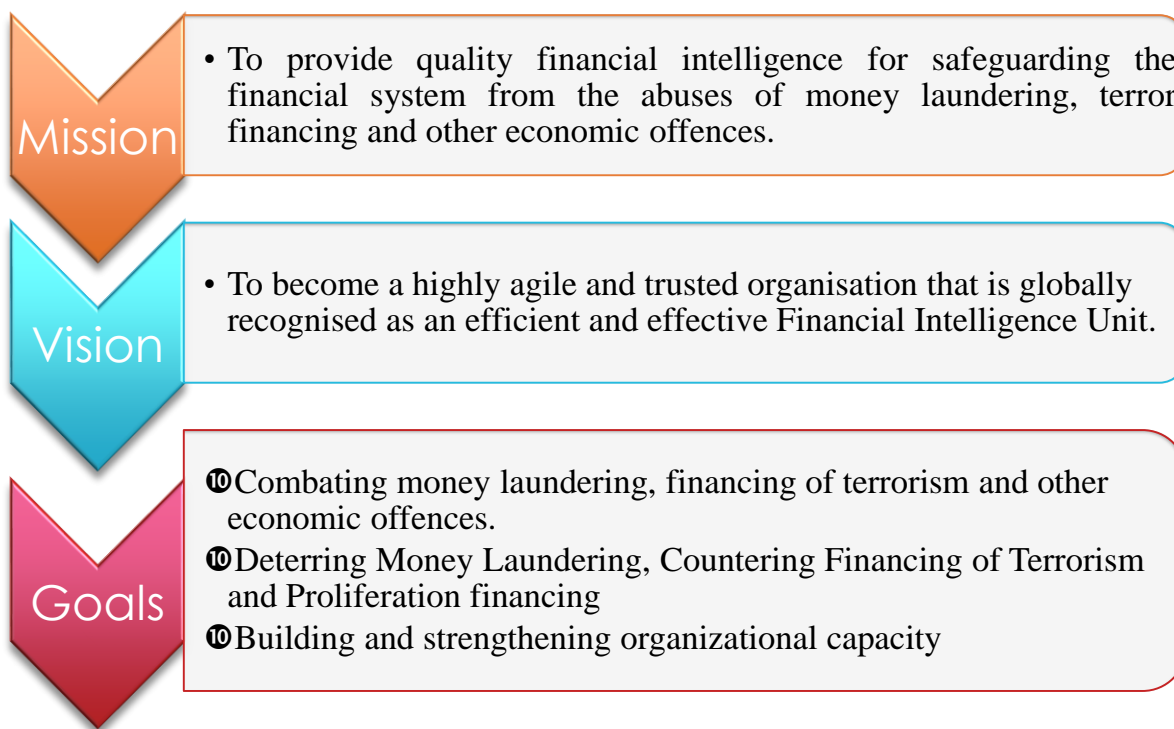
Despite these constraints, FIU-INDIA was able to largely fulfill all commitments to LEAs and regulators by sharing timely information. FIU-INDIA continued to provide guidance and outreach to the reporting entities through online platforms. Availability of online training or webinars offered by agencies such as the FATF and the Egmont Group allowed FIU-INDIA officers to attend in larger numbers.

CHAPTER 1: INTRODUCTION

1.2 MISSION, VISION and STRATEGIC GOALS of FIU-INDIA

FIU-INDIA has defined its mission statement, vision and strategic objectives in order to provide a

framework for an organization- wide performance management and to enhance its effectiveness.



These objectives are proposed to be achieved through the following thrust areas:

1. Effective collection, analysis and dissemination of information
2. Enhanced domestic and International cooperation.
3. Building capacity of reporting entities
4. Ensuring compliance to reporting obligations under PMLA
5. Building organizational resources
6. Strengthening IT infrastructure in FIU-INDIA.

This Annual Report demonstrates the performance of FIU-INDIA during the year 2020-21 under the above mentioned broad thrust areas.

CHAPTER 1: INTRODUCTION



Oath Taking at FIU-INDIA

CHAPTER 2

LEGAL FRAMEWORK



2.1 Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act, 2002 (PMLA) is India's legislation for combating money laundering. It was enacted in 2003 and brought into force on 1st July 2005. It criminalizes money laundering and provides for attachment, seizure and confiscation of property obtained or derived, directly or indirectly, from or involved in money laundering. The Unlawful Activities (Prevention) Act, 1967 (UAPA) is the legislation to combat acts of terrorism and financing of terrorism.

PMLA incorporates two different sets of provisions – one relating to maintenance and furnishing of information by the reporting entities to the FIU, and the second relating to investigation, search, seizure, collection of evidence, prosecution, etc. for money laundering. The Director, FIU-INDIA is the prescribed authority for enforcement of the provisions relating to maintenance of records and furnishing of information by the reporting entities. The Director of Enforcement (ED) is the relevant authority for investigation, search, seizure, confiscation of property, and prosecution for the offence of money laundering. The predicate offences

which cover 31 different laws are included in the Schedules to the Act.

Section 3 of PMLA criminalizes the money laundering and Section 4 lays down the punishment for the offence of money laundering. An offender is liable for rigorous imprisonment for a term of not less than three years, extending up to seven years as well as fine. For certain offences under the Narcotic Drugs and Psychotropic Substances Act, 1985 the rigorous imprisonment may extend up to ten years.

(Appendix-B: Important Amendments Rules/ Notifications under PMLA).

2.2 Unlawful Activities (Prevention) Act, 1967

The legislative measures for combating financing of terrorism in India are contained in the Unlawful Activities (Prevention) Act, 1967 (UAPA). UAPA criminalizes terrorist acts and raising of funds for such terrorist acts. The Act was amended in 2013 to make it more effective in preventing unlawful activities and meet FATF standards. The Act also gives effect to United Nations Security Council Resolutions 1267 and 1373, enabling freezing, seizing or attaching funds and other financial assets held by designated individuals or entities. Offences under UAPA are included as predicate offences under PMLA.

The salient features of the UAPA pertaining to terror financing are listed below:

- *Five years is the period of declaration of an association as unlawful;*
- *'Terrorist Act' includes production or smuggling or circulation of high quality counterfeit Indian paper currency, coin or of any other material;*
- *Raising or collecting or providing funds, whether from legitimate or illegitimate sources, by a terrorist organization or by terrorist gang or by an individual terrorist, is criminalized;*
- *Raising or collecting or providing funds in any manner for the benefit of or, to an individual terrorist, terrorist gang or terrorist organization for the purpose not constituting to be a Terrorist Act is criminalized;*
- *Offences by companies, societies or trusts come under the ambit of the Act;*
- *The scope of proceeds of terrorism includes any property intended to be used for terrorism; and*
- *Courts are empowered for:-*
 - i) *Attachment or forfeiture of property equivalent to the counterfeit Indian currency involved in the offence;*
 - ii) *Attachment or forfeiture of property equivalent to or the value of the proceeds of terrorism involved in the offence; and*
 - iii) *Confiscation of movable or immovable property on the basis of the material evidence where the trial cannot be concluded.*

2.3 PMLA and FIU-INDIA

Section 11A of PMLA requires every reporting entity (banking companies, financial institutions, intermediaries and designated non-financial businesses and professions) to verify the identity of its clients and beneficial owners using Aadhaar, passport and other officially valid documents (OVDs).

Section 12 of PMLA requires every reporting entity to maintain records of all transactions, furnish information of

prescribed transactions to Director, FIU-INDIA and to verify the identity of their clients and their beneficial owners in the manner prescribed. The reporting entities are also required to preserve records of transactions and records of identity of clients for five years. The PML (Maintenance of Records) Rules prescribe the requirements for maintenance of records and reports to be furnished to FIU-INDIA.

(Appendix C: Obligations of Reporting Entities under PMLA)

CHAPTER 2: LEGAL FRAMEWORK

Section 12A empowers the Director to call for additional information from reporting entity, which is obligated to maintain the confidentiality.

Section 12AA requires every reporting entity to conduct enhanced due diligence prior to the commencement of specified transactions. If the client fails to fulfil the conditions specified in the section, the reporting entity shall not allow the transaction to be carried out. If the transaction is suspicious or represents the proceeds of crime then the business relationship and transactions can be subject to monitoring and greater scrutiny respectively.

Section 13 of PMLA empowers Director, FIU-INDIA to enquire into cases with regard to the obligations of the reporting entities and issue warnings, direct compliance and impose sanctions including monetary penalty on the reporting entity or its designated director or any of its employees.

Section 14 of the PMLA provides that the reporting entity, its Directors and employees shall not be liable to any civil or criminal proceedings against them for furnishing information to FIU-INDIA.

Section 50 gives Director, FIU-INDIA powers of a civil Court under the Code of Civil Procedure, to enforce

attendance of any person, compel production of records, and receive evidence on affidavits and issuing commission for examination of witnesses.

Section 54 empowers and requires various officers and other functionaries to provide necessary assistance to Director, FIU-INDIA in the enforcement of his statutory functions under the PMLA.

Section 66 provides for the dissemination of information by FIU-INDIA to any officer, authority or body performing any function under any law relating to imposition of any tax, duty or cess or to dealing in foreign exchange or to prevention of illegal trafficking in drugs or to any officer, authority or body notified by the Central Government. Additionally, if provisions of any other law for the time being in force are contravened, FIU-INDIA may also share information with the concerned agency.

Section 69 enables the recovery of fines imposed by the Director, if not paid within six months from the date of imposition of fine or penalty; and the powers of a Tax Recovery Officer under the Income-tax Act, 1961 can be exercised for this purpose. The fines so imposed are recovered in the same manner as prescribed in Schedule II of the Income-tax Act, 1961 for the recovery of arrears.

CHAPTER 2: LEGAL FRAMEWORK

Categorised List of Reporting Entities

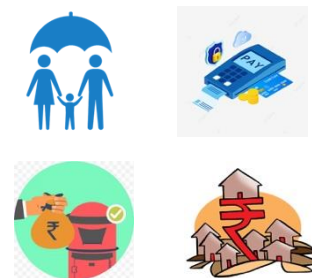
Banking Companies

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



Financial Institutions

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



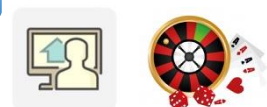
Financial Intermediaries

- All intermediaries regulated by SEBI including:
 - Stockbrokers
 - Share transfer agents
 - Registrars to issue
 - Credit Rating Agencies
 - Merchant bankers
 - Underwriters
 - Portfolio managers
 - Investment advisers
 - Depositories and DPs
 - Custodian of securities
 - Foreign institutional investor
 - Venture capital funds
 - Mutual funds
- Intermediaries regulated by PFRDA
- Recognized stock exchanges
- Insurance Brokers



DNFBP Notified by Central Government

- Casino
- Inspector General of Registration



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

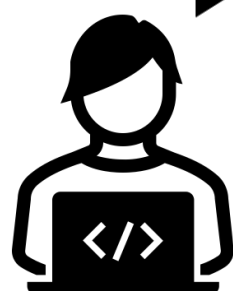
Chapter 3

Collection, analysis and dissemination of Information

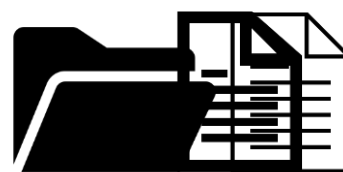
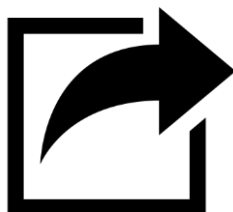


CHAPTER 3: COLLECTION, ANALYSIS AND DISSEMINATION OF INFORMATION

COLLECTION



ANALYSIS



DISSEMINATION

Fig: Schematic showing functions of Financial Intelligence Unit (FIU-INDIA)

3.1 Information is collected from Reporting Entities (REs) through various reports mandated to be submitted to FIU-INDIA. All reports are to be filed online only along with digital signature of Principal Officer of the concerned Reporting Entity. The list of such reports are given below:

1. Suspicious Transaction Reports (STR)
2. Cash Transaction Reports (CTR)
3. Cross Border Wire Transfer Reports (CBWTRs)
4. NPO Transaction Reports (NTRs)
5. Counterfeit Currency Reports (CCRs)

3.2 Suspicious Transaction Reports (STRs)

STR is defined in PMLA Rules, 2005. As per Rule 2, sub-rule (1), Clause (g) "Suspicious transaction" means a transaction referred to in clause (h), including an attempted transaction, whether or not made in cash, which to a person acting in good faith –

- Gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, 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;

Explanation - Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

STRs are required to be furnished by the principal officer of the reporting entity not later than seven working days on being satisfied that the transaction is suspicious.

