AN INTERNSHIP REPORT

ON

MONEY LAUNDARING AND ITS PREVENTION POLICY: A CASE STUDY OF SONALI BANK LIMITED

This report is submitted to the Department of Accounting, Hajee Mohammad Danesh Science and Technology University (HSTU) in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA).

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July, 2016

Letter of transmittal

July 21, 2016
Saiful Islam
Assistant Professor
Department of Accounting
Hajee Mohammad Danesh Science and Technology, University

Subject: Submission of Internship Report.

Dear Sir,
It is a great pleasure to submit the Internship report on **“Money Laundering and its Prevention Policy: A case study of Sonali Bank Ltd.”** as the fulfillment of partial requirement of the MBA program.

The topic that you gave me is really an important fact for the Accounting students. With the textual studies, acquiring practical orientation of the country knowledge of which you have created a big chance for me that must help to work with efficiency in future.

I appreciate having this report. I have prepared this report with sincerity and serious efforts. If you need any further assistance in interpreting or in implementing this report, I will try my best to make myself available at your convenience.

Sincerely yours

………………………
Mst. Kaniz Fatema
Student ID: 1505137
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To Whom It May Concern

This is to certify that Mst. Kaniz Fatema a student of MBA Department of Accounting, bearing student ID 1505137 completed an internship report entitled on **“Money Laundering and its Prevention Policy: A case study of Sonali Bank Ltd”** under my supervision.

I also certify that I have gone through the draft copy of the report. Thoroughly found it satisfactory for submission to the department as a part of partial fulfillment of MBA Degree.

I recommend that the report is to submit for awarding the degree of Master of Business Administration, Hajee Mohammad Danesh Science and Technology University Dinajpur.

I wish every success in her life.

…………………..
Saiful Islam
Supervisor
and
Assistant Professor
Department of Accounting
Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200

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…………………..................

Dr. Shaikh Mostak Ahammad
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Acknowledgement

Thanks to al-mighty Allah for blessing in completing the report within the scheduled time. In such a way, my report would not have been done without the sincere and utmost co-operation of some individuals to whom I am very grateful.

First of all, I would like to express my deepest sense, respect and affection to my honorable supervisor Saiful Islam and co-supervisor Dr. Shaikh Mostak Ahammad for giving their valuable time and sincere guidance during the study period, which has greatly inspired me in preparing this report.

I would like to extend thank to human recourse department, authority of Sonali bank Ltd. Who allow me, to carry out internship on this bank. I also grateful to all of officers and staffs of Sonali Bank Ltd. Kaunia Branch, Rangpur by giving me time and advice to gather information about money laundering and its prevention policy and help to prepare this report.

I would like to express thanks to all of my course teachers and the department for sponsoring such an academic work.

Finally, I am indebted to my family, a permanent source of inspiration for all of my works and achievements.

………………………

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Abstract

This report completed money laundering and its prevention policy of commercial banks in Bangladesh. Most of the money laundering occurred through financial institutions like banks, That's why Sonali Bank Ltd. (as a largest commercial bank in Bangladesh) is selected to gather information about money laundering and its prevention policy to prepare this report. This report is completed by a descriptive analysis based on primary and secondary data. As money laundering is a sophisticated and dynamic crime, the criminals continuously take innovative processes to use the financial system to launder money. This study focuses on the techniques which are used to launder money in Bangladesh are bank capture, cash smuggling, offshore accounts (shell banks), underground banking, gambling, investing in legitimate business, round-tripping and structuring. In developing countries like Bangladesh, it is more difficult to combat money laundering than developed countries because of inadequate regulatory environment and vulnerable financial system. Bangladesh Bank issues guidelines to facilitate the implementation of prevention of money laundering act. According to the guideline, all financial institutions have to develop anti-money laundering policy to ensure safety and soundness of their institutions. To reduce the money laundering in Bangladesh, all financial institutions should develop a strong technical anti money laundering policy and should follow the guidelines of central bank in case of daily transactions, record keeping and account opening.

Chapter 01
Introduction

1.1 **Origin of the report:**

This report has been prepared as a study on "Money laundering and its prevention policy: A case study of Sonali Bank Ltd." as a part of the fulfillment of course requirement of MBA. The report has prepared under the supervision of Saiful Islam, Assistant professor of Department of Accounting and Dr. Shaikh Mostak Ahammad, Associate professor, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur. I am very much thankful to them for assigning me with such type of practical issue that has enhanced my knowledge and experience.

1.2 **Objectives of the report:**

The main objective of the study is to present the clear and complete overview of the money laundering and its relationship with terrorist financing and to give an idea about Sonali Bank's Anti money laundering policy and its degree of compliance with Guideline issued by Bangladesh Bank.

Again some other objectives which will be fulfilled through this study are given below:

1) To explain the definition, reasons and stages of money laundering according to the law.
2) To explain the effect of money laundering on economy of Bangladesh.
3) To gather knowledge on such an important issue that is essential to be known by all the conscious citizens.
4) To describe the reasons behind combating money laundering.
5) To give an idea about The Sonali Bank's Anti-money laundering policy.
6) To show the terrorist financing through money laundering.
7) To make some suggestions after identifying the limitations of the policy.

1.3 Literature review:

To know the money laundering and development of organized crime is done by a few researchers, only. One of the most well known economists doing macro estimates of the size and development of money laundering is John Walker (2007, 2004 and 1999). His model of global money laundering is based on standard economic theory, in which he tries to develop an international input-output-model. Walker determines the laundering pathways by an "attractiveness index", which is based on a range of factors that express the opportunities and risks presented by the financial sectors/institutions in each country. He claims that his approach to quantify money laundering is arguably superior to those based on analysis of financial transactions, since there is no potential for the double counting inherent in the layering and placement stages of money laundering processes. The model defines the types of data and analyses the need to be generated in order to effectively model global transnational crime and money laundering. He argues that attacking the economics of crime can be an effective transnational crime prevention strategy and that economists can play a valuable role in monitoring and combating transnational crime and money laundering.

Agarwal and Agarwal (2004) study the extensive money laundering in the banking sector, claiming that electronic transfers greatly facilitated and magnified the scale of international money laundering through banks. They conclude that the international scale of money laundering needs to be assessed by the IMF and World Bank through a more comprehensive and integrated approach.

De Boyrie and Zdanowicz (2005) study the impact of Switzerland's money laundering law on the movement of money through false invoicing in international trade between the US and Switzerland during the period 1995-2000. The study supports the view that individuals and companies will find substitute techniques and channels to launder money when central banking authorities enact legislation that only focuses on financial institutions.

Levi (2002) examines the definitions of "money laundering’ and the role its regulation plays in dealing with drug markets. He claims that prevention of laundering would reduce incentives to become major criminals, as he discusses the laundering techniques used with drug money. He also confirms the impact of anti-laundering efforts on enforcement resources, organized crime markets, and drug consumption.

Masciandaro (2005) theoretically discusses and empirically tests the relationships between specific country features, policymaker choices, toward tax financial regulation and national non co-operative attitude with respect to the international effort to combat money laundering phenomena.

Schneider (2004) examines how the financial proceeds of organized criminal activity are laundered through the Canadian real estate market. He believes that real estate can be used as a monetary laundering vehicle as a host of mechanisms commonly used with real estate transactions can frustrate efforts to unearth the criminal source of funds, such as nominees, fake mortgages, solicitor-client privilege, and legal trust accounts.

Swamy (2000) presents detailed case studies of money laundering in Russia (focusing on capital flight) and in Nigeria (focusing on the collapse of the London-based Johnson Matthey Bank) and proves that the exercise of preparing conventional financial statements year after year by accountants for companies/organizations is a theoretical exercise in futility. She, subsequently, comes out with a new approach to financial statements analysis to fit into real business life situations. Money laundering has severe adverse economic consequences for a country such as: variations in monetary demand and interest rates, exchange rate volatility. Moreover, tax collection is adversely affected and public resources are misallocated as registration information is forged, confidence in financial markets is eroded and the design of public policies is distorted.

1.4 Methodology:

This report is completed by a descriptive way which basic foundation comes from primary and secondary sources of data.

Primary Source: Data ware collected from primary sources in these ways:

1) By talking face to face contact with some experienced people in the bank.
2) By scrutinizing the various laws in this field.
3) Bangladesh bank's guideline book on anti money laundering (AML).
4) By self-observation of some sites related to money laundering.

Secondary Source: Data were collected from secondary sources by the following ways:

1) Different trustworthy and reliable websites worked as our prime secondary sources of data.
2) The recent articles and news related to this field.
3) Different written document of Sonali Bank Limited Website.

1.5 Limitations of the report:

On the way of my study, I have faced some challenges that have been termed as the limitations of this study. These are followings:

1) This report is not enough to know the detail information about money laundering and terrorist financing.
2) Validity and reliability of the obtained information depends on the responses from the respondents.
3) Especially there was a little information about money laundering situation in Bangladesh in any of the journals or reports or websites available.
4) Have no opportunity to visit Bank's Anti-Money Laundering divisions and different branches to learn the process practically.
5) Relevant data and document collection were difficult due to the organizational confidentiality.
6) Inappropriateness and Scarcity of evidence lacked our practical representation of analysis.

In spite of those limitations, I have tried my best to prepare the report with available information collected from bank and other sources.