3.2.1 Receipt of STRs: FIU-INDIA has been receiving STRs since the reporting transactions were notified in March, 2006. Receipt, processing and dissemination of STRs to different Law Enforcement Agencies (LEA) across past several years is presented below:

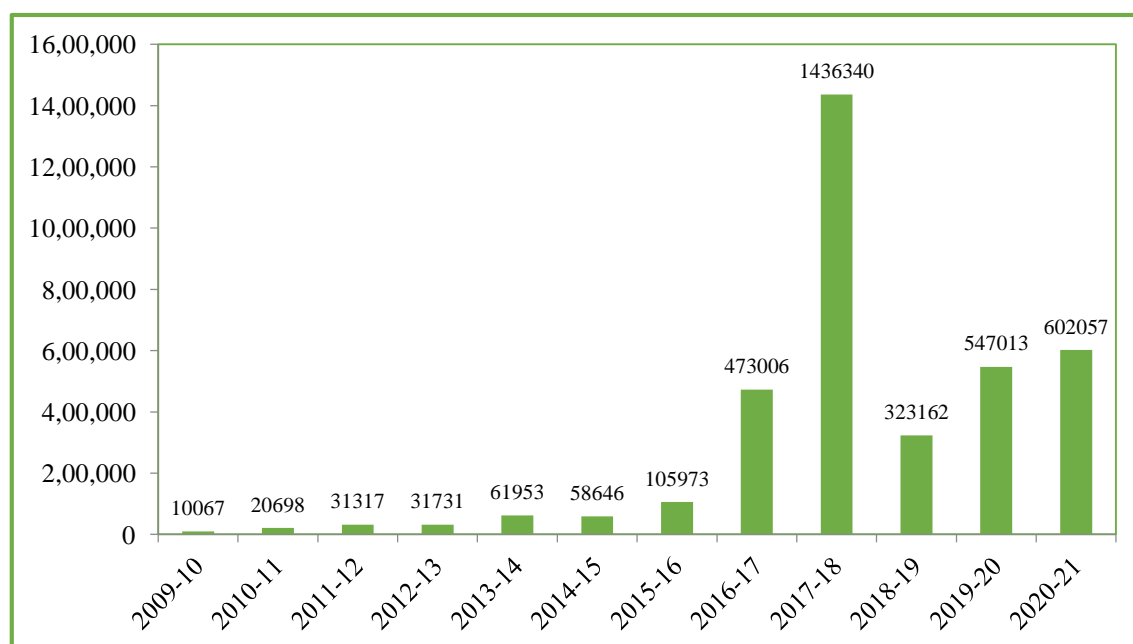


Chart 1: Year-wise receipt of Suspicious Transaction Reports

CHAPTER 3: COLLECTION, ANALYSIS AND DISSEMINATION OF INFORMATION

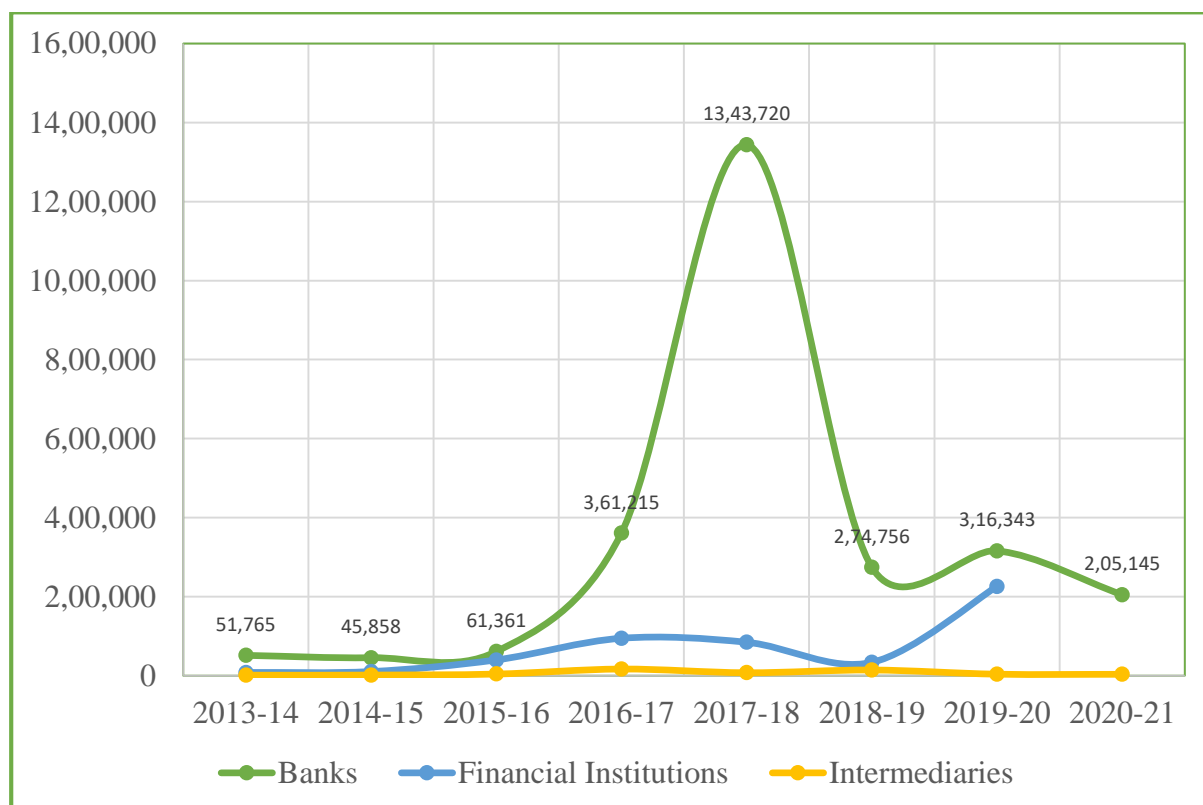


Chart 2: RE category-wise breakup of STRs received from FY 2013-14 to FY 2020-21

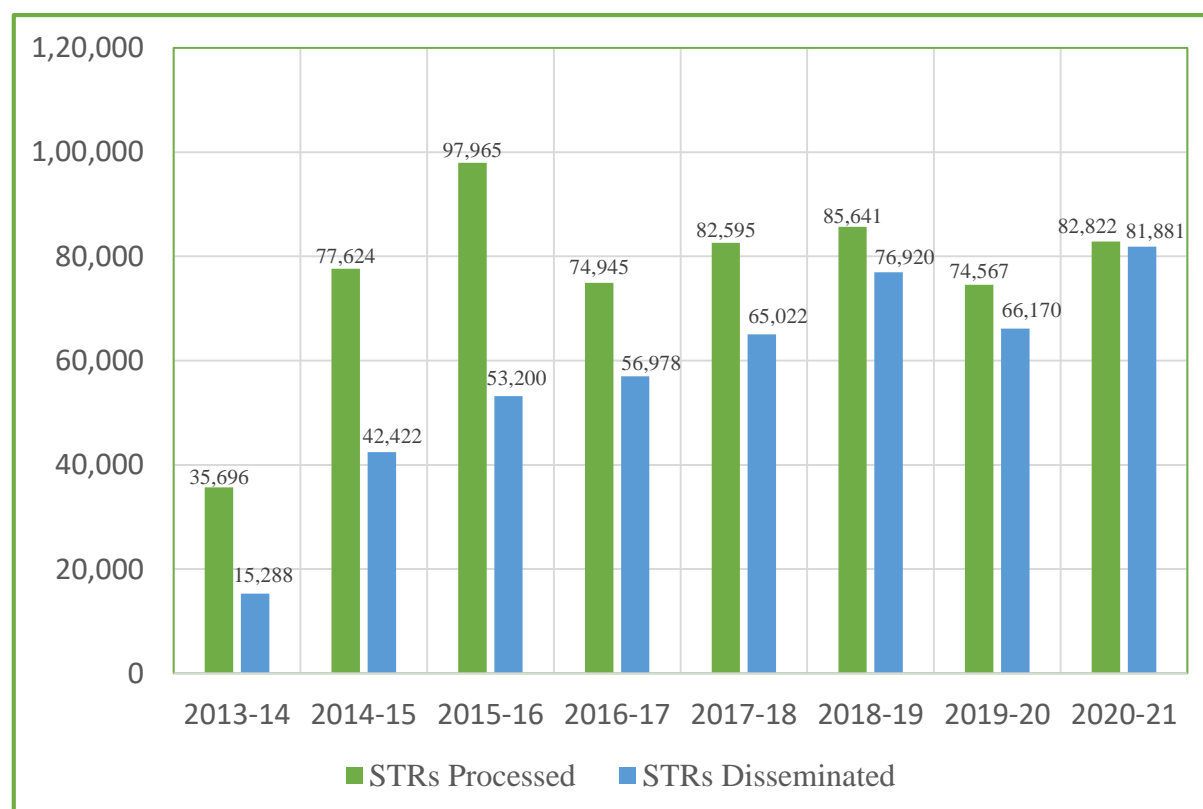


Chart 3: Showing year-wise STRs Processed and Disseminated

CHAPTER 3: COLLECTION, ANALYSIS AND DISSEMINATION OF INFORMATION

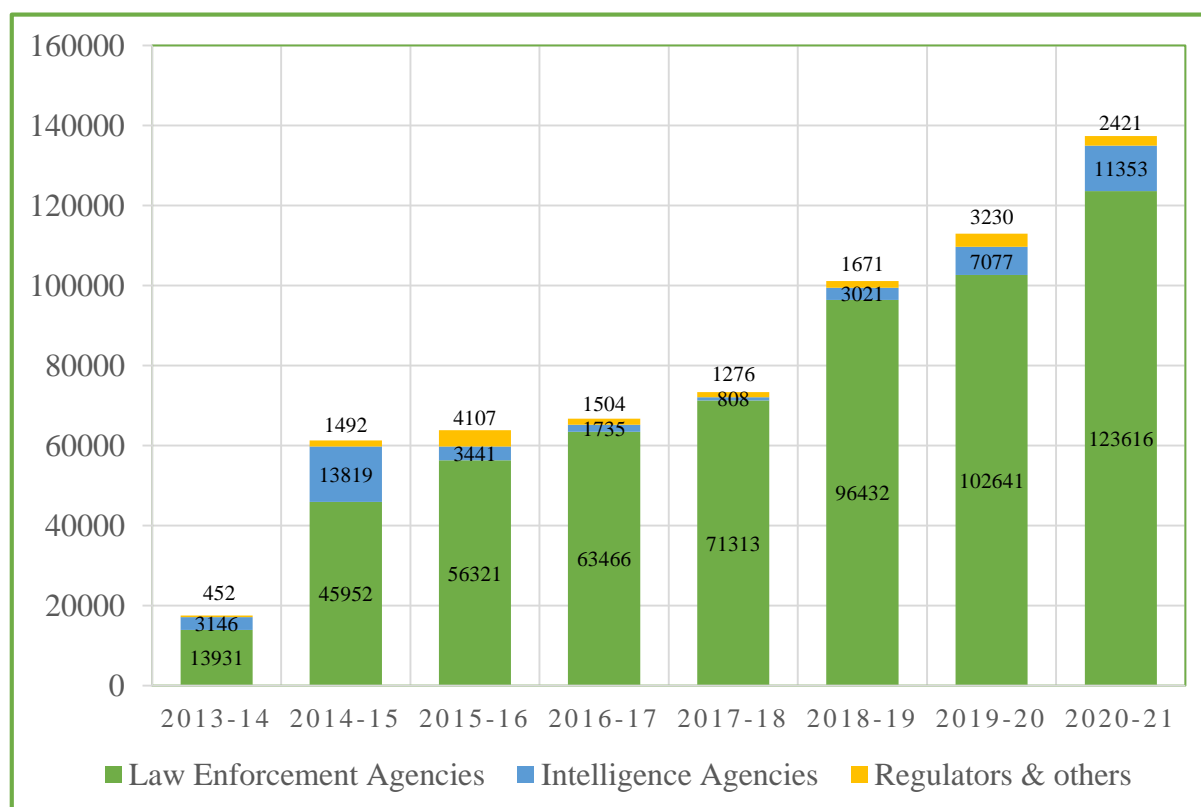


Chart 4: Dissemination of Suspicious Transaction Reports to various Agencies

(Note: These figures represent the total disseminations to various agencies and since one STR can be disseminated to more than one agency, therefore, the number of total disseminations as represented in the bar chart above is more than the number of STRs disseminated as seen in Chart 3.)

3.2.2 Important Cases Division

STRs filed by the reporting entities have increased tremendously in last few years with greater formalisation of economy, growth in financial transactions, financial inclusion and increase in number and diversity of Reporting Entities (REs). In the context of this challenge, FIU-INDIA has taken several institutional steps to address the challenge of increasing number of STRs being reported. Amongst others, the institution of prioritizing STRs based on their risk quotient is an important development in last few years.

Important Case Division (ICD) vertical of FIU-INDIA is one of the key verticals of FIU tasked with prioritization of seemingly high risk STRs. ICD vertical works in active collaboration with major reporting entities. The REs separately intimate to FIU-INDIA filing of certain STR, in cases where they feel that the suspicion warrants urgent and prompt law enforcement action. The STRs for which intimation is received in FIU-INDIA, is processed and disseminated on priority so that timely financial intelligence is available to the LEAs.

During FY 2020-21, 979 cases were processed and disseminated as part of ICD vertical. Of these, 777 cases were disseminated as 'F1' or higher priority cases.

The nature of continuous collaborative engagement between the ICD Vertical and the REs has resulted into improved relationship and greater sharing of experience and observations. REs have been sensitized to identify emerging trends of suspicious transactions and encouraged to undertake systemic studies on threats to financial system. Certain REs have responded with enthusiasm and shared some very valuable review relating to – product, geographical location, emerging trends of suspicious transactions, etc. Such reviews have further been taken up in ICD Vertical for operational analysis.

3.2.3 Operational Analysis by ICD Vertical

During FY 2020-21, FIU-INDIA, undertook the exercise of carrying out operational analysis of STRs to identify important & emerging typologies of money laundering. Using database analytical tools, clusters of STRs relating to common themes were identified, examined and analysed resulting in Operational Analysis (OA) reports which were shared with relevant LEAs. Some of the OA reports prepared are as under:

A. Cryptocurrency:

Operational analysis into cryptocurrencies resulted into identification of several illicit or fraudulent financial schemes. Usage of international e-wallets or virtual prepaid cards was also observed. Connection amongst several persons were also brought out in certain STRs.