Chapter 02
Relationship Between Money Laundering and Banking Sector

2.1 Money laundering and financial sector:

As we have seen that transaction to avoid reporting requirements has been defined as money laundering. Let us now see who are to reports, that is, which are reporting agencies:

a) Bank/Financial Institutions;

b) Insurance Companies;

c) Money changers;

d) Companies remitting money;

e) Any such organization declared by Bangladesh Bank.

Throughout the world, banks have become a major target of money laundering (ML) operations and financial crimes because they provide a variety of financial services and instruments that can be used to conceal the actual source of money.

Money Launderers attempt to conceal their real identity to the bankers with their polished, articulate and disarming behavior, convert their dirty money into white money. Launderers generally use the financial system in two stages to disguise the origin of the funds. First, they place their ill-gotten money into financial system to legitimize the funds and introduce these funds in the financial system and second, after injecting the dirty money into the financial system, through a series of transactions, they distance the funds from illegal source. Therefore, the financial institutions through whom the dirty money is laundered become unwitting victims of this crime.

Money Laundering may hamper the reputation of the financial institution and may increase the operational risk of the banking firm when banking firm itself involved with the launderer or in criminal activities. Thus, without even involvement in any criminal offence, money laundering may be a cause of failure of banking (financial) sector of an economy. People may lose their confidence on the banking system. Such confidence failure towards the formal sector may increase the activities of informal financial firm. The growth of activities of the informal sector might again increase the possibility of money laundering such as credit union, hawala remittance systems etc.

Money laundering shifts the economic power to the criminals. In such a situation, criminals may use their economic power to undertake the operation of the financial firm of the country and may use the fund of the depositors to do more criminal activities. Therefore, the scarce financial resources of the developing country may be used for the criminal activates of few launderers, instead of productive investment of the economy. Such criminal activities can lead to more terrorism against humanity. Even, money laundering and terrorist financing can threaten financial stability and economic prosperity, adding to the gravity of the underlying crimes. In the extreme scenario, money-laundering activity undermines capital formation within developing economies.

The increased use of online banking reduces the cost and time of the customers and increases the profitability of banking firm with faster banking service to the customers. The money launderers use the online transaction as a method of money laundering and therefore, reduce the confidence of the customers and the profitability of the banking firm. To combat cyber crimes regulations and technologies related to online banking needs to keep updated by the regulators. As a result the, both the users and the service providers might face additional cost for online transactions.

The following things in our country have made a relationship between financial institutions and money laundering. In fact, these are the following reasons for which we can blame banking sector for money laundering.

a) Modern financial systems: Modern financial systems, in addition to facilitating legitimate commerce, also allow criminals to order the transfer of millions of dollars instantly using personal computers and satellite dishes. Because Money Laundering relies to some extent on existing financial systems and operations, the criminal’s choice of Money Laundering vehicles is limited only by his or her creativity. Money is laundered through currency exchange houses, stock brokerage houses, gold dealers, casinos, automobile dealerships, insurance companies, and trading companies. Private banking facilities, offshore banking, shell corporations, free trade zones, wire systems, and trade financing all can mask illegal activities.

b) Cash cultures: Bangladesh being a third world country comparatively takes a longer time to accept technological advancement. This is especially true in the case of financial sector. Although there has been much development in the financial sector (Cheques, ATM cards, Credit cards, online banking) but still the majority of our population believe in the cash transaction when it comes to business dealings. People in Bangladesh take banking transactions as a hassle. This is due to the poor customer service, long queue, and lack of banking knowledge. In addition to that there is the fear of the given cheque being bounced back due to insufficient balance. Now if the beneficiary maintains account in a different clearing region, it might take as long as one to two weeks for the fund to be received at the designated account after going through different Clearing houses. Hence to avoid this lengthy and complicated process Bangladeshis prefer business transactions to be in cash and discard paper transactions as much as possible. This so-called cash culture is acting as a great advantage to the money launderers. As most of the business people are placing cash money over the counter from their business earnings, it is very convenient for the money launderers to mingle their dirty earnings with their legitimate funds to be put across the bank counter.

c) Private banking relationship: The term private banking generally means the personal or discreet offering of a wide variety of financial services and products to the affluent market. In Bangladesh few of the multinational banks like HSBC, Standard Chartered Bank these customers are referred to as Priority Customers. These operations typically offer individual, commercial business, law firms, investment advisors, trusts, and also personal investment companies may open private banking accounts. Due diligence for private banking customers usually includes a more extensive process than retail customers. It is critical to understand the client's source of wealth, needs, and expected transactions.

d) Electronic banking: This is also known as E-banking. The term possesses a wide area of operation. This could include delivery of information, products, and services by electronic means (such as telephone lines, personal computer, automated teller machine, and automated clearinghouse). Although in Bangladesh we still have a long way to go in this field, but some of the multinational banks and private local banks have already started e-banking and has a good prospect of expanding in this segment of the market and the product offers will continue to grow at a rapid pace. Few of the e- banking services include credit cards, loans, deposits, wire transfer, and bill paying services. This medium of banking is vulnerable to money laundering and terrorist financing because of its user anonymity, rapid transaction speed, and its wide geographic availability.

2.2 Vulnerability of the financial system to money laundering:

1. Money laundering is often thought to be associated solely with banks and moneychangers. All financial institutions, both banks and non-banks, are susceptible to money laundering activities. Whilst the traditional banking processes of deposit taking, money transfer systems and lending do offer a vital laundering mechanism, particularly in the initial conversion from cash, it should be recognized that products and services offered by other types of financial and non-financial sector businesses are also attractive to the launderer. The sophisticated launderer often involves many other unwitting accomplices such as currency exchange houses, stock brokerage houses, gold dealers, real estate dealers, insurance companies, trading companies and others selling high value commodities and luxury goods.

2. Certain points of vulnerability have been identified in the laundering process, which the money launderer finds difficult to avoid, and where his activities are therefore more susceptible to being recognized. These are:

    a) Entry of cash into the financial system.

    b) Cross-border flows of cash.

    c) Transfers within and from the financial system.

3. Financial institutions should consider the money laundering risks posed by the products and services they offer, particularly where there is no face-to-face contact with the customer, and devise their procedures with due regard to that risk.

4. Although it may not appear obvious that the products might be used for money laundering purposes, vigilance is necessary throughout the financial system to ensure that weaknesses cannot be exploited.

5. Banks and other Financial Institutions conducting relevant financial business in liquid products are clearly most vulnerable to use by money launderers, particularly where they are of high value. The liquidity of some products may attract money launderers since it allows them quickly and easily to move their money from one product to another, mixing lawful and illicit proceeds and integrating them into the legitimate economy.

6. All banks and non-banking financial institutions, as providers of a wide range of money transmission and lending services, are vulnerable to being used in the layering and integration stages of money laundering as well as the placement stage.

7. Electronic funds transfer systems increase the vulnerability by enabling the cash deposits to be switched rapidly between accounts in different names and different jurisdictions.

8. However, in addition, banks and non-banking financial institutions, as providers of a wide range of services, are vulnerable to being used in the layering and integration stages. Other loan accounts may be used as part of this process to create complex layers of transactions.

9. Investment and merchant banking businesses are less likely than banks and money changers to be at risk during the initial placement stage.

Chapter 03
Theoretical Overview of Money Laundering

3.1 What is money laundering?

Money laundering is the integration of illicit funds into the main stream of legitimate finance in order to conceal the criminal sources and nature of such funds and ultimately making the funds look clean. The simplest definition of “Money Laundering” is that – Money Laundering is the process of converting cash, or other property that is derived from illegal activity, so as to give it the appearance of having been obtained from a legitimate source. It is a very sophisticated and dynamic crime in recent times.

3.1.1 Definition of money laundering according to law:

Money laundering is defined in Section 2 (v) of the Money Laundering Prevention Act

2012 as follows:

Money laundering means -

i. Knowingly moving, converting, or transferring proceeds of crime or property involved in an offence for the following purposes:
    1. concealing or disguising the illicit nature, source, location, ownership or control of the proceeds of crime; or
    2. assisting any person involved in the commission of the predicate offence to evade the legal consequences of such offence;

ii. Smuggling money or property earned through legal or illegal means to a foreign country;

iii. Knowingly transferring or remitting the proceeds of crime to a foreign country or remitting or bringing them into Bangladesh from a foreign country with the intention of hiding or disguising its illegal source; or

iv. Concluding or attempting to conclude financial transactions in such a manner so as to reporting requirement under this Act may be avoided;

v. Converting or moving or transferring property with the intention to instigate or assist for committing a predicate offence;

vi. Acquiring, possessing or using any property, knowing that such property is the proceeds of a predicate offence;

vii. Performing such activities so as to the illegal source of the proceeds of crime may be concealed or disguised;

viii. Participating in, associating with, conspiring, attempting, abetting, instigate or counsel to commit any offences mentioned above;

3.1.2 Property:

Property means-

i. Any type of tangible, intangible, moveable, immoveable property; or
ii. Cash, any deed or legal instrument of any form including electronic or digital form giving evidence of title or evidence of interest related to title in the property which is located within or outside the country;

3.1.3 Predicate offence:

The offences from which the proceeds derived from committing or attempt to commit the following offences:

i. Corruption and bribery;
ii. Counterfeiting currency;
iii. Counterfeiting documents;
iv. Extortion;
v. Fraud;
vi. Forgery;
vii. Illicit arms trafficking;
viii. Illicit dealing in narcotic drugs and psychotropic substances;
ix. Illicit dealing in stolen and other goods;
x. Kidnapping, illegal restraint, hostage-taking;
xi. Murder, grievous bodily injury;
xii. Woman and child trafficking;
xiii. Smuggling:
xiv. Unauthorized cross-border transfer of domestic and foreign currency;
xv. Theft or robbery or Dacoity;
xvi. Trafficking in human beings;
xvii. Dowry;
xviii. Smuggling and vat related crime;
xix. Tax related crime;
xx. Plagiarism;
xxi. Terrorism and Terrorist Financing;

xxii. Counterfeiting and Piracy of Products;

xxiii. Environmental Crime;

xxiv. Sexual Exploitation;

xxv. Taking market advantage through transactions by using price sensitive information of the capital market before it becomes public and trying to control or manipulate the market to gain personal advantage (Insider trading and market manipulation);

xxvi. Organized Crime;

xxvii. Realizing money through intimidation and

xxviii. Any other offence which Bangladesh Bank with the approval of the Government and by notification in the Official gazette declares as predicate offence for the purpose of this Act.

3.1.4 Suspicious transaction:

“Suspicious transaction” means such transactions-

i. which deviates from usual transactions;

ii. of which there is ground to suspect that,

   1) the property is the proceeds of an offence,

   2) it is financing to any terrorist activity, a terrorist group or an individual terrorist;

iii. which is, for the purposes of this Act, any other transaction or attempt of transaction delineated in the instructions issued by Bangladesh bank from time to time;

3.1.5 International definition of money laundering:

A definition of money laundering under U.S law is “The involvement in any one transaction or series of transaction that assists a criminal in keeping, concealing or disposing of proceeds derived from illegal activities.

The European union defines it as “ The conversion or transfer of property, knowing that such property is derived from serious crime, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in committing such an offence or offences to evade the legal consequences of his action, the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from serious crime”

The Joint Money Laundering Sterling Group (JMLSG) of the U.K defines it as “The process whereby criminals attempts to hide and disguise the true origin and ownership of the proceeds of their criminal activities, thereby avoiding prosecutions, conviction and confiscation of their criminal funds” .

3.2 History of money laundering:

US gangster boss AI Capone was the initiator of Money Laundering. He earned a huge amount of money through drug trafficking. Later he was arrested for tax evasion and stayed in the Libian prison. During 1920s he had some laundry firms those maintained accounts with banks. With legal money he also put his illegally earned money in the bank to make his illegal money legal. From then this term “Money Laundering” come into being. It was also heard that Gangsters sometimes used their illegally earned notes to make soil and later those unusable notes were put into the US Federal Reserve, in return, they get cash certificates which was easily convertible in the banks. So the term Money Laundering was justified from then. Though this process of making dirty money clean, started long before but this term was used in US newspapers in 1970s. In 1980s US mafia used pizza shop and jewelry parlor to laundry their illegal money through banks. The main grounds of using this kind of business were- they are very liquid in nature so no one can identify the actual income through this business. In 2000 politically exposed persons also join in this group to make black money white so that they can use it freely. In 2001 terrorist financing – although only one aspect of Money Laundering, has become a critical concern following the events of 11 September, 2001. The term "Money Laundering" is said to originate from Mafia ownership of Laundromats in the United States. There Gangsters were earning huge cash from extortion, prostitution, gambling and bootleg liquor. They needed to show a legitimate source for these monies. The Act of "Money Laundering" was not invented until the Prohibition era in the United States, but many techniques were developed and refined then. Many methods were devised to disguise the origins of money generated by the sale of illegal alcoholic beverages. Following Al Capone's 1931 conviction for tax evasion, mobster Meyer Lansky transferred funds from home to accounts overseas. After the 1934 Swiss Banking Act which created the principle of bank secrecy, Meyer Lansky bought a Swiss bank where he would transfer his illegal funds through a complex system of shell companies and offshore accounts. The term "Money Laundering” itself does not derive, as it often said from the story that Al Capone used Laundromats to hide ill-gotten gains. It was Meyer Lansky who perfected Money Laundering's older brother "capital flight", transferring his funds to Switzerland and other offshore places. The first reference to the term "Money Laundering" itself actually appears during the Watergate scandal (1973). US President Richard Nixon's "Committee to Re-elect the President" moved illegal campaign contributions to Mexico, then brought the money back through a company in Miami. It was Britain's Guardian newspaper that coined the term, referring to the process as "Laundering."

3.3 Why money laundering is done:

Criminals engage in money laundering for three main reasons:

First, money represents the lifeblood of the organization that engages in criminal conduct for financial gain because it covers operating expenses, replenishes inventories, purchases the services of corrupt officials to escape detection and further the interests of the illegal enterprise, and pays for an extravagant lifestyle. To spend money in these ways, criminals must make the money they derived illegally appear legitimate.

Second, a trail of money from an offense to criminals can become incriminating evidence. Criminals must obscure or hide the source of their wealth or alternatively disguise ownership or control to ensure that illicit proceeds are not used to prosecute them.

Third, the proceeds from crime often become the target of investigation and seizure. To shield ill- gotten gains from suspicion and protect them from seizure, criminals must conceal their existence or, alternatively, make them look legitimate.

3.4 Stages in money laundering:

There is no single method of laundering money. Despite the variety of methods employed, money laundering is not a single act but a process accomplished in 3 basic stages which are as follows:

3.4.1 Placement stage

This is the initial stage of Money Laundering where the funds from illegal activities are introduced into the financial system. This is known as placement. Simply the funds are in majority raw cash and the launderer wishes to "place" the funds into the financial system mainly through the help of numbered bank account and if possible in different banks. The main intention here is to get the dirty money across the counter. This stage usually involves:

1. Depositing the cash at a bank that is mingled with clean funds from legitimate business sources to avoid suspicion. Then converting the cash to:

    I. Purchase money market instruments, securities or fixed deposits. In the context of Bangladesh may be Sanchya Patras are purchased.

    II. Readily recoverable debt.

2. Breaking up one large amount of cash deposit into many smaller ones that can be deposited over the counter without raising suspicion from the teller's end, a process known as surfing.

3. Purchasing high value goods for personal use.

3.4.2 Layering stage

The purpose of this stage is to make it more difficult to detect and uncover a laundering activity. It is meant to make the trailing of illegal proceeds difficult for the law enforcement agencies. Usually this is achieved by a wide variety of methods according to the opportunity given to, and the ingenuity of the criminals and their advisors. Usually the stage involves:

1. Channel the fund through purchase or sale of investment instruments.
2. Wire the fund through a series of accounts at various banks across the globe or across jurisdiction.
3. Use of cash deposits as collateral security in support of legitimate transactions.
4. Resale of purchased goods/assets and the proceeds moved elsewhere.

The idea of layering is to move the money around and thus disguise its illegal origins as far as possible. This process of layering is mainly prevalent and more profound in countries where the jurisdictions do not cooperate with anti-Money Laundering investigations or compliance is not given due diligence. The financial institutions all over the world have been prompted to be aware of this stage.

3.4.3 Integration stage

This is the third and the final stage of Money Laundering. In simple terms, during or at this stage the laundered funds are reintroduced into the economy after successfully processing illegal proceeds through the first two stages. At this level the illegally earned funds re-enter the economy as legally earned funds without apparent connection to crimes committed. Methods popular to money launderers at this stage of the game are-

1. The sending of false export-import invoices overvaluing goods allows the launderer to move money from one company and country to another with the invoices serving to verify the origin of the monies placed with financial institutions.
2. A simpler method is to transfer the money via Electronic Fund Transfer (EFT) to a legitimate bank from a bank owned by the launderers.

The placement and layering phases of Money Laundering have greatest impact on a developing country's financial institutions. During these phases the illicit funds are being laundered but have not yet been fully integrated into the economy for use by the launderer for consumption goods, or as investments in legitimate businesses. Therefore it is important that during the first two stages extreme caution is taken by the financial institutions.

The three basic steps may occur as separate and distinct phases. They may also occur simultaneously or more commonly or may overlap. A quick summary of the three stages along with example is provided in the table below:

Placement stage	Layering stage	Integration stage
Cash paid into bank (sometimes with staff complicity or mixed with proceeds of legitimate business).	Wire transfers abroad (often using shell companies or funds disguised as proceeds of legitimate business	False loan repayments or forged invoices used as cover for laundered money.
Cash exported.	Cash deposited in overseas banking system.	Complex web transfers (both domestic and international) makes tracing original source of funds virtually impossible.
Cash used to buy high value goods, property or business assets.	Resale of goods/assets.	Income from property or legitimate business assets appears "clean".