B. Online Gaming:

Usage of international e-wallets or virtual prepaid cards was observed. Connection amongst several persons were also brought out in certain STRs in this OA.

C. Fraud committed in Government Account:

A reporting entity intimated FIU-INDIA that a fraud of Rs. 31.92 crores had been committed in certain government account. Operational Analysis of relevant STRs, pertaining to defrauded government money was conducted by obtaining additional information from banks. The findings of the analysis were shared with relevant LEAs to facilitate their tracing and confiscation of the defrauded government money.

D. Accommodation entry based bank accounts:

Operational analysis of certain STRs concerning reporting of certain accommodation entry accounts/conduit accounts was completed. The reported accounts were majorly proprietorship accounts which have declared certain businesses/activity at the time of

CHAPTER 3: COLLECTION, ANALYSIS AND DISSEMINATION OF INFORMATION

account opening with inflated turnover. The operational analysis demonstrated extensive overlap of the reported accounts amongst the STRs showing huge flow of funds amongst them. No business or tax related expense were observed in the reported accounts. A cumulative amount of Rs. 14,589.44 crores was estimated to have been credited to those accounts.

E. Suspected Service:

The Operational Analysis (OA) led to recognition of service based remittance as a novel trend. Approximately Rs 8,418.66 crore of suspected outward remittance was reported in the STRs. In this analysis open source information revealed that foreign entities receiving these remittances demonstrate traits of shell companies. These companies appear to have been set up with minimum capital, sharing common addresses & ownership for certain sets of companies, and received funds from businesses which were not in alignment with their declared activities.

F. Placement - Splitting of cash

Splitting of cash is a common modus-operandi followed by the individuals/entities to avoid reporting by the REs. Further cash is widely used by criminals as it is one of the significant barriers to successful investigations and prosecution. The principal benefit is often said to be that cash is anonymous and leaves no audit

trail. The anonymity of cash is often quoted as one of the main reasons for its use in the criminal economy and there is no doubt that, up to a certain level, this is the case. STRs pertaining to individuals where the declared occupation was housewife / agriculturists / students / retired personnel and where there was no definite or continuous source of income, but, their accounts had witnessed significant cash deposits were analysed. Several such STRs were identified and disseminated for priority action by concerned LEAs along with detailed analysis.

G. Non-Profit Organisation

It is understood that the NPOs are an important instrument to ensure that there are just and humane conditions available for different individuals and the benefits of development are reaped even by the socially and economically weaker sections of society. However, there is a high risk of possible misuse of these NPOs for the purposes of money laundering or financing of terrorism. The STRs pertaining to significant cash deposits during the demonetisation period, round about transactions, remittances from outside India, splitting of cash or high credits and debits from and to related accounts were analysed. Several such STRs were identified and disseminated for priority action by concerned LEAs along with detailed analysis.

3.3 Cash Transaction Reports (CTRs)

The Prevention of Money laundering Act, 2002 and the Rules thereunder require every banking company to furnish details of the following cash transactions:

- All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in

foreign currency where such series of transactions have taken place within a month.

3.3.1 Receipt of CTRs: FIU-INDIA has been receiving CTRs since the reporting transactions were notified in March, 2006. An analysis of total receipt of CTRs from banks in past years along with its sectoral break-up vis-à-vis Public Sector Banks, Indian and Foreign Private Banks and others is presented below:

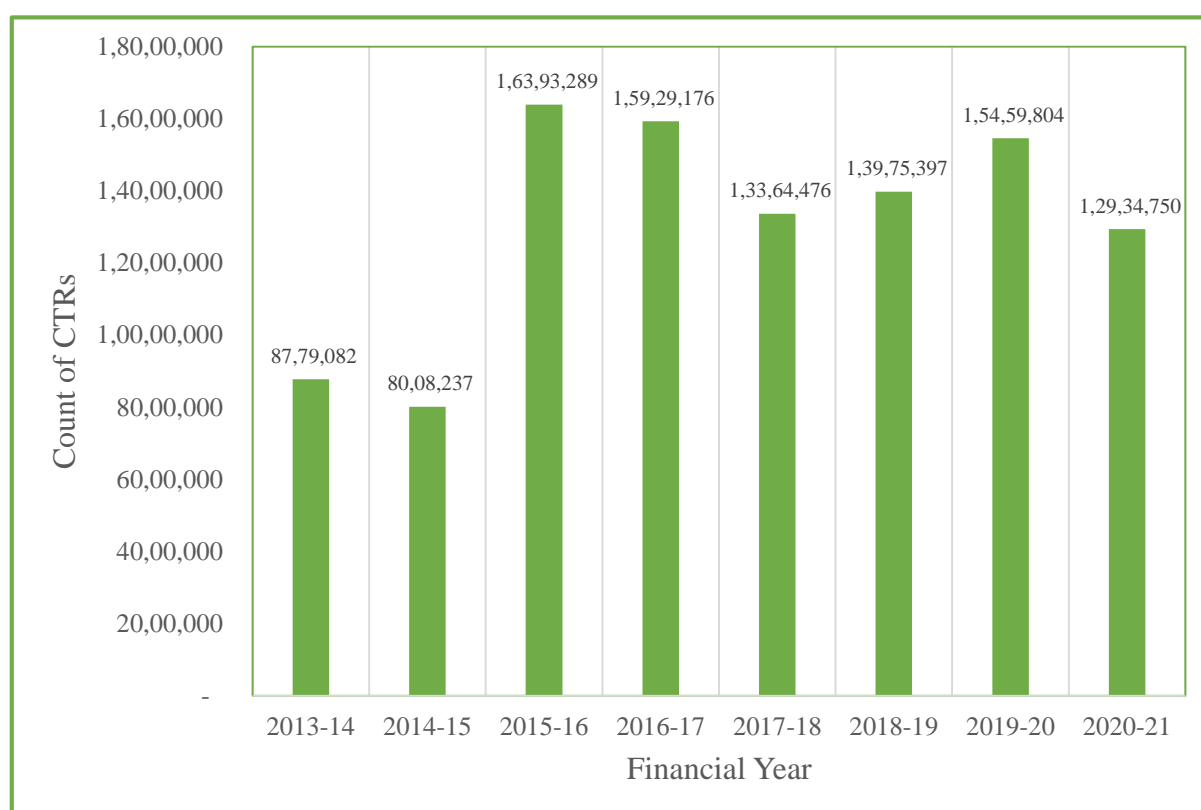


Chart 5: Year-wise receipt of Cash Transaction Reports

CHAPTER 3: COLLECTION, ANALYSIS AND DISSEMINATION OF INFORMATION

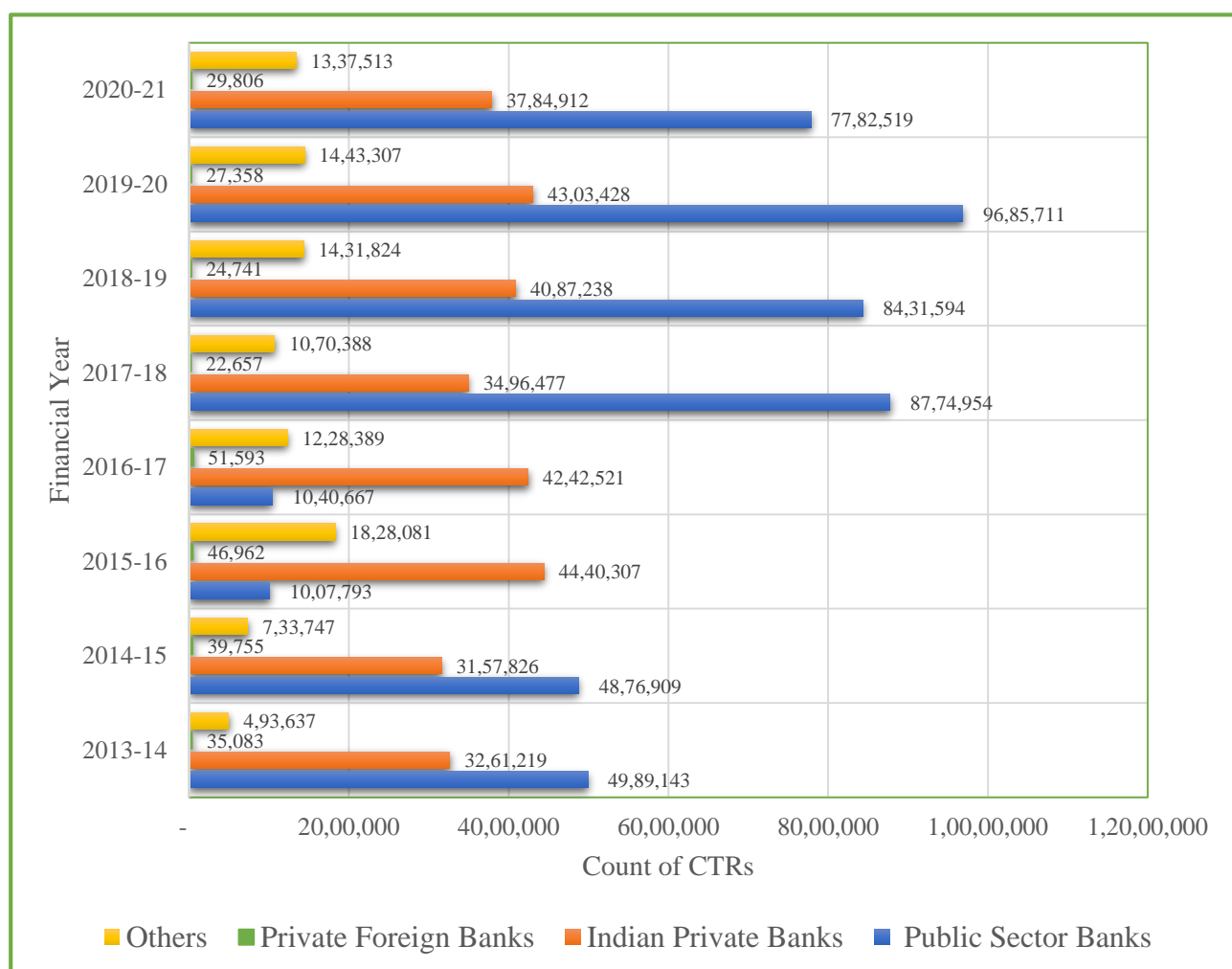


Chart 6: Sectoral breakup of CTRs received from FY 2013-14 to FY 2020-21

CHAPTER 3: COLLECTION, ANALYSIS AND DISSEMINATION OF INFORMATION

3.4 Cross Border Wire Transfer Reports (CBWTRs)

The Prevention of Money laundering Act, 2002 and the Rules thereunder require every reporting entity to maintain and furnish the record of 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.

An analysis of total receipt of CBWTRs from REs during past years is presented

below. The surge in the numbers of CBWTRs during last 2 years is on account of re-filing after issuance of instructions to REs. A strategic analysis of CBWTR data carried out in FY 2019-20 to examine the effectiveness and reporting compliance of CBWTRs concluded that several REs had not submitted complete information as available with them. Based on this analysis, a guidance note was issued to the REs in response to which a large number of CBWTRs were re-filed in FY 2020-21.

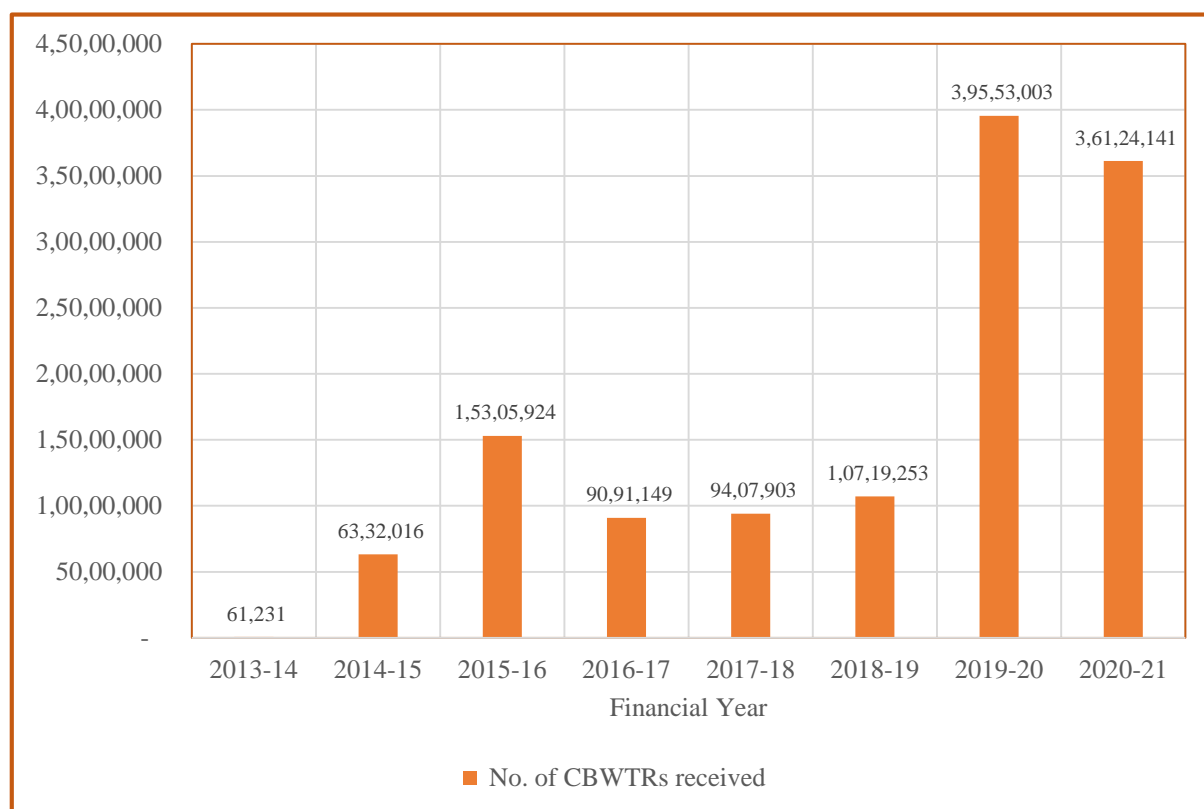


Chart 7: Year-wise receipt of Cross Border Wire Transfer Reports (CBWTRs)

3.5 NPO Transaction Reports (NTRs)

As per the Prevention of Money Laundering Act, 2002 and the Rules there under the report of all transactions involving receipts by non-profit organizations of value more than Rs. 10 Lakhs or its equivalent in foreign currency should be submitted every month to the Director, FIU -IND by 15th of the succeeding month in the prescribed format. Non-Profit

Organisation (NPO) means any entity or organisation that is registered as a Trust or a Society under the Societies Registration Act, 1860 or any similar State Legislation or a company registered under Section 8 of the Companies Act, 2013.