Table 1: 3 Stages of money laundering

These three steps are illustrated in the following figure;

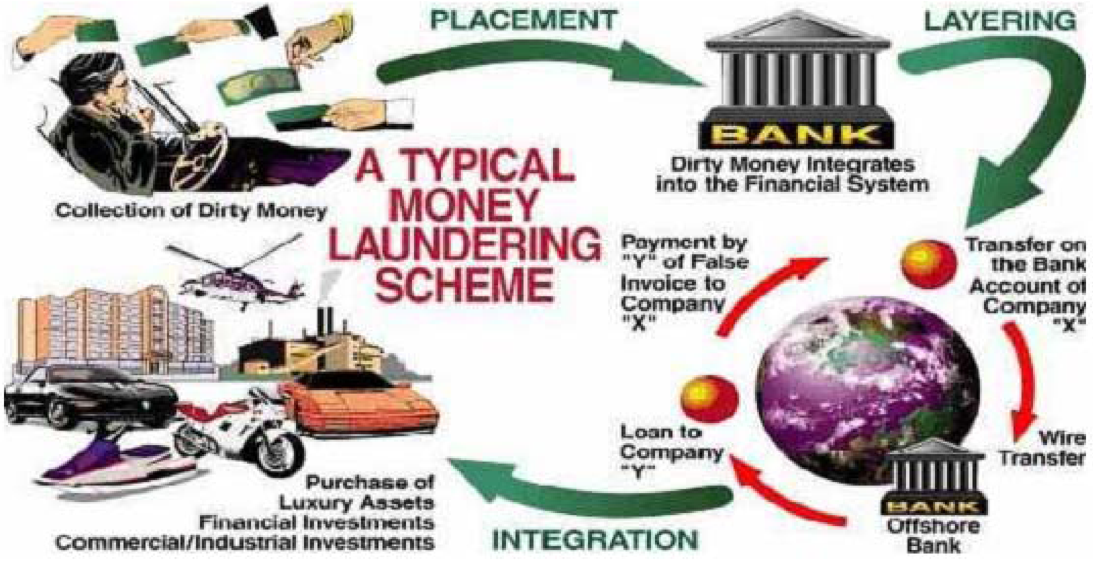


Figure 01: Stages of money laundering

3.5 Money laundering techniques and methods:

The money laundering techniques are complex and a salient feature of money laundering is the number of different methods used. Some of the commonly used measures are discussed below and are related with the three stages of money laundering that is placement, layering and integration.

3.5.1 Structuring: Structuring is one of the techniques of recycling easier. This is a method of placement whereby cash is broken into smaller deposits of money, used to defeat suspicion of money laundering and to avoid anti-money laundering reporting requirements. A sub-component of this is to use smaller amounts of cash to purchase bearer instruments, such as money orders, and then ultimately deposit those, again in small amounts**.**

3.5.2 Cash smuggling: Cash smuggling is one of the oldest methods used for general smuggling of currency. This involves physically smuggling cash to another jurisdiction and depositing it in a financial institution, such as an offshore bank, with greater bank secrecy or less rigorous money laundering enforcement. The bulk shipments of cash hidden in cargo are driven across the border, though it is illegal to export a bulk amount of cash.

3.5.3 Offshore accounts (Shell banks): Offshore accounts are often used by criminals to obscure the audit trail as many different countries in the world offers strictly law for bank secrecy to attract money in their countries. In respect of this law, the country can also refuse to assist international authorities in revealing the information of customer. Many of these countries also attracts clients by selling Shell banks which means a bank which is incorporated in jurisdiction in which the bank has no physical presence and also unaffiliated with the regulated financial institution. These kinds of banks, Shell banks are generally developed in a financial haven country for providing the appearance of legitimacy. A customer only needs a false name to open an account in these kinds of bank which provides the customer complete secrecy and protects the customer from investigation and possible prosecution and after establishing the shell bank the customer may gain advantage of “payable though” or “pass through” accounts.

3.5.4 Shell companies and trusts: A practice quite common among criminal organizations around the world is the establishment of companies which have as their object the trade of antiques. These are fake companies and trusts that exist for no other reason than to launder money. They take in dirty money as "payment" for supposed goods or services but actually provide no goods or services; they simply create the appearance of legitimate transactions through fake invoices and balance sheets. Trusts and shell companies disguise the true owner of money. Trusts and corporate vehicles, depending on the jurisdiction, need not disclose their true, beneficial, owner**.**

3.5.5 Underground banking: Some countries in Asia have well-established, legal alternative banking systems that allow for undocumented deposits, withdrawals and transfers. These are trust-based systems, often with ancient roots, that leave no paper trail and operate outside of government control. The Criminals considers this as the safest way of laundering money and also one of the most common method used for the purpose. Basically there are two types of underground banking systems which are known as Hawala/Hundi and Chitti/Chop banking. The use of underground banking has been recognized in many countries and the reason behind the success of this technique was that this banking was based on trust and virtually there is no paper trail involved in that**.**

3.5.6 Gambling: Often the activities of money laundering linked to games of chance. In most cases criminal organizations clean up the money using casinos and casinos, buying chips in large quantities in order to play, but use only a small part of them or not use them at all. The purpose of these operations is to convert the chips in money and simultaneously be issued by the gambling house a document that certifies the win. However, a more effective method consists in capture by organized control of a gambling house. In this case you just have to do is declare the dirty money as income from gaming activity

3.5.7 Investing in legitimate business: Launderers sometimes place dirty money in otherwise legitimate businesses to clean it. They may use large businesses like brokerage firms or casinos that deal in so much money it's easy for the dirty stuff to blend in, or they may use small, cash-intensive businesses like bars, car washes, strip clubs or check-cashing stores. These businesses may be "front companies" that actually do provide a good or service but whose real purpose is to clean the launderer's money. This method typically works in one of two ways: The launderer can combine his dirty money with the company's clean revenues. In this case, the company reports higher revenues from its legitimate business than it’s really earning; or the launderer can simply hide his dirty money in the company's legitimate bank accounts in the hopes that authorities won't compare the bank balance to the company's financial statements. Examples are parking buildings, strip clubs, tanning beds, car washes and casinos.

3.5.8 Round- tripping: Here, money is deposited in a controlled foreign corporation offshore, preferably in a tax haven where minimal records are kept, and then shipped back as a foreign direct investment, exempt from taxation. A variant on this is to transfer money to a law firm or similar organization as funds on account of fees, then to cancel the retainer and, when the money is remitted, represent the sums received from the lawyers as a legacy under a will or proceeds of litigation**.**

3.5.9 Bank capture: In this case, money launderers or criminals buy a controlling interest in a bank, preferably in a jurisdiction with weak money laundering controls, and then move money through the bank without scrutiny.

3.5.10 Black salaries: A company may have unregistered employees without a written contract and pay them cash salaries. Dirty money might be used to pay them**.**

3.6 The link between money laundering and terrorist financing:

Money laundering usually refers to a process through which criminals attempt to conceal the true origin and ownership of the proceeds of criminal activities. Successful money laundering implies that the ill-gotten money loses its criminal identity and appears legitimate. Money laundering activities are typically associated with organized crime and tackled through anti-money laundering legislation, such as national laws.

The techniques used to launder money are essentially the same as those used to conceal the sources of, and uses for, terrorist financing. Funds used to support terrorism may originate from legitimate sources, criminal activities, or both. Nonetheless, disguising the source of terrorist financing, regardless of whether the source is of legitimate or illicit origin, is important. If the source can be concealed, it remains available for future terrorist financing activities. Similarly, it is important for terrorists to conceal the use of the funds so that the financing activity goes undetected.

A significant difference between money laundering and terrorist financing is that the funds involved may originate from legitimate sources as well as criminal activities. Such legitimate sources may include donations or gifts of cash or other assets to organizations such as foundations or charities that in turn are utilized to support terrorist activities or terrorist organizations. Consequently, this difference requires special laws to deal with terrorist financing. However, to the extent that funds for financing terrorism are derived from illegal sources, such funds may already be covered by a country’s AML framework, depending upon the scope of the predicate offenses for money laundering

3.7 Why we must combat money laundering:

There are plenty of factors for what we have to combat money laundering. They are-

1) Money laundering has a devastating economic, security and social consequences. Its provide fuel for drug dealers, smugglers, terrorists, illegal arms dealers, corrupt public officials and others to operate and expand their criminal networks.
2) These increases governments cost for law enforcement and health care expenditure.
3) Money laundering reduces government’s tax revenue. It also makes government’s tax collection difficult and as a result tax rate goes up.
4) Money laundering misleads asset and commodity prices and leads to a misallocation of resources.
5) Money laundering can leads to an unsound asset structure and thus create risk of monetary instability for banks.

6) One of the most serious micro economic effects of money laundering is felt in the private sector. Money laundering often uses front companies, for co-mingling their illicit proceeds with legitimate funds, to hide the ill-gotten gains. Because of substantial illicit funds, these front companies can subsidize their products and services at levels well below market rates. This makes it difficult for legitimate business to compete against front companies. This situation can result in the crowding out of legitimate private sector business by criminal organizations.
7) Another negative socioeconomic effect of money laundering is, it transfers from the market, governments and citizens to criminals.
8) The social and political cost of laundered money is also serious as laundered money may be used to corrupt national institutions.
9) Money laundering damages the moral fabric of society and weakens collective ethical standards.
10) Money laundering weakens reputation of financial institution and at the same time reputation of the country.

3.8 Initiatives taken against money laundering:

3.8.1 International anti-money laundering activity:

Most of the international initiative, such as BASEL II, FATF, Wolfsburg group, EU third Money Laundering directives, on Money Laundering given emphasis on the improvement of corporate governance and senior management accountability of the banking firm to combat Money Laundering. In 1986, United States (U.S.) adopts the Money Laundering Control Act for the first time to protect the system from the launderer. Later on most of the developed and developing countries adopted different AML principles prepared by the different international organizations. The United Nations Vienna Convention 1988 is the first inter-governmental initiative against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention) and the 1990 Council of Europe Convention on Laundering. As a signatory state on Vienna Convention (VC) Bangladesh will have international cooperation in investigations and makes extradition between the signatory states applicable to Money Laundering. However, such co- operation would not interfere to the secrecy of domestic financial institutions according to the VC (BB 2008). The Financial Action Task Force (FATF) is an inter-governmental 'policy-making body' whose purpose is the development and promotion of national and international policies to combat Money Laundering and terrorist financing. The FATF works to generate the necessary political will to bring about legislative and regulatory reforms in these areas. It has published 40 + 9 recommendations in order to meet this objective. Apart from FATF, UN, IMF, World Bank and Basel Committee on Banking Supervision have also policies on anti Money Laundering. The Bank for International Settlements (BIS) has endorsed key elements of the anti Money Laundering practices as explicitly supportive of sound banking practices that reduce financial risks for individual banks and, by extension, national and international financial systems as a whole. In close collaboration with many G-10 and non-G-10 supervisory authorities, the Basle Committee has moved more aggressively to promote sound supervisory standards worldwide and formulates no of guidelines relate to Money Laundering control. Among the different guidelines formulated by the Basel Committee, sound KYC (Know Your Customer) policies and procedures are critical in protecting the safety and soundness of banks and the integrity of banking systems.

3.8.2 Anti-money laundering activity in Bangladesh:

First anti-money laundering legislation of the country is Money Laundering Prevention Act, 2002, which was effective from 7th April, 2002 to 14th April, 2008. It was replaced by the Money Laundering Prevention Ordinance on 15th April, 2008; subsequently, the ordinance was passed by the national parliament and Money Laundering Prevention Act, 2009 was enacted giving effectiveness from 15th April, 2009.In 2012 Government again replace it with Anti-Money Laundering Prevention Act 2012 to meet the international standards and to make an effective AML/CFT regime in Bangladesh. The Bangladesh Financial Intelligence Unit (BFIU) has performed a major role in drafting both of the Acts.

Legal framework and guideline against money laundering in Bangladesh

1. Money Laundering Prevention Act, 2002
2. Money Laundering Prevention Ordinance, 2008
3. Money Laundering Prevention Act, 2009
4. Money Laundering Prevention Ordinance, 2012
5. Money Laundering Prevention Act, 2012

Task Forces

This was the second course of action that the Bangladesh Government took. Right after the new law was passed, Bangladesh Bank formed two Task Forces known as:

1. Central Task Force
2. Regional Task Force

These task forces conduct meetings alternatively every month to discuss important related issues and take decisions regarding issues that have propped up and also new guidelines and tools to prevent Money Laundering. The Central Body comprises of members of Ministry of Finance, Home Law, Foreign Affairs, Commerce, and NBR (Income Tax), Bureau of Anti-corruption, Special Branch of Police, Customs, Securities and Exchange Commission, 15 Bank representatives. The Regional Body comprised of five members. They review the Money Laundering cases reported to Bangladesh Bank and other Anti-Money Laundering issues.

Chapter 04
AML Organizational Structure

4.1 Sonali Bank Limited anti-money laundering organogram:

The anti-money laundering organogram of Sonali Bank Limited is given below:

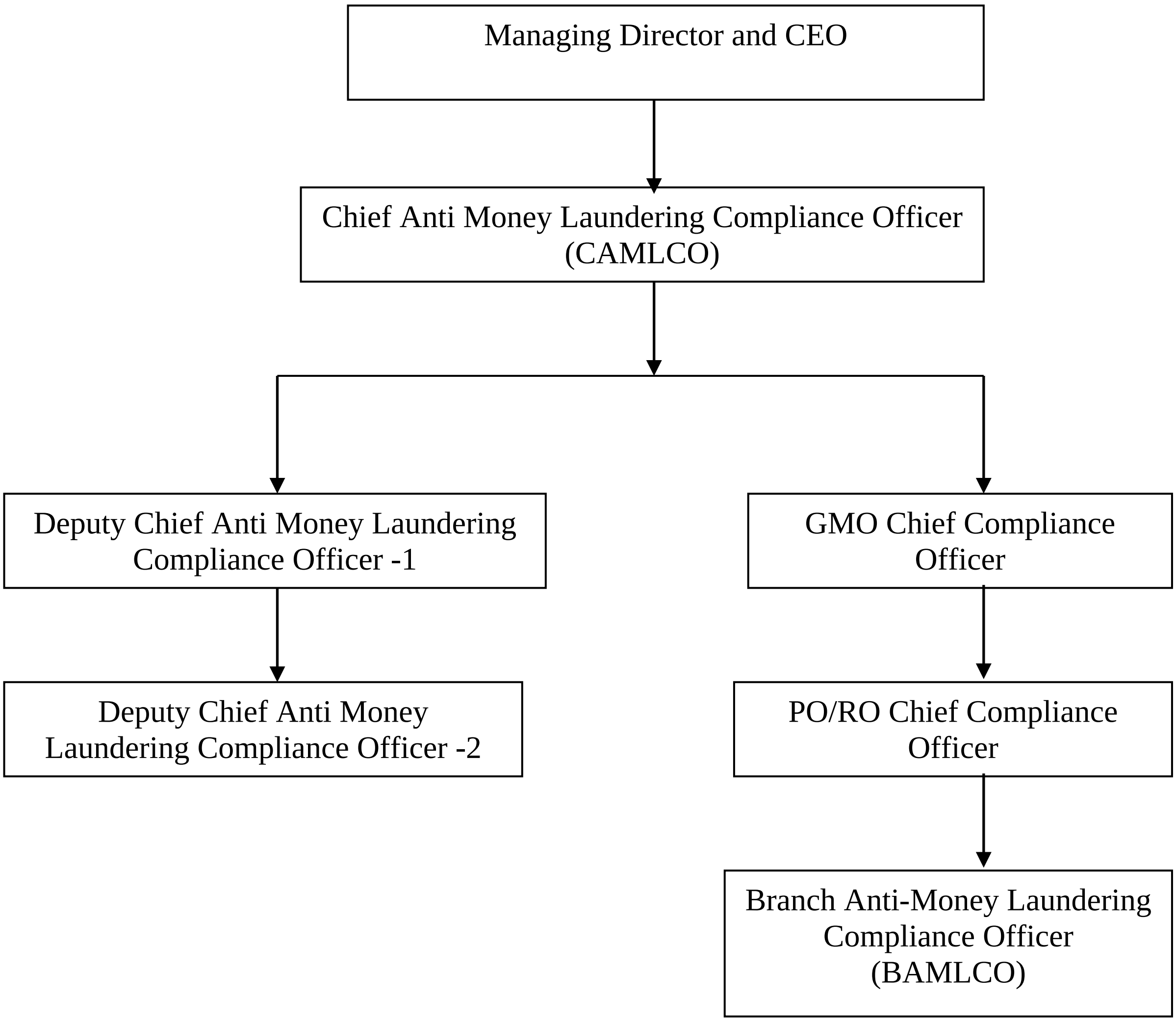


Figure 02: Anti-money laundering organogram of Sonali Bank Ltd.

4.2 Establishment of anti-money laundering department:

To supervise and monitoring the over all activities of AML and CFT, the Bank constitute a separate Anti-Money Laundering Department (AMLD) at its Head Office. Until the Anti-Money Laundering Department is formed, Anti-Money Laundering Section (AMLS) of General Banking Department will conduct AML and CFT related tasks. Functions of Anti-Money Laundering Department (AMLD) are given bellow:

1) Formulate, monitor, review and enforce the Bank's Anti-Money Laundering/CFT Policy.

2) Formulate, monitor, review and enforce the Bank's Know Your Customer (KYC) policy and identification procedure for detection of suspicious transaction/account activities.

3) Issue anti-money laundering circulars, instructions and circulate Bangladesh Bank circulars and policy guidelines to the branches and concerned officers of the Bank.

4) Ensure timely anti-money laundering reporting and compliance to Bangladesh Bank, including CTR, STR, KYC Update, Taskforce Data & other data required by Bangladesh Bank etc.

5) Monitor the Bank's Self Assessment and Independent Testing Procedures for AML compliance and any corrective action.

6) Conduct inspection on branches and concerned controlling offices regarding antimony laundering compliance.

7) Respond queries of and issue necessary instructions to the branches so as to money laundering apprehensions.

8) Develop and conduct training courses in collaboration with the Bank's Training Institute to raise the level of awareness of compliance in the Bank.

9) Place Memorandum before the Board of Directors at least once a year regarding the status of the anti-money laundering activities undertaken by the Bank.

10) Extend all out cooperation to Bangladesh Bank Inspection Team, Internal Audit Team and External Audit Team and other law enforcement Agencies as and when required.