An analysis of total receipt of NTRs from REs during past years is presented below:

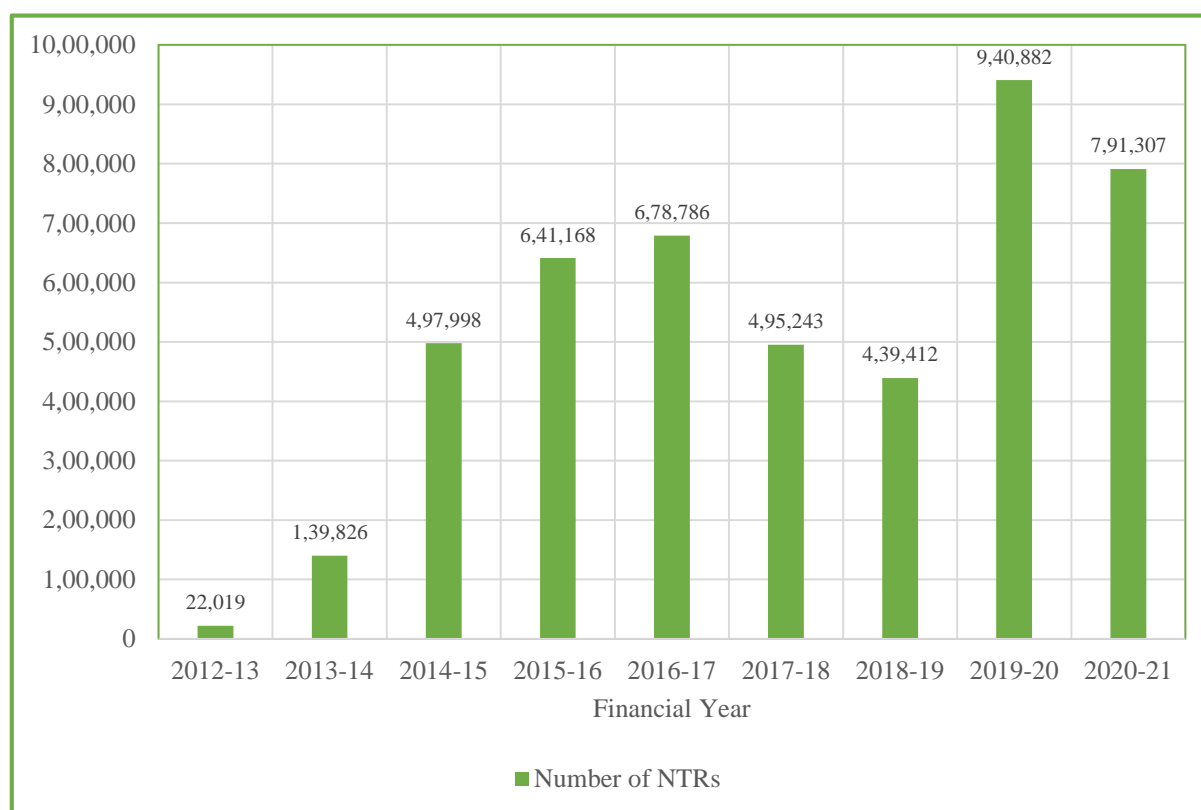


Chart 8: Year-wise receipt of NPO Transaction Reports (NTRs)

NTR analysis resulted in identification of NPOs receiving high value funds from domestic & foreign sources. Further, guidelines on correct filing of NTRs were issued to reporting entities after examining the deficiencies in existing NTRs.

3.6 Counterfeit Currency Reports (CCRs)

As per PMLA rules, Reporting Entities (REs) are required to report 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. An analysis of total receipt of CCRs from banks during past years along with its sectoral break-up vis-à-vis Public Sector Banks, Indian and Foreign Private Banks and others is presented below:

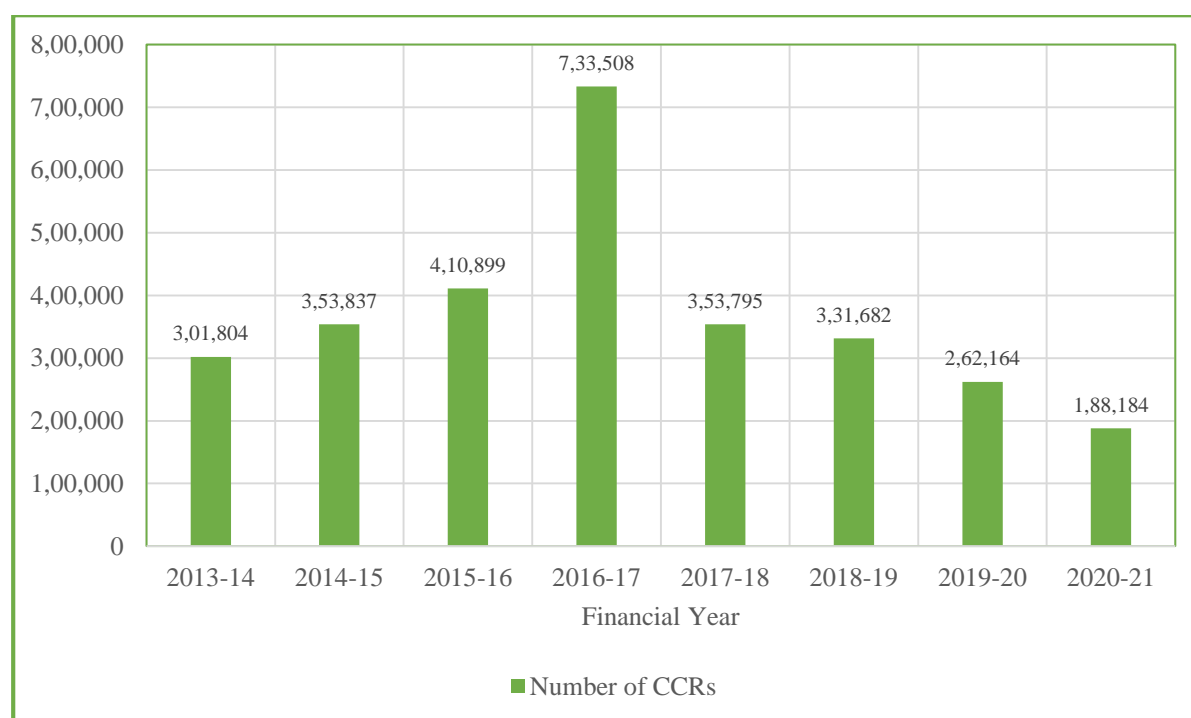


Chart 9: Year-wise receipt of Counterfeit Currency Reports (CCRs)

CHAPTER 3: COLLECTION, ANALYSIS AND DISSEMINATION OF INFORMATION

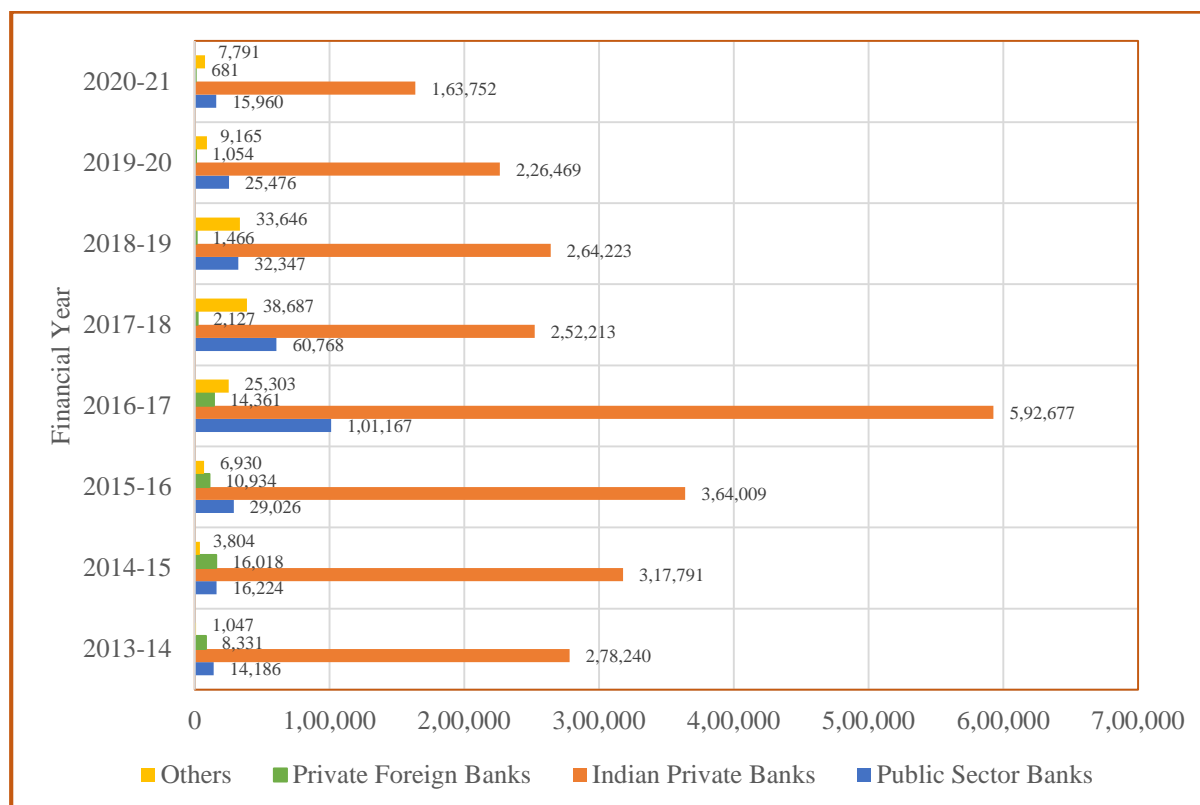


Chart 10: Sectoral breakup of CCRs received from FY 2013-14 to FY 2020-21

Chapter 4

Domestic Cooperation



CHAPTER – 4: DOMESTIC COOPERATION

4.1 Cooperation with Law enforcement/ Intelligence agencies

Each law enforcement and intelligence agency partner of FIU-INDIA has a nodal officer to deal with all issues between the organization and FIU-INDIA. FIU-INDIA organizes bi-monthly meetings with the nodal officers of the agencies for better coordination in information sharing and handling. We also participate in the meetings of Economic Intelligence Council (EIC) and Regional Economic Intelligence Councils (REICs), convened by the CEIB, and interact with the agencies of the State governments and Union Territories on a regular basis.

FIU-INDIA's database on cash and suspicious transactions are found very useful by domestic law enforcement and intelligence agencies. The agencies rely on information contained in FIU-INDIA databases not only for developing intelligence but also for strengthening ongoing investigations.

During the year, FIU-INDIA provided information in response to references on money laundering, terrorist financing, corporate frauds, organized crimes, fake/counterfeit Indian currency, tax evasion etc. as detailed in the following chart.