4.3Chief Anti Money Laundering Compliance Officer (CAMLCO):

The Bank designate a Chief Anti-Money Laundering Compliance Officer (CAMLCO) at its head office who will be sufficiently senior and have sufficient authority to implement and enforce anti-money laundering policies, procedures and measures and report directly to the CEO & Managing Director. Functions of Chief Anti-Money Laundering Compliance Officer (CAMLCO) are given bellow:

1) Controlling, Monitoring, Supervision and Administrative works of Anti-Money Laundering Department.
2) Coordination of various jobs related to anti-money laundering.
3) Attending various meetings with the delegates of local banks, foreign banks, Bangladesh Bank and various law enforcement agencies.
4) Formulate, monitor, review and enforce the Bank's Anti-Money Laundering Policy.
5) Formulate, monitor, review and coordinate Combating Financing of Terrorism (CFT) Policy and identification procedure for detection of suspicious transaction/account activities.
6) Formulate, monitor, review and coordinate Customer Acceptance Policy for the Bank.
7) Issue clear-cut instructions to classify the accounts of branches based on activity/KYC profile.
8) Issue anti-money laundering circulars, instructions and circulate Bangladesh Bank circulars and policy guidelines to the branches and concerned officers of the Bank.
9) He will ensure that a message from the CEO & MD is issued on an annual basis telling the same covers the instructions laid down at Section 3.1 of Guidance notes on Prevention of Money Laundering (Bangladesh Bank) to all employees of the Bank.
10) Ensure timely anti-money laundering reporting and compliance to Bangladesh Bank, including CTR, STR, KYC Update, Taskforce Data & Other Data required by Bangladesh Bank etc.
11) Monitor the Bank's Self Assessment and Independent Testing Procedures for AML compliance and any corrective action.
12) Respond queries of and issue necessary instructions to the branches so as to money laundering.
13) Extend all out cooperation to Bangladesh Bank Inspection Team, Internal Audit Team and External Audit Team and other law enforcement Agencies as and when required.

14) Develop and conduct AML/CFT training courses in collaboration with the Bank's Training Institute to raise the level of awareness of compliance in the Bank.
15) Place Memorandum before the Board of Directors at least once a year regarding the status of the anti-money laundering activities undertaken by the Bank.

4.4 Education/Training of CAMLCO :

The Chief Anti-Money Laundering Compliance Officer (CAMLCO) should have a working knowledge of the diverse banking products offered by the Bank. The person could have obtained relevant banking and compliance experience as an internal auditor or regulatory examiner, with exposure to different banking products and businesses. Product and banking knowledge could be obtained from being an external or internal auditor, or as an experienced operations employee. The Chief Anti-Money Laundering Compliance Officer (CAMLCO) should have a minimum of ten years of experience, with a minimum of three years at a managerial/ administrative level.

4.5 Branch level organization structure:

Branches need to be organized adequately in accordance with the Bangladesh Bank Guidance Notes on Prevention of Money Laundering within the framework of Managing Core Risk in Banking and internal circulars to strengthen emphasis towards prevention of Money Laundering campaign. In this regard, each branch will create a Branch Anti-Money Laundering Compliance Committee (BAMLCC) consisting of the following members:

1. Branch Manager & BAMLCO;
2. Incharge, GBD/Deposit;
3. Incharge, Foreign Exchange
4. Incharge, Credit/Advance;
5. Officer, A/C Opening;

4.6 Branch Anti-Money Laundering Compliance Officer (BAMLCO):

Branch Anti-Money Laundering Compliance Officer (BAMLCO) will have sufficient authority to implement and enforce anti-money laundering policies, procedures and measures and can report directly to Chief Anti-Money Laundering Compliance Officer (CAMLCO) at Head Office regarding all the anti-money laundering matters. Branch Manager has overall supervision ensuring that the AML program is effective within the branch. BAMLCO's responsibilities are as follows:

1) Manages the transaction and monitoring process.
2) Reports any suspicious activity to Branch Manger and if necessary to the CAMLCO.

3) Provide on the job AML training to Branch employees.

4) Update policy with AML laws/regulations and communicate to all employees.

5) Perform AML Risk Assessment for the branch.

6) Perform periodic Quality Assurance on the AML program in the branch.

7) Perform Self Assessment on AML performance of the branch and ensure compliance and any corrective action.

8) Overall responsibility to ensure that the branch has an AML program in place and that is working effectively.

9) Ensure that the required reports and systems are in place to maintain an effective AML program.

10) Preserve all circulars & instructions issued from Bangladesh Bank and Head Office; circulate the copies among all the officers for necessary information acquaintances.

Besides the above, a brief description of role and responsibilities of individual officer/ executive involved in anti-money laundering program of the Bank in branch level/head office level is given below:

Account Officer / Relationship Manager / Officers involved in Account opening	a) To exercise due diligence in establishing the identity of customer prior to opening the Account. b) To obtain as much information as possible on the customer that might help proper consideration of the nature and type of account. c) To ensure that all required documents in respect of account opening are obtained and proper documentation is complete in case of loan account. d) To ensure that transaction profile is obtained and reviewed when transactions are being carried out. e) To obtain documentary evidence of large cash transactions are being carried out. f) To report to Branch Manager and concerned higher authority for any suspicious transaction, he deems necessary.
Customer Service Officer	a) To support the account officer in respect of the above b) To perform the jobs of Account Officer in his absence.
Head of Branch or Booth/ Operational Head in Head Office	a) To ensure that AML program is effectively accomplished in the Branch or Booth. b) To act as first point of contact in respect of any AML issue.

Chapter 05
Money Laundering Situation in Bangladesh

5.1 The current situation of money laundering in Bangladesh:

Bangladesh is a founding member of the Asia Pacific Group on Money Laundering (APGML) constituted in the form of the Financial Action Task Force (FATF) for the Asia Pacific region to prevent money laundering and terrorist financing on a global perspective.

Financial Action Task Force Status Bangladesh is no longer on the FATF List of Countries that has been identified as having strategic AML deficiencies. Latest Financial Action Task Force Statement: 14 February 2014 The FATF welcomes Bangladesh's significant progress in improving its AML/CFT regime and notes that Bangladesh has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in October 2010. Bangladesh is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Bangladesh work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

5.2 Recent money laundering situation & role of ACC:

The money laundering inquiries and investigation conducted by Anti Corruption Commission (ACC) is discussed below:

5.2.1 Money laundering enquiries conducted by ACC:

In 2014, the Commission gave emphasis on money laundering enquiries. A total of 226 enquires were undertaken in the year which was almost 6 and 1.5 times respectively more than those of 2012 (39 enquiries) and 2013 (180 enquiries). The table shown below gives an idea about ACC's performance in case of resolving money laundering enquiries and outcomes of these enquiries.

Description	Number
Unresolved enquiries from the previous year	**137**
No. of enquiries undertaken in the year	**89**
Total no. of enquiries	**226**
No. of enquiries resolved	**60**
No. of cases (FIR) lodged based on enquiries	**20**
No. of enquiries filed for record	**40**

Table 02: ACC's performance of money laundering inquires in 2014

5.2.2 Money laundering investigation conducted by ACC:

There were 171 investigations in 2014 of which 37 were newly undertaken and the remaining 134 from the previous year. The Commission completed investigations in 63 money laundering cases and submitted 50 charge-sheets on the basis of these investigations in 2014. The table shown below gives an idea about ACC's performance in case of resolving money laundering investigations and outcomes of these investigations.

Description	Number
Unresolved investigations from the previous year	**134**
No. of investigation undertaken in the year	**37**
Total no. of investigations	**171**
No. of investigations resolved	**63**
No. of charge-sheets submitted	**50**
No. of final reports submitted	**13**

Table 03: ACC’s performance of money laundering investigations in 2014

5.2.3 Recent money laundering events investigated by ACC:

Corruption of the Bismillah Group:

The Commission took decision to enquire into the matter of corruption of Bismillah Group on the basis of allegation. During the enquiry, the ACC formed a five-member team led by Commission's Deputy Director, Syed Iqbal Hossain to enquire into the matter on the basis of news published in several national dailies in this regard. After analysis of the allegation, it is found that the alleged persons submitted forged export contract/documents for embezzlement of huge amount of money from Bhaban Corporate Branch, Moghbazar Branch and Elephant Road Branch of Janata Bank Limited, Dilkusha Branch of Jamuna Bank Ltd., Motijheel Branch of Premier Bank Ltd., Motijheel Branch of Prime Bank Ltd. and from Eskaton Branch of Shahjalal Islami Bank Ltd., through Bismillah Group and its associated companies. The concerned bank managers including officials by violating Guidelines for Foreign Exchange Transaction 2009, being profited or hoping to be profited, adjusted the fake/forged accommodation bills to the effect that goods had been exported by the companies though it was not done. Later on, without showing any objection against 'Back to Back Letter of Credit (LC)' of Bismillah Group, they assisted directly the alleged Khaza Solaiman Anwar Chowdhury with others to misappropriate money through corruption, fraud and forgery. The bank officials committed offences under MLPA, 2012 by issuing FDBP against fake export bill, opening 'Back to Back LC' against Sales Contract and disbursing 'Forced Loans' from the banks. Twelve cases (FIR) were lodged against the alleged persons under Section 4 (2), (3) of MLPA, 2012 with several police stations after the approval of the Commission on the basis of the enquiry report.

Amount of money embezzled and laundered:

Serial no.	Bank's name	Branch name	Funded Taka (Crore)	Non-funded taka (Crore)
1.	Janata Bank Ltd.	Bhaban Corporate Branch	307.38	25.53
		Moghbazar Branch	177.10	1.60
		Elephant Road Branch	15.34	0.00
2.	Prime Bank Ltd.	Motijheel Branch	265.20	61.08
3.	Premier Bank Ltd.	Motijheel Branch	23.22	39.31
4.	Jamuna Bank Ltd.	Dilkusha Branch	108. 93.	46.02
5.	Shajalal Islami Bank	Eskaton Branch	15 64	10.89
		Total	**990.03**	**184.43**

In the 12 cases, total alleged persons are 53 and amount of embezzled and laundered money is BDT 1174.46 crore. Four investigation officers of the Commission already submitted investigation reports of the cases. Further lawful measures will be taken according to the decision of the Commission.

5.3 Basel anti-money laundering index:

The Basel AML Index is an annual ranking assessing country risk regarding Money Laundering/terrorism financing. It focuses on Anti-Money Laundering and counter terrorist financing (AML/CTF) frameworks and other related factors such as financial/public transparency and judicial strength. This annual ranking is started to be published from 2012 and continues to be the only rating of country Money Laundering / terrorist financing risk by an independent non-profit institution.

The Basel AML Index measures the risk of money laundering and terrorist financing of countries based on publicly available sources. A total of 14 indicators that deal with AML/CFT regulations, corruption, financial standards, political disclosure and rule of law are aggregated into one overall risk score. By combining these various data sources, the overall risk score represents a holistic assessment addressing structural as well as functional elements in the AML/CFT framework. As there are no quantitative data available, the Basel AML Index does not measure the actual existence of money laundering activity or amount of illicit financial money within a country but is designed to indicate the risk level, i.e. the vulnerabilities of money laundering and terrorist financing within a country.

The Basel AML Index ranks countries based on the overall score and provides data that is useful for comparative purposes. However it should be stressed that the primary objective is not to rank countries in comparison to each other. Rather, the Basel AML Index seeks to provide an overall picture of a country's risk level and to serve as a solid starting point for examining progress over time.

On the basis of survey done by Basel AML-2015, shows the worldwide survey countries (total 152) that are surveyed and ranked based on their scoring. Higher points indicate the top ranks and the high risk countries And lower points indicate low risk countries. Which are in low risk or high risk that is done on the basis of point that starts from 0 to 10. The higher points indicate the higher risk and the lower points indicate the lower risk. The index provides a bird's eye view of the whole world.

5.4 The positions of Bangladesh & South Asian countries in Basel AML index – 2015 & 2014:

Basel AML Index -2015:

The positions of South Asian countries in Basel Anti-Money Laundering Index 2015 and the position of Bangladesh are shown below table:

Country	Ranking	Overall score 10(high risk)-0(low risk)	Risk
Afghanistan	2	8.48	
Nepal	12	7.62	
Pakistan	44	6.52	
Sri Lanka	51	6.44	
Bangladesh	52	6.43	
India	79	5.77	

Table 04 (Source - index.baselgovernance.org)

From the above table it is clear that Bangladesh is at relatively better position than most of the South Asian countries. According to Basel AML Index 2015, Bangladesh is at 52th position with overall risk of 6.43 which means Bangladesh lies neither in high risk nor in low risk. Only India with 79th position is at better condition than Bangladesh. Among South-Asian countries, Afghanistan is at the worst condition with 2nd position.

Basel AML Index -2014:

The positions of South Asian countries in Basel Anti-Money Laundering Index 2014 and the position of Bangladesh is shown below table:

Country	Ranking	Overall score 10(high risk)-0(low risk)	Risk
Afghanistan	2	8.53	
Nepal	14	7.64	
Pakistan	48	6.53	
Sri Lanka	54	6.42	
Bangladesh	57	6.38	
India	88	5.64	

Table 05 (Source - index.baselgovernance.org)

From the above table it is clear that Bangladesh is at relatively better position than most of the South Asian countries. According to Basel AML Index 2014, Bangladesh is at 57th position with overall risk of 6.38 which means Bangladesh lies neither in high risk nor in low risk. But most of the South-Asian countries like Pakistan, Sri Lanka, and Nepal are at lower risk zone than Bangladesh. Among South-Asian countries, Afghanistan is at the worst condition with 2nd position with overall risk of 8.53 out of 10.

5.5 Top ten high risk countries in Basel AML index – 2015 & 2014:

According to the Basel AML Index of 2015 and 2014, the top high risk countries are listed in the below tables.

Basel AML index -2015:

Country	Ranking	Overall score 10(high risk)-0(low risk)
Iran	1	8.59
Afghanistan	2	8.48
Tajikistan	3	8.26
Guinea Bissau	4	8.15
Mali	5	7.97
Cambodia	6	7.93
Mozambique	7	7.90
Uganda	8	7.86
Swaziland	9	7.85
Myanmar	10	7.78

Table 06(Source - index.baselgovernance.org)

Basel AML index -2014:

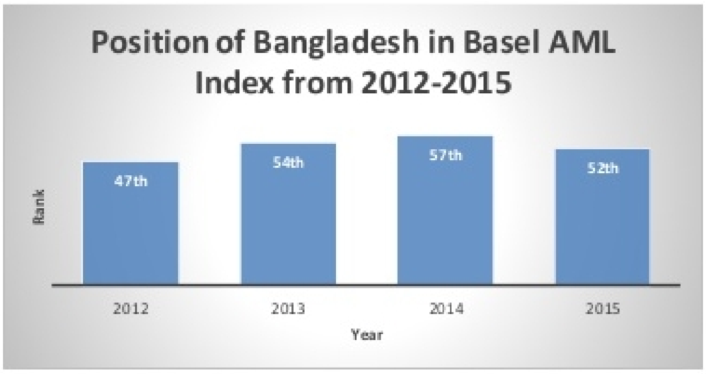
Country	Ranking	Overall score 10(high risk)-0(low risk)
Iran	1	8.56
Afghanistan	2	8.53
Cambodia	3	8.39
Tajikistan	4	8.34
Guinea Bissau	5	8.25
Iraq	6	8.22
Mali	7	8.06
Swaziland	8	7.92
Mozambique	9	7.92
Myanmar	10	7.89

Table 07 (Source - index.baselgovernance.org)

In both 2015 and 2014, Myanmar is marked as a high risk zone. It conveys a bad indication for Bangladesh. Because Bangladesh has border areas with Myanmar. As Myanmar is at high risk of money laundering and terrorist financing, its impact will must fall in Bangladesh. Besides, Afghanistan is at the high risk of money laundering with overall scores of 8.48 and 8.53 in 2015 and 2014 consequently. Among the South Asian countries, Afghanistan is at the top risk. It will have an negative impact on other countries of this same zone.

5.6 Change in Bangladesh's position in Basel AML index from 2012 to 2015:

In the below graph, the position of Bangladesh in Basel AML index from 2012 to 2015 is shown:



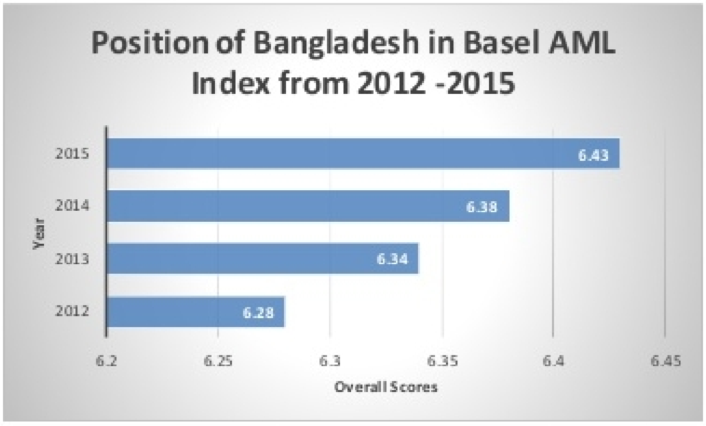


Figure 03: Change in Bangladesh's position in Basel AML index from 2012-2015

The above graphs show that in 2012 Bangladesh was in 47th position scoring 6.28 and the next year in 2013 Bangladesh achieved 54th position scoring 6.34 and in 2014 Bangladesh has taken 57th position scoring 6.38 and in the at 52th position scoring 6.45 in 2015. The score of Bangladesh is increasing gradually which is not a good sign but the ranking is better. Though it is not for the score that Bangladesh achieved but for the increased number of survey countries. It seems that the score is increasing a bit in every year.

Chapter 06
The Impacts of Money Laundering

6.1 Impacts of money laundering on economy of the world:

The economic impacts of money laundering on economic development are difficult to quantify. It is clear that such activity damages the financial-sector institutions that are critical to economic growth, reduces productivity in the economy's real sector by diverting resources and encouraging crime and corruption, which slow economic growth, and can distort the economy's external sector – international trade and capital flows – to the detriment of long-term economic development.