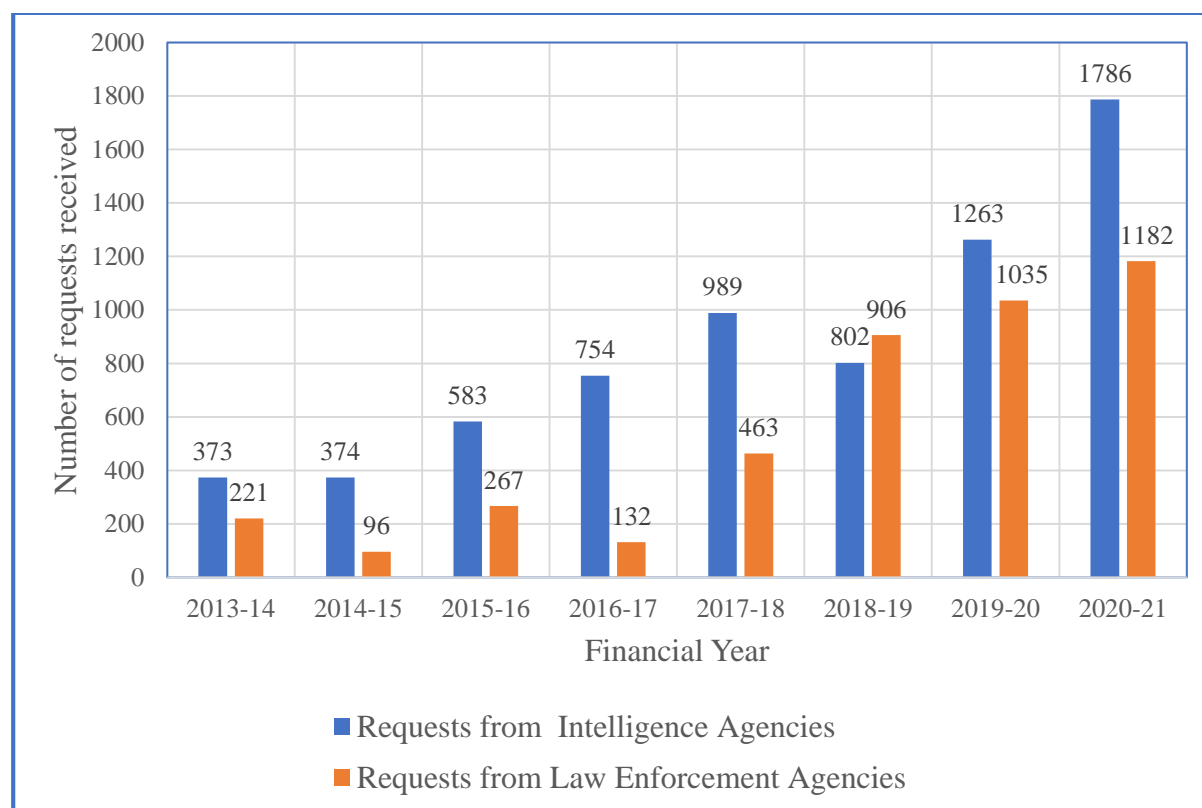


Chart 11: Number of references from domestic law enforcement/ intelligence agencies

CHAPTER – 4: DOMESTIC COOPERATION

4.2 Cooperation with Regulators

FIU-INDIA has developed a close relationship with financial sector regulators viz. Reserve Bank of India (RBI), National Bank for Agricultural and Rural Development (NABARD), Securities and Exchange Board of India (SEBI), Insurance Regulatory Development Authority (IRDA) for strengthening AML and CFT regulations and holds regular meetings with the regulators to discuss matters of common interest. These cooperation and interaction ensures that the guidelines issued by the regulators for adherence to KYC, AML and CFT norms, address FIU-INDIA's concerns. The circulars issued by above regulators are also uploaded on the website of FIU-INDIA for quick reference.

FIU-INDIA continued its regular interaction with the industry associations and self-regulatory organizations (SROs) to develop a common understanding of obligations under PMLA, and improve compliance with reporting obligations under PMLA. FIU-INDIA also interacted with the Regulators for developing indicators for industry specific suspicious transactions. Sector-specific issues were identified from trend analysis of STRs

and shared with concerned regulators for intervention. FIU-INDIA also assists regulatory authorities in training their staff to improve their understanding of AML/ CFT issues.

4.3 Other Avenues:

FIU-INDIA has entered into Memorandums of Understanding (MoUs) with partner agencies in order to provide a structural framework for enhanced cooperation and understanding. The MOU provides for protection of the information disseminated by FIU-INDIA from unauthorized use and proliferation. In pursuance of these objectives, MoUs have been signed with RBI, MCA, SFIO, CBI, NCB, CDDT, CBIC, NIA, SEBI, IRDA etc.

FIU-INDIA is also a member, and attends daily meetings, of the Multi Agency Centre (MAC) set up in the Ministry of Home Affairs specifically for exchange of terror related information.

FIU-INDIA is a member of the FICN Coordination Group (FCORD) formed by the MHA to share intelligence/information among security agencies of the states/centre to counter the problem of circulation of fake currency notes.

Chapter 5

International Cooperation



CHAPTER 5: INTERNATIONAL COOPERATION

5.1 Co-operation and exchange of information with other FIUs

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 free exchange of information and actively exchanges information with counterpart FIUs. FIU-INDIA ensures that all requests for

information are replied to, in time, including cases where no information could be found. The statistical information regarding the number of cases in which requests were made by FIU-INDIA to other FIUs and the number of cases where FIU-INDIA received requests from other FIUs is in the chart below. As is seen from the statistics, engagement with foreign FIUs has increased over the years.

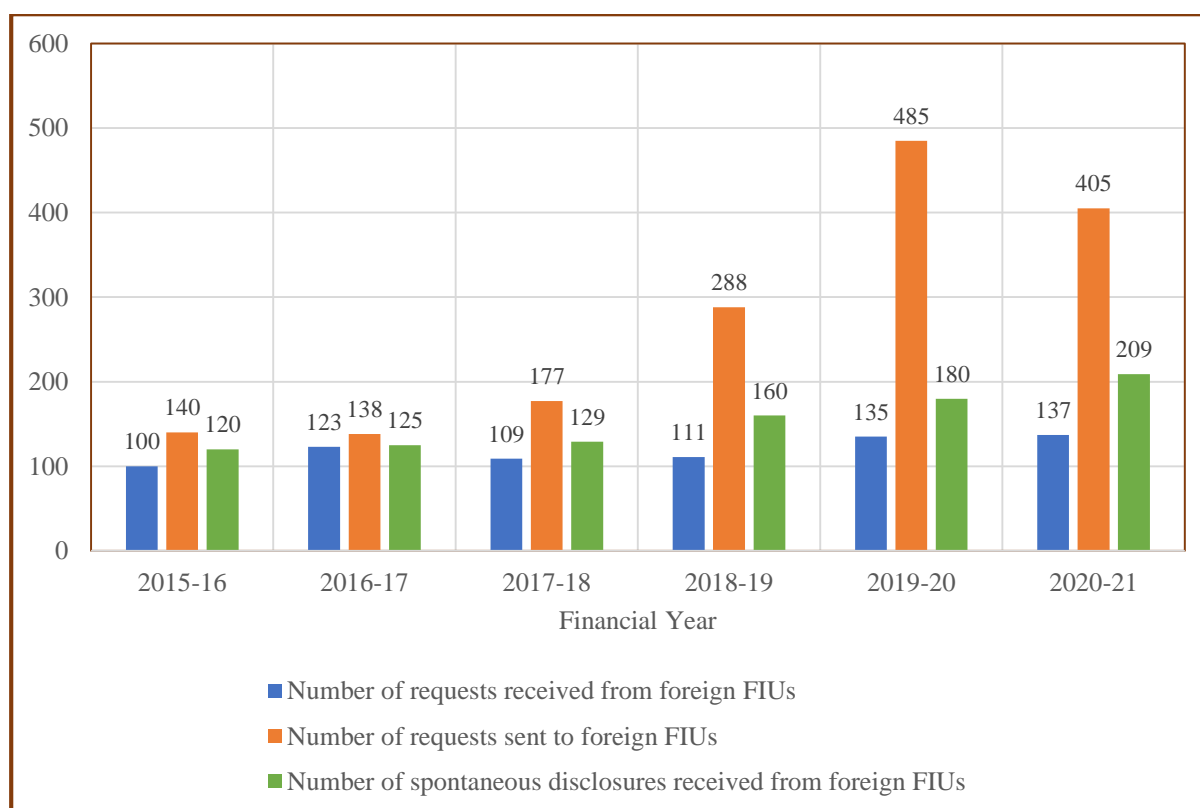


Chart 12: Exchange of information with Foreign FIUs

Although FIU-INDIA does not require signing of Memorandum of Understanding (MoU) with foreign FIUs for exchange of information and can exchange information on the basis of reciprocity, MoUs are negotiated to formalize the nature and scope of mutual co-operation, provide a

structured framework for better understanding and enhance the level of co-operation.

FIU-INDIA has initiated MoUs with several countries since 2008 resulting in signing of MoUs with 45 countries till the previous year (list attached in

CHAPTER 5: INTERNATIONAL COOPERATION

Appendix D). During FY 2020-21, MOU was signed with the FIU of Cambodia, while MoUs with other countries are under various stages of negotiation.

5.2 Joint Working Groups on Counter Terrorism

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

5.3 Leadership in Egmont Group

Shri Manoj Kaushik, Additional Director, FIU-INDIA was elected to the chair of Egmont's Membership, Support, and Compliance Working Group (MSCWG), 2020-2022. This is the first time an Indian has assumed this prestigious office. The election will enhance the role of FIU-INDIA in influencing policy matters in the Egmont Group. It also reflects credibility of FIU-INDIA globally and is a validation and acceptance of its practices and procedures.



Sh. Manoj Kaushik, Chair, MSCWG

CHAPTER 5: INTERNATIONAL COOPERATION

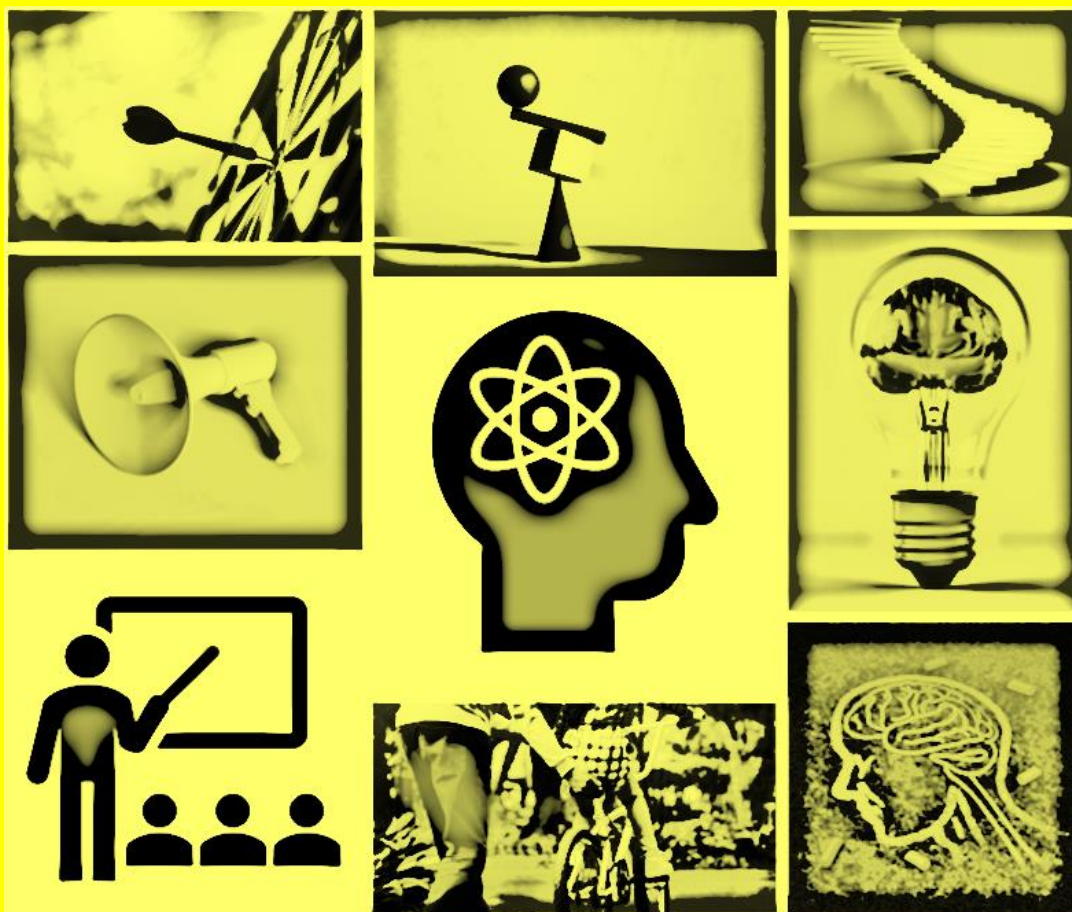
5.4 Participation in FATF meetings

Officers of FIU-INDIA have attended various meetings of FATF and its working groups viz. the Policy Development Group (PDG), the Evaluations and Compliance Group (ECG) and the Risks, Trends and Methods Group (RTMG) in October 2020 and February 2021. Director, FIU-

INDIA as head of the Indian delegation participated in FATF International Co-operation Review Group (ICRG) and Plenary meetings in June, October 2020 and February 2021. Director, FIU-INDIA as head of Indian delegation participated in the May and November 2020 Plenaries of the EAG and May 2020 Plenary of the APG.

Chapter 6

Raising Awareness and Capacity Building of Reporting Entities



CHAPTER 6: RAISING AWARENESS & CAPACITY BUILDING OF REPORTING ENTITIES

The success of an FIU depends largely on the ability of reporting entities in effectively identifying and reporting transactions. FIU-INDIA continued its focus on increasing awareness of the reporting entities about their reporting obligations under PMLA and building capacities to ensure better compliance.

FIU-INDIA has focused on developing Red Flag Indicators for different sectors in order to facilitate the process of STR reporting. The Red Flag Indicators-

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

As in earlier years, FIU-INDIA adopted a multi-pronged strategy to enhance awareness through the FIU's website, seminars and workshops. FIU-INDIA supported the regulators, industry associations, professional bodies and reporting entities by providing resource

persons for seminars and workshops organized by them. The training material prepared by FIU-INDIA is made available to all reporting entities to conduct their own training seminars.

6.1 FIU-INDIA Website

The FIU-INDIA website (<https://fiuindia.gov.in>) is a user-friendly site containing information on AML/CFT issues including 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 e-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.

6.2 Seminars and Workshops

During the year, FIU-INDIA participated in 19 workshops/seminars on AML/CFT awareness in collaboration with regulators, industry associations, professional bodies and reporting entities, in which around 2,701 persons participated.

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Seminars and Training workshops	31	38	13	11	83	68	19
Number of Participants	1,366	1,600	606	515	3,475	2,844	2,701

Table 1: Seminars and Training workshops conducted by FIU-INDIA in past years

CHAPTER 6: RAISING AWARENESS & CAPACITY BUILDING OF REPORTING ENTITIES

6.3 Review Meetings

FIU-INDIA holds review meetings are held with the Principal Officers and Designated Directors of reporting entities. Some of these meetings are in the nature of compliance reviews, where inter alia, AML/KYC policies, internal procedures of the reporting entities are reviewed and lapses if any, are henceforth communicated to the reporting entities. The representatives of regulators and industry associations are also invited to discuss industry-specific issues and develop a common understanding of issues across a sector.

Sector-specific meetings aid and assist FIU-INDIA to evaluate the AML

performance of individual reporting entities as compared with their peers, and to enable individual reporting entities to benchmark their performance. Common queries/issues of various sectors are also addressed. The following table presents statistics about review meetings conducted and number of participants engaged by FIU-INDIA during past years.

During FY 2020-21, due to the Covid-19 pandemic and social distancing protocols and safety norms, most of the review meetings were conducted through video conference supported by state-of-the-art Video Conference meeting rooms at FIU-INDIA.

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Review Meetings	29	43	16	13	13	36	12
Number of Participants	592	557	208	100	83	166	91

Table 2: Review Meetings conducted by FIU-INDIA in past years

Chapter 7

Ensuring compliance to reporting obligations under PMLA



CHAPTER 7: ENSURING COMPLIANCE TO REPORTING OBLIGATIONS UNDER PMLA

FIU-INDIA ensures compliance of the various obligations by reporting entities such as banking companies, financial institutions, intermediaries etc. as set out under the PMLA and the Rules thereunder.

Other than conducting workshops, seminars and review meetings to raise awareness among REs, FIU-INDIA undertakes compliance actions by issuing guidelines, warnings and imposing penalties.

7.1 Issuance of guidelines for correcting reporting of STRs

FIU-INDIA routinely undertakes analysis of the reports filed by various Reporting Entities (REs). During the course of such exercises to examine the correctness and consistency in reporting of STRs, deficiencies in reporting that were detected have been communicated to concerned REs from time to time. During FY 2020-21, Director, FIU-INDIA issued guidelines dated 20th January 2021, for correct reporting of STRs. In the said guidelines, it was directed that ‘Ground of Suspicion’ of STRs were required to be detailed and based on enhanced due diligence. It had to be supplemented by proper filing of ‘Details of Investigation’ field when necessitated.

Improper filing of information related to individuals and legal persons / entities was observed and pointed out to REs. REs were therefore directed to file

correct identifiers. Similarly deficiencies in transaction data in STRs were pointed out and guidelines for proper filing issued.

It was reiterated that reporting of STRs was an extremely serious obligation cast on the REs under Prevention of Money Laundering Act (PMLA). It is therefore expected from the REs that every STR was reported to FIU-INDIA only after due application of mind and after doing necessary due diligence with regard to both the customers and the transactions being reported. It was emphasized that customer profiles i.e. annual income, nature of occupation or business, turnover of business/ gross receipts from profession or service etc. were required to be regularly updated by the banks to avoid incorrect inferences.

7.2 Issuance of guidelines for correct reporting of NTRs

Under the Prevention of Money Laundering Act, 2002 (PMLA), every Reporting Entity (RE) is required to report the information in respect of transactions involving receipts by non-profit organisations of value more than Rs. 10 lakhs or its equivalent in foreign currency to FIU-INDIA by the 15th day of the succeeding month. FIU-INDIA undertook the analysis of the NTRs filed by various Reporting Entities (REs) to inter alia understand filing patterns and identify any gaps, anomalies, deficiencies or omissions during reporting. Deficiencies and gaps noted

CHAPTER 7: ENSURING COMPLIANCE TO REPORTING OBLIGATIONS UNDER PMLA

in the analysis were pointed out to REs vide guidelines issued dated 8th Feb, 2021, to avoid such misreporting in subsequent NTR filings.

These guidelines, similar to the guidelines on STRs, were issued to REs to correctly file details of accounts, transactions, individuals and legal persons or entities with proper identifiers and descriptors. REs were directed to ensure that there were no omissions in filing all fields and that the data provided should not only be correct but also clear, decipherable, unambiguous and consistent.

It was reiterated that reporting of NTRs was an important obligation cast on the REs under Prevention of Money Laundering Act (PMLA). REs were asked to understand the meaning and essence of filing an NTR and therefore must not report entities which do not come under the definition of an NPO and must not report transactions of receipts less than INR 10 lakh receipts.

7.3 RFIs issued to Banks in September 2020

PML Rules empower the Director, FIU-INDIA to issue guidelines in consultation with the concerned regulator for detecting and reporting Suspicious Transaction Reports (STRs). Accordingly, guidelines had been issued to Banks in this regard from time to time for detecting suspicious TBML transactions, the effective process of

STRs detection and reporting for co-operative banks, scheduled commercial banks, detecting suspicious transactions related to Terror Financing/ NGOs/ FICN, drug business. As part of these guidelines, Red Flag Indicators (RFIs) for generation of alerts have been issued and Reporting Entities (REs) are advised to implement these RFIs.

Director, FIU-INDIA had in FY 2019-20 constituted a Working Group to review all RFIs issued to Banks and to suggest a consolidated revised list of RFIs to be implemented by all Banks. The Working Group comprised representatives from Banks, RBI and FIU-INDIA. The Working Group submitted its recommendations to Director, FIU-INDIA and after examining the recommendations, the guidelines dated 28.09.2020 were issued to all Banks. This guideline comprises two parts – first part relates to 174 RFIs which all Banks are advised to implement, while the second part is a general guidance document on threshold setting for RFIs which Banks are advised to consider. Further, the 174 RFIs were listed under two categories – List 1 comprising of 94 RFIs which were advised to be implemented as system driven scenarios in their AML software by Banks for generation of alerts and List 2 comprising of 80 RFIs which were in the nature of offline scenarios which were advised to be considered by branches and AML department of Banks for generation of alerts outside of the AML software.

CHAPTER 7: ENSURING COMPLIANCE TO REPORTING OBLIGATIONS UNDER PMLA

These RFIs were, however, illustrative. The reporting entities were advised to implement any other RFI in addition to RFIs listed above which they felt necessary for detecting and reporting of suspicious transactions.

The Guideline also dwelt upon the issues of Alert Generation, its disposal and duties and responsibilities of the PO of the Bank in this regard.

The Guideline further emphasized the need of application of mind, due diligence and updated knowledge with regard to both the customer(s) and the transaction(s) being reported while filing STR.

7.4 Proceedings under the PMLA and PML Rules

Section 13 of the Act confers on the Director, FIU-INDIA powers to make inquiry into cases of failure by an RE to comply with the obligations on it laid under of Section 12 of the Act and the Rules thereunder. These obligations include verification of clients, maintaining records of transactions and reporting STRs, CTRs, CBWTRs, etc.

Section 13 of the Act also empowers the Director, FIU-INDIA to impose a

monetary penalty on any reporting entity for its failure to comply with the obligations enumerated under the Act and the Rules.

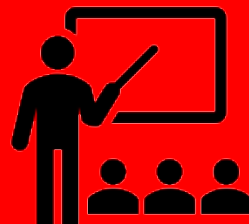
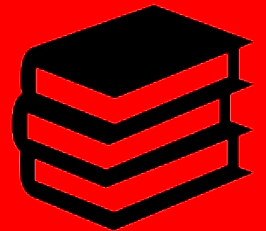
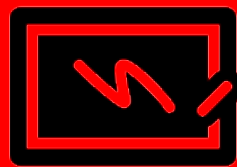
The Compliance Vertical of FIU-INDIA assists the Director, FIU-INDIA in issuing show cause notices, advisories, passing orders, levying fines in respect of reporting entities. During the Financial Year 2020-21, the Director, FIU-INDIA has:

- a) Issued 27 show cause notices to various reporting entities;
- b) Granted opportunities of personal hearing to several reporting entities;
- c) Passed 67 orders;
- d) Issued letters of directions/warning/advisory to 50 REs for their failure to comply with the provisions of the PMLA and the rules thereunder;
- e) Issued 17 penalty orders.
- f) Imposed monetary penalty aggregating INR 1.5 crores.

This demonstrates that there has been a constant endeavour by the FIU-INDIA to improve compliance of the PMLA and the rules thereunder by the reporting entities through imposition of penalty, issuance of warning, directions for taking corrective measures or advisories.

Chapter 8

Organizational Capacity Building



CHAPTER 8: ORGANIZATIONAL 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 officers and human resources. It is ensured that all the officers are well versed and updated with various aspects of Indian financial system, sector-specific laws and regulations, regulatory framework etc. FIU-INDIA continues to engage with training institutions of repute both within the country and across the globe.

8.1 Trainings and Workshops Attended

FIU-INDIA proactively and regularly works on upgrading and enhancing the skills of its employees by providing them opportunities for training on AML/CFT and related economic issues. At the same time, officials are routinely invited to deliver lectures and talks related to the work of FIU or on various topics of AML/CFT.

During the year, FIU-INDIA officials attended the following training and workshop events:

Date	Training/ Workshop	Organiser
04 Sep 2020	Lecture - "Anti Money Laundering and Combating Financing of Terrorism"	Administrative Staff College of India, Hyderabad
25 Sep 2020	Lecture - Role & Functions of FIU-INDIA, STRs - How to read STR and its use for LEAs"	NACIN, Chandigarh
06 Oct 2020	Guest speaker for online course "Enhancing Happiness Quotient in Work Sphere"	DTRTI, Delhi
12-14 Oct 2020	Online training "Investigating Economic Crimes in Securities Markets"	National Institute of Securities Markets, Mumbai
09-11 Nov 2020	Online training programme on Legal Aspects & Legal Matters	NALSAR University, Hyderabad
30 Nov 2020	Online Deep Dive Training on Cyber Security	Ministry of Electronics & Information Technology, Delhi
07-19 Dec 2020	MCTP on "Big Data, AI and Block Chain	IIT, Madras
17 Feb 2021	6th Batch of Generic Online Training Course in Cyber Security	Ministry of Electronics & Information Technology, Delhi
18-23 Jan 2021	MCTP First Phase on "Management Development"	IIM Ahmedabad
19-22 Jan 2021	Techniques of Investigation using Digital Forensics	National Academy of Direct Taxes, Nagpur
15-26 Feb 2021	INCB-Consultation on Trafficking of Dangerous Substances through Exploitation of E-Wallet Services	International Narcotic Control Bureau & NCB, Delhi
23 Mar 2021	Lecture - National/International agencies responsible for maintenance of financial data of persons, companies, FIU, CIBIL, MCA21 etc	CBI Academy, Ghaziabad
25 Mar 2021	10th Batch of Generic Online Training on Cyber Security	Ministry of Electronics & Information Technology, Delhi

CHAPTER 8: ORGANIZATIONAL CAPACITY BUILDING

8.2 Training, Review and Outreach activities conducted

FIU-INDIA regularly and proactively conducts review of REs, training and feedback sessions of LEAs and engages with other foreign FIUs to share knowledge, enhance capacity and capabilities of the participating

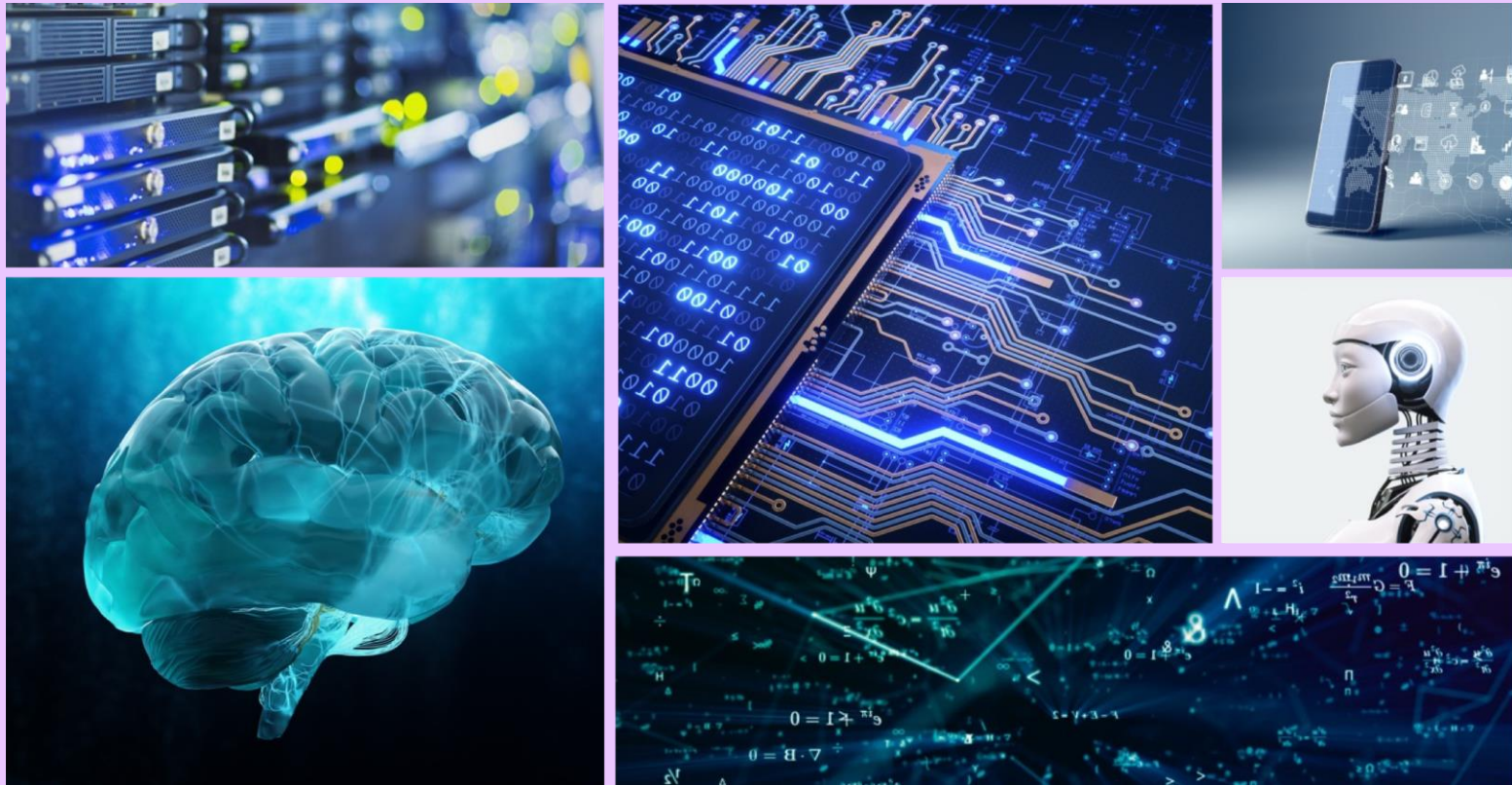
organisation and mutually gain in terms of capacity building through feedback sessions and experience sharing.

In this endeavour, FIU-INDIA officials conducted following training, review and outreach activities during FY 2020-21:

S.No.	Purpose	Topic	Organiser	Participants
1	Review by FIU	Operational analysis risk and threat report on e-wallet and Payment Bank.	FIU-India	WUMTS, Paytm, ICICI, Airtel, NPCI,
2	Training LEA	Role and functioning of FIU-India and creating awareness of STRs	FIU-India, NACIN - Chandigarh, ED, DTRTI - Bangalore, NADT - Nagpur	Officers of NACIN, ED and CBDT
3	Meeting LEA	Review meeting with CEIB and other organisations for finalization of modalities of online transmission of CDF data from CBIC to FIU-IND.	CEIB	Officers of FIU-India, CEIB and CBIC
4	Interaction with foreign FIU	Implementing International AML/CFT standards trade based money laundering and operational analysis.	FIU-India	Officers of Myanmar FIU and of ministry of home, finance and planning, Govt. of Myanmar.
5	Review by FIU	Review of credit cooperative societies and banks	FIU-India	PO and heads of cooperative societies and banks
6	Review by FIU	Finnet 2.0 Learning Management System (LMS) Training	FIU-India	PO of WUMTS and Stock Brokers
7	Training RE	Video Conference of District Cooperative Banks and State Cooperative Banks in the states of Assam, Kerala, Puducherry, Tamil Nadu and West Bengal regarding explaining SOPs for filing of STRs.	FIU-India	POs of DCBs and SCBs.

Chapter 9

Strengthening IT Infrastructure



CHAPTER 9: STRENGTHENING IT INFRASTRUCTURE

9.1 Existing Systems

FIU-INDIA's information technology called Financial Intelligence Network (FINnet) was launched in October 2012 to support the functioning of FIU-INDIA by providing a robust technological backbone and set up an efficient system to aid collection, processing and dissemination of financial data.

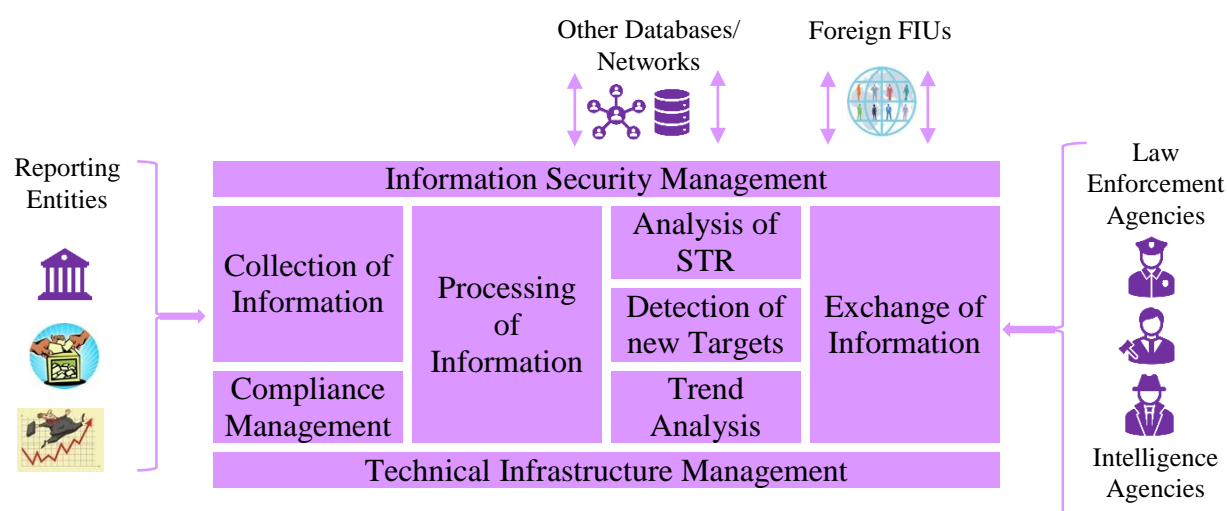
Objectives of FINnet

- Build efficient system for collection of data from Reporting Entities to reduce the lead time in processing the data.
- Build capacity to effectively analyze large number of reports and produce quality intelligence.
- Build efficient system for dissemination and exchange of information with other Agencies.
- Build adequate internal capacity in

terms of administrative support and knowledge base that will make FIU-INDIA an agile organization to meet its changing needs.

- Adopt an array of security measures and internal controls.

FINnet 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 on the one hand, and the FIU and the enforcement agencies on the other, through a secure network. The figure below provides a high level overview of the functioning of the FINnet project under these three functional areas:



FINnet enables the reporting entities to furnish reports online using its **FINgate** portal. The **FINcore** portal of the FINnet processes the reports received from the reporting entity and links all relevant reports in the database using rules of **identity and relationship resolution (IRR)**. A case

formed around an STR thus contains not only the information received from a particular reporting entity but also all relevant information/ reports furnished by other reporting entities. Thus a lot of value is added to the information received from the reporting entities before the same is

CHAPTER 9: STRENGTHENING IT INFRASTRUCTURE

disseminated to the agencies for investigation through the **FINex** portal of the FINnet.

FINex is the primary platform for two-way electronic exchange of information with the domestic agencies. The module has functionality for uploading bulk requests by the domestic agencies. FIU-INDIA holds regular workshops and demonstration of the functionalities of FINex, including its bulk request utility, to explain this information exchange framework.

Since it went live in 2012, FINnet has witnessed a reassessment of processes and technology as necessitated by changes in the legal and operational framework. Its operations have stabilized and it is able to process more than 50,000 reports per day.

However, keeping in view the exponential growth in the information received in FIU-INDIA over the years, and evolving regulatory & technological changes, FIU-INDIA has conceptualized a major upgrade of FINnet, called **FINnet 2.0** to increase the effectiveness of its operations. FINnet 2.0 will adopt the latest technology to cater to the growing sophistication of analytical and data processing needs of FIU-INDIA.

9.2 FINnet 2.0

FINnet 2.0 has been conceptualized to accommodate complete technology refresh of the existing FINnet system followed by augmentation with new components and functionalities to increase the efficiency and effectiveness of the FINnet ecosystem.

This will encompass the redevelopment and revamp of the existing FINnet application, redesign of processes to improve compliance, and strengthening of the strategic and tactical analysis capabilities of FIU-INDIA. The core objectives of this project will include:

- Building a more efficient system for collection of data from reporting entities, reducing case backlogs and improving the user experience.
- 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.
- Building efficient and intelligent mechanisms for dissemination and exchange of in-formation with other agencies.
- Equipping law enforcement agencies with analytical tools for enhanced analysis of the cases disseminated to them.
- Setting up of a training cell and Learning Management System to conduct online and classroom trainings and enable continuous learning for all users in the FIU ecosystem.
- Setting up of a 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.

CHAPTER 9: STRENGTHENING IT INFRASTRUCTURE

As a part of the exercise to identify the functional requirements for FINnet 2.0, various stakeholder interactions and workshops were conducted to

understand the challenges faced by users while using the existing system and their expectations from FINnet 2.0.

9.3 Target Beneficiaries

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

Financial Intelligence Unit	<p>Adoption of global best practices and procedures for operational transformation led by technology</p> <ul style="list-style-type: none">➤ Enhanced and improved validations on the input reports➤ Capability to handle increased workload➤ Advanced analysis powered by best-in-class technology➤ Improved compliance and continuous handholding➤ Better utilization of Government resources in areas of value-added services, on account of outsourcing of non-core activities
User groups (REs, FIU analysts and Approvers)	<ul style="list-style-type: none">➤ Uniform and well-defined processes➤ Additional data sources for continuous learning and awareness➤ Trainings for requisite skill enhancement➤ Improved employee skills and domain expertise due to increased focus on core activities
LEAs	<ul style="list-style-type: none">➤ Quick and speedy dissemination of relevant cases➤ Better turnaround time for ad hoc requests➤ Better usability and configurability of LEA facing functionalities➤ Seamless, Omni channel communication framework for all interactions

9.4 The Way Ahead

1. A digitally incisive & comprehensive Nodal Intelligence Framework

Project FINnet 2.0 encapsulates certain associated modules and capabilities as per best international practices which will augment FIU-INDIA's core operations. These modules including Strategic Analysis Lab (SAL), Training Cell and Learning Management System (LMS), Unified Communication Cell (UCC) are expected to be operational shortly. The FINGate 2.0 system is also

expected to be operational for the Reporting Entities by August 2021.

2. Early detection, containment and investigation of money laundering cases

The envisaged system shall allow the FIU-INDIA to conduct faster processing of reports and generation of cases, thereby reducing the lead time between reporting and dissemination of cases.

3. Increased focus on strategic analysis

FIU-INDIA is built on three pillars namely – Strategic, operational and

tactical analysis. The operations tasks are proposed to be supported by state-of-the-art technology. This would provide depth and bandwidth to focus on strategic and tactical initiatives FIU-INDIA. New typologies can be devised, frequent review of red flags can be done, and new sectors can be identified to combat money laundering and terrorist financing in the nation.

Strategic Analysis Lab (SAL) has been envisioned to act as a focused group dedicated to providing strategic support to FIU-INDIA by conducting research in the Anti-Money Laundering (AML) space and exploring innovation in this domain. The lab is expected to conduct research on the best practices adopted by other FIUs. The lab will comprise AML Experts and Data Scientists, who will spearhead different projects on an ongoing basis.

4. Outreach Diversification & Ease of Communication

The Training Cell is also expected to go-live in March-April 2021 and will facilitate continuous capacity building of REs, LEAs and FIU users through online and offline trainings on all relevant topics including Prevention of Money Laundering Act (PMLA) and rules, reporting obligations, AML measures and best practices, money laundering typologies etc. The LMS is being designed by keeping in mind the innovations that have revolutionized online learning platforms and also by an empathetic needs analysis of the varied financial sectors in which the Reporting Entities operate.

The UCC will dedicatedly provide support to all user groups and address their issues related to report submission, case dissemination, user creation etc. on a continuous basis. Additionally, the UCC will also support the users through Virtual Assistant (VA), IVRS cum agent driven assisted grievance redressal. The UCC is expected to be operational by August 2021.

Appendix-A: Staff strength of FIU-INDIA

Post	Sanctioned strength	Working as on March 31, 2021
Director	1	1
Additional Director / Joint Director	10	9
Technical Director	1	1
Joint Director Systems	1	0
Deputy Director Systems	2	0
Deputy / Assistant Directors	21	12
Assistant Director Systems	6	0
Group B, C & D	33	10
Total	75	33

** In addition, 25 persons were working on contract basis, to make up the shortfall in regular appointments.*

FIU-INDIA Team: List of Officers as on 31.03.2021

Director

Pankaj Kumar Mishra

Additional Directors

Priya Sahu

Manoj Kaushik

Manish Kumar Hairat

Srujani Mohanty

Chaitanya Shukla

Sanjay Kumar

Shailesh Thakur

Joint Director

Vinod Kumar

Salil Bijur

Technical Director (NIC)

Hemant Kumar

Deputy Directors

Jasvinder Singh

Rajan Kanojia

Satyeshwar Prasad Uniyal

Devi Sahai Misra

Himanshu Roy

Amrit Agrahari

Nikita Garg

Arjun Pradhan JMT

Nitin Kuraen

Ibu Sanjeeb Garg

Swati Bhanwala

Vidhi Choudhary

Consultants

Sushil Kumar

Kumar Binay Singh

Manish Kumar

S D Sharma

NK Saraswat

Onkar Tripathi

Vignyaneshwar Shukla

Rajbir Singh Dhankar

VK Singh

Appendix-B: Important Amendments Rules/Notifications under PMLA

Date	Notice No.	Description
01.07.2005	1/2005	Appointed 1st July 2005 as the date on which all the provisions of the Prevention of Money Laundering Act, 2002 (PMLA) shall come into force.
01.07.2005	2/2005	Appointed an Adjudicating Authority to exercise jurisdiction, powers and authority conferred by or under the PMLA. The Adjudicating Authority shall consist of a Chairperson and two members and shall function within the Department of Revenue, Ministry of Finance of the Central Government with Headquarters at Delhi.
01.07.2005	3/2005	Specified that the New Delhi Bench of the Adjudicating Authority shall exercise jurisdiction, powers and authority conferred by or under the PMLA over the whole of India.
01.07.2005	4/2005	Established an Appellate Tribunal at New Delhi to hear appeals against the orders of the Adjudicating Authority and the authorities under the
01.07.2005	5/2005	Conferred certain exclusive and concurrent powers under the PMLA to the Director, Financial Intelligence Unit, India.
01.07.2005	6/2005	Conferred certain exclusive and concurrent powers under the PMLA to the Director of Enforcement.
01.07.2005	7/2005	Specified Rules relating to the manner of forwarding a copy of the order of provisional attachment of property along with the material, and the copy of the reasons along with the material in respect of survey, to the Adjudicating Authority and its period of retention by the Adjudicating Authority.
01.07.2005	8/2005	Specified Rules for receipt and management of confiscated properties.
01.07.2005	9/2005	Specified Rules for maintenance of records of the nature and value of transactions, the procedure and manner of maintaining and time for furnishing of information and verification of records of the identity of the clients of the banking companies, financial institutions and intermediaries of securities market.
01.07.2005	10/2005	Specified Rules relating to the Forms, search and seizure and the manner of forwarding a copy of the reasons and the material relating to search and seizure and search of person to the Adjudicating Authority, impounding and custody of records and the period of retention thereof.

01.07.2005	11/2005	Specified Rules relating to the Forms, the manner of forwarding a copy of the order of arrest of a person along with the material to the Adjudicating Authority and the period of retention thereof by the Adjudicating Authority.
01.07.2005	12/2005	Specified Rules relating to the manner of forwarding a copy of the order of retention of seized property along with the material to the Adjudicating Authority and its period of retention by the Adjudicating Authority.
01.07.2005	13/2005	Specified Rules for the manner of receiving the records authenticated outside India.
01.07.2005	14/2005	Specified Rules for the purpose of appeals under PMLA.
13.12.2005	15/2005	Amended Rules 5, 7, 8 and 10 of the Rules notified by Notification No. 9/2005
27.06.2006	6/2006	Specified the authorities to whom Director, FIU-INDIA can furnish information under Section 66 of the PMLA.
24.05.2007	4/2007	Amended definition of suspicious transaction (Rule 2), counterfeit currency transaction [Rule 3(1)(c)], due dates for furnishing reports (Rule 8) and requirement of verification of the records of the identity of clients (Rule 9)
12.11.2009	13/2009	Amended Rule 2, 3, 5, 6, 7, 8, 9 and 10 of the Rules notified by Notification No. 9/2005.
12.02.2010	67/2010	Amended requirements of maintenance of accounts and definition of beneficial owner.
16.06.2010	10/2010	Amended Rule 2, 9, & 10 to include explanation to the definition of 'Suspicious Transaction' as transaction involving financing of activities related to terrorism, obligation to determine beneficial owner, ongoing due diligence, prohibition of keeping or opening anonymous or fictitious accounts, etc.
16.12.2010	14/2010	Amended Rule 2 & 9 to expand the list of 'officially valid documents' (Rule 2) by including letter issued by NREGA and Aadhaar Number issued by UIDAI and inserted provisions to enable opening of 'small account'.
24.06.2011	6/2011	Amended the name of PML rule as notified vide Notification No 9/2005 to 'The Prevention of Money Laundering (Maintenance of Records) Rules, 2005'.
27.8.2013	12/2013	Prevention of Money-laundering (Maintenance of Records) Amendment Rules, 2013 notified.
24.09.2014	DL33004/1999	Notified that any person carrying on the business, either on its own behalf or on behalf of the reporting entities, of storing, safeguarding and retrieving the records of the documents shall be deemed to be a person carrying on designated business or profession.

01.04.2015	Finance Act, 2015 (20 of 2015)	<ul style="list-style-type: none"> The definition of “proceeds of crime” was widened to include property taken or held outside the country as a result of criminal activity. In case of offences specified under Part B of the Act, value involved in such offence was increased from Rs.30 Lakhs to Rs.1 Crore. Amendments were made in sections 5, 8, 20, 21 & 60 of the Act. In the Schedule to the Act after Part A, Part B was added which includes Section 132 – false declaration, false documents etc. of the Customs Act, 1962.
07.07.2015	GSR, 544(E) & 730(E)	<ul style="list-style-type: none"> The definition of “Central KYC Records Registry” was incorporated in rule 2(1)(aa) and related changes were made in rules 2(1)(ca), 9(1), 9(2), 9A, 10(1) & 10(2). Other changes included explanation of the term Managing Director and Whole time Director in accordance with the Companies Act, 2013; inclusion of National Population Register in the list of “officially valid document”; validity of documents like utility bill (electricity bill, telephone bill, postpaid mobile phone bill, piped gas bill, water bill etc.) in case of simplified measures. Vide another amendment in Rule 7(3), Director FIU was empowered to issue guidelines in consultation with
11.09.2015	GSR 693(E)	The period for setting up of Central KYC Records Registry for the purpose of receiving, storing, safeguarding and retrieving the copies of KYC obtained by the reporting entities from their client was enhanced from 30 days to 90 days
22.09.2015	GSR 730(E)	In Rule 2(1)(d) of the Prevention of Money laundering (Maintenance of Records) Rules, 2005 explanation in respect of Officially valid document was provided
18.11.2015	GSR 882(E)	The period for setting up of Central KYC Records Registry for the purpose of receiving, storing, safeguarding and retrieving the copies of KYC obtained by the reporting entities from their client was enhanced from 90 days to 180 days
17.02.2016	GSR 136(E)	Defence Intelligence Agency was added under section 66 of the Prevention of Money Laundering Act, to whom information can be disseminated.
12.04.2017	GSR 347(E)	Amendment were made in Rule 2(1)(fa) of the Prevention of Money laundering (Maintenance of Records) Rules, 2005 vide which the definition of Regulator was inserted. Another rule viz. 9B relating to Inspection by RBI was inserted in the abovementioned rules.

01.06.2017	GSR 538(E)	<p>It provided for submission of Aadhaar and Permanent Account Number within stipulated time period, at the time of commencement of an account based relationship with a reporting entity by the clients and also for those clients already having an account based relationship with reporting entities prior to date of this notification</p> <p>It also provided for cessation of operation of account in case of failure of compliance of the rules by the clients.</p>
04.05.2018	3/2018	Designated the Multi-State Co-operative Society registered under the Multi-State Co-operative Societies Act, 2002 (39 of 2002) as a “person carrying on designated business or profession”.
08.05.2018	GSR 437(E)	National Technical Research Organization (NTRO) added under section 66 of the Prevention of Money Laundering Act, to whom information can be disseminated.
25.07.2018	GSR 674(E)	Military Intelligence added under section 66 of the Prevention of Money Laundering Act, to whom information can be disseminated.
13.02.2019	GSR 108(E)	Amended rules in Prevention of Money-laundering (Maintenance of Records) Rules, 2005 in respect of Aadhaar number
23.07.2019	Ins. by Act 14 of 2019, S.27 (w.e.f. 25.07.2019)	Section 11A regarding Verification of identity by Reporting Entity.
01.08.2019	Ins. by Act 23 of 2019, S195(w.e.f. 01.08.2019)	Section 12AA regarding enhanced due diligence
01.08.2019	Ins. by Act 23 of 2019, S195(w.e.f. 01.08.2019)	Section 72A regarding constitution of Inter-Ministerial Coordination Committee
28.12.2020	GSR 798(E)	Notifies the “Real Estate Agents”, as a person engaged in providing services in relation to sale or purchase of real estate and having annual turnover of Rupees twenty lakhs or above, as “persons carrying on designated businesses or professions”.
28.12.2020	GSR 799(E)	Notifies the dealers in precious metals, precious stones as “persons carrying on designated businesses or professions” – if they engage in any cash transactions with a customer equal to or above Rupees ten lakhs, carried out in a single operation or in several operations that appear to be linked.

Appendix C: Obligations of Reporting Entities under PMLA

Obligation	When
Communicate the name, designation and address of the Designated Director and Principal Officer to FIU-INDIA	At the time of appointment/ change of Designated Director and Principal Officer
Formulate and implement a Client Due Diligence (CDD) Programme to determine true identity of clients	Initially and in pursuance of any change being prescribed by the Regulator
Identify the client, verify their identity and obtain information on the purpose and intended nature of the relationship	At the time of commencement of account-based relationship and after commencement of the account-based relationship
Verify identity of the client	At the time of carrying out a transaction for an amount equal to or exceeding Rupees fifty thousand or any international money transfer operation
Determine whether a client is acting on behalf of a beneficial owner and identify the beneficial owner and take all steps to verify the identity of the beneficial owner	At the time of commencement of the relationship and at the time of any change in beneficiary/ authorized person
Obtain a certified copy of documents in evidence of identity and address and a recent photograph and other documents in respect of the nature of business and financial status of the client (as may be prescribed by the Regulator)	At the time of commencement of account-based relationship and after commencement of the account based relationship
Evolve internal mechanism for maintaining and furnishing information	Ongoing
Maintain record of all transactions that allows reconstruction of individual transactions including the nature of transaction, the amount and currency of transaction, the date of the transaction and the parties of the transaction	Ongoing

Examine transactions and to ensure that they are consistent with the business and risk profile of the customer	As an ongoing due diligence
Furnish Cash Transaction Report (CTR) to FIU-INDIA containing specified cash transactions	Within 15th day of succeeding month (Monthly Reporting)
Furnish Counterfeit Currency Report (CCR) to FIU-INDIA Furnish report in respect of Non-Profit-Organizations (NPOs)	Within 15th day of succeeding month (Monthly Reporting)
Furnish Suspicious Transaction Report (STR) to FIU-INDIA containing details of all suspicious transactions whether or\ not made in cash, including attempted suspicious transactions	Within 7 working days on being satisfied that the transaction is suspicious.
Furnish Cross Border Wire Transfer Report to FIU-INDIA containing specified cross border transactions	Within 15th day of succeeding month (Monthly Reporting)
Furnish Report on Registration of Properties to FIU-INDIA (by Registrar and Sub-Registrar of Properties)	Every Quarter by 15th day of the month succeeding the quarter
Maintain records of identity of clients	For a period of 5 years after the business relationship between a client and the reporting entity has ended or the account has been closed whichever is later.
Maintain records of all transactions	For a period of 5 years from the date of transaction between a client and the reporting entity
Keep the information maintained, furnished or verified confidential	Ongoing

Appendix D: List of MoUs Signed till 31.03.2020

Sl.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
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

Sl.No.	Name of Foreign FIU	Date of signing of the MOU
34	Tazikistan	17-12-2016
35	Bahrain	01-02-2017
36	Vatican City State	01-02-2017
37	Macedonia	07-04-2017
38	Myanmar	15-07-2017
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

Glossary

AML	Anti -Money Laundering	NABARD	National Bank for Agriculture and Rural Development
APG	Asia Pacific Group on Money Laundering	NCB	Narcotics Control Bureau
CBDT	Central Board of Direct Taxes	NIA	National Investigation Agency
CBIC	Central Board of Indirect Taxes & Customs	NTR	Non- Profit Organisation Transaction Report
CBI	Central Bureau of Investigation	PFRDA	Pension Funds Regulatory and Development Authority
CBWTR	Cross Border Wire Transfer Reports	PMLA	The Prevention of Money Laundering Act, 2002
CCR	Counterfeit Currency Report	PO	Principal Officer
CDD	Client Due Diligence	RBI	Reserve Bank of India
CFT	Combating Financing of Terrorism	RE	Reporting Entity
CTR	Cash Transaction Report	REIC	Regional Economic Intelligence Committee
DCB	District Cooperative Bank	RFI	Red Flag Indicators
DRI	Directorate of Revenue Intelligence	SCB	State Cooperative Banks
EAG	Eurasian Group	SEBI	Securities and Exchange Board of India
ED	Enforcement Directorate	SFIO	Serious Fraud Investigation Office
FATF	Financial Action Task Force	STR	Suspicious Transaction Report
FINex	FINnet Exchange	TBML	Trade Based Money Laundering
FINnet	Financial Intelligence Network	UAPA	The Unlawful Activities (Prevention) Act
FIU-INDIA	Financial Intelligence Unit, India	WUMTS	Western Union Money transfer Service
IRDA	Insurance Regulatory and Development Authority Act,1967		
JWG	Joint Working Group		
KYC	Know Your Customer		
LEA	Law Enforcement Agency		
MAC	Multi Agency Centre		
MCA	Ministry of Corporate Affairs		
MoU	Memorandum of Understanding		
NTRO	National Technical Research Organization		

Disclaimer: The information provided in the Annual Report 2019-20 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.