Aside from money laundering's negative effect on economic growth through its erosion of developing countries' financial sectors; money laundering has a more direct negative effect on economic growth in the real sector by diverting resources to less productive activity, and by facilitating domestic corruption and crime, which in turn depress economic growth. Impacts of money laundering on economic growth occur through damaging three sectors: financial sector, real sector and external sector. Figure of Impact of money laundering on economic development are given bellow:

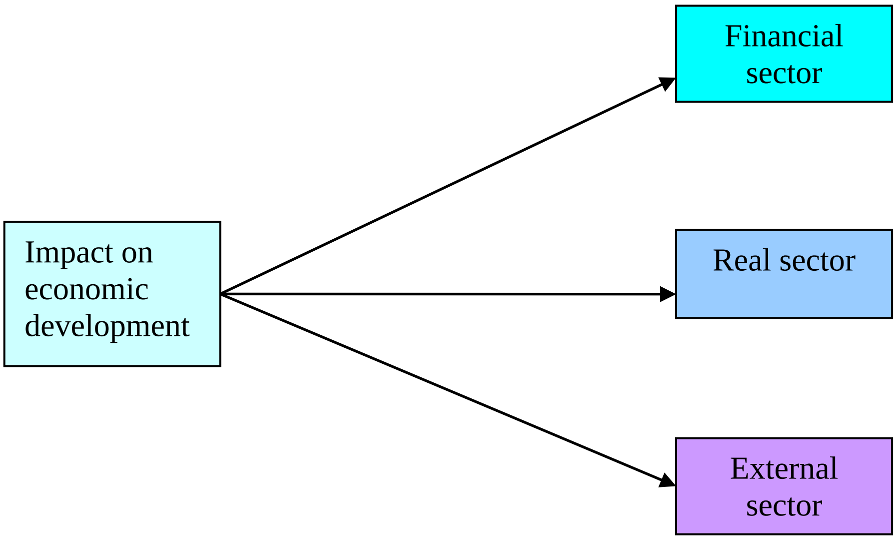


Figure 04: Impact money laundering on economic development

6.2 Impacts of money laundering in developing countries like Bangladesh:

In short the socio- economic impact of money laundering in Bangladesh can be represented by the following aspects:

a) Money laundering are decrease the foreign investment in Bangladesh. Because it indicates the high level of corruption and lack of transparency
b) Money laundering are decrease government tax and indirectly loser which paying income tax.
c) Money laundering are Damage policy making of central bank or Bangladesh bank
d) Its crime to an inspiration, such as drug dueler, black market, terrorism and a crime of government employee.
e) To protect money laundering which control to increase government expenditures.
f) Unequal distributions are change of assets and price by money laundering.
g) It influence economic power establish to crime.
h) Economic institution lost goodwill or faith.
i) Volatility in exchange and interest rates due to unanticipated cross border transfers of funds;
j) Development of an unstable liability base and unsound asset structures of individual financial institutions creating systemic crisis and hence monetary instability.
k) Adverse effects on tax collection and the allocation of public expenditures due to misreporting of income and wealth;
l) Misallocation of resources due to distortions in relative asset and commodity prices arising from money laundering activities.

For economic growth in a country, a strong rule of law governing financial institution is a fundamental prerequisite. In order to prevent money laundering the government of Bangladesh has issued “guidance on money laundering prevention” for the financial institutions. Financial Intelligence unit (FIU) has established as a monitoring authority in Bangladesh Bank. Anti-corruption commission has also given power to issue court order to freeze the property of a person that is allegedly acquired by illegal means.

6.3 Impacts of money laundering on bank:

Inadequate steps on prevention of money laundering may create different types of risk to bank. Those risks are given bellow:

a) **Reputational risk** poses a major threat to banks, since the nature of their business requires maintaining the confidence of depositors, creditors and the general marketplace. Reputational risk is defined as the potential that adverse publicity regarding a bank’s business practices , will cause a loss of confidence in the integrity of the institution. Banks are especially vulnerable to reputational risk because they can so easily become a vehicle for or a victim of illegal activities perpetrated by their customers.

b) **Operational risk** can be defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Most operational risk in the KYC context relates to weaknesses in the implementation of banks’ programs, ineffective control procedures and failure to practice due diligence. A public perception that a bank is not able to manage its operational risk effectively can disrupt or adversely affect the business of the bank.

c) **Legal risk** is the possibility that lawsuits, adverse judgments or contracts that turn out to be unenforceable can disrupt or adversely affect the operations or condition of a bank. Banks may become subject to lawsuits resulting from the failure to observe mandatory KYC standards or from the failure to practice due diligence. Consequently, banks can suffer fines, criminal liabilities and special penalties imposed by regulators. Indeed, a court case involving a bank may have far greater cost implications for its business than just the legal costs. Banks will be unable to protect themselves effectively from such legal risks if they do not engage in due diligence in identifying their customers and understanding their business.

6.4 Red flags for money laundering:

Based on existing literature and investigation the following points have been identified as red flags/ indications for Money Laundering:

a) Poor balance in the account but high-level amount is transacted by the accountholder.
b) Without named/another named/ short named are used for the purpose of account opening in the different banks in Bangladesh.
c) Incidentally huge amount deposited in the account is so much harmful for the same.
d) Try to transfer the deposited amount to the others in order of cash/cheque/TT/DD/Drafts etc.
e) Try to deposit amount into the account regularly & with drown at a time by a cheque.
f) When many accounts are maintain in the different banks & try to accumulate the deposited fund at a time.
g) When in the unused account, huge amount is deposited at a time from the foreign country or local account.
h) Rapid transfer the fund in to another account,
i) Change of account design like CC to SD, SD to CC, CC to FDR, and FDR to SD, SD to SOD etc.
j) When no consider the transactional fees / charges etc.
k) Necessary information is not disclosed according to the desired of the bank.
l) When abnormal & doubtful transaction is maintained.
m) High-level transaction is may be treated as doubtful for the same.
n) When TT/DD/ MT is sent without any relation with the receiver of the amount.
o) Unnecessary third party is used for deposit the money & third party is used for lend the money.
p) High risk bearing accountholders such as wrong address, post box, business fault, try to undue facility draw, information hidden, previous address use, requesting matters etc.

Chapter 07
Anti- Money Laundering Policy Adopted by Sonali Bank Ltd.

7.1. Sonali Bank Ltd. anti- money laundering policy:

In line with the recommendation of Bangladesh Bank's core risk guidelines on prevention of money laundering, Sonali Bank has developed Anti-money laundering policy for their Bank. The policies were approved in the meeting of the board of directors held on 2002. The Anti-money laundering policy of Sonali bank is designed to assist Sonali Bank to comply with Bangladesh's anti-money laundering rules and regulations.

7.2 Anti-money laundering processes of Sonali Bank Ltd:

According to Bangladesh Bank's guideline the Sonali bank Ltd. has adopted many processes and policies to prevent money laundering. Those processes and policies include flowing -

a) Know Your Customer (KYC) Policy
b) The risk management policy
c) Monitoring transactions procedure
d) Cash Transaction Reports (CTRs)
e) Recognition and reporting suspicious transaction
f) Self Assessment and Independent Testing Procedures
g) Training and awareness
h) Keeping records

7.2.1 Know Your Customer (KYC) policy:

Sound Know Your Customer (KYC) procedures are critical elements in the effective management of banking risks. The bank's primary defense against being involved in money laundering, terrorist financing and other criminal activities is to know its customers. For this reasons Sonali Bank has developed a comprehensive Know Your Customer (KYC) Policy. Sonali Bank's Know Your Customer policy includes the following requirements:

1) Verify and document the identity of customers who establish relationships, open accounts or conduct significant transactions.

2) Obtain basic background information on customers.
3) Obtain documents and confirm any additional information including sources of funds, income and wealth and the nature and extent of the customer's expected

transactions, commensurate with the assessment of the money laundering risks posted by the customers expected use of product and services.

4) Ensures that the branches do not do business with any individuals or entities whose identities cannot be confirmed, who do not provide all required information or who have provide information that is false or that contains significant inconsistencies that cannot be resolved after further investigation.
5) Monitor Customer transactions and/ or accounts to identify transactions that do not appear to be consistent with normal or expected transactions for the particular customer, category of customer, product or services.

Information required under KYC policy:

The flowing information is obtained from all individual applicants for opening accounts or other relationships and is independently verified by the branch itself:

a) True name and/or names used;
b) Parents names;
c) Date of birth;
d) Current and permanent address;
e) Details of occupation/employment and sources of wealth or income;
f) TIN Number (is any).

7.2.2 The risk management policy:

When opening accounts, the concerned staff/officer assess the risk that the accounts could be used for “money laundering”, and classify the accounts as either high risk or low risks.

Risk rating

The assessment is made using the KYC profile form which the following 7 risk categories are scored using a scale of 1 to 5, where scale 4-5 denotes High risks, scale 3 denotes medium risks and scale 1-2 denotes low risks:

a) Occupation and the nature of Customer’s business
b) Net worth/sales turnover of the customers
c) Mode of opening the accounts
d) Expected value of monthly transactions
e) Expected number of monthly transactions
f) Expected value of monthly cash transactions
g) Expected number of monthly cash transactions

Risk assessments

The risk scoring of less than 14 indicates Low risks and more than 14 would indicate high risks. The risk assessment scores are to be documented in the KYC profile form

Judgmental risk assessments:

Some time management judgmentally override this automatic risk assessment to "low risk" if they believe that there are appropriate litigant's to the risk. This override decision is documented and approved by the Branch manager/sales & service manager and BAMLCO.

Annual update of KYC and transaction profile:

KYC profile and transaction profile is updated and re-approved at least annually for "High Risk" accounts. There is no requirement for periodic updating of profiles for "Low Risks" transaction accounts.

Politically Exposed Persons (PEPs):

According to Sonali Bank's policy, if the customer is a politically exposed person as defined In AML CircularNo.14, then the account will atomically become a high risk account.

7.2.3 Monitoring transactions procedure:

Transaction profile:

Transaction profile is an important document for monitoring transactions and recognizing suspicious transactions. The following steps are noted while preparing transaction Profile.

a. Sonali Bank takes interview of the customers and requests him/her to fill the transaction profile form as recommended By Bangladesh Bank. The main features of the form for both deposits and withdraw are-
    i. Various types of transactions (i.e. nature of transactions)
    ii. No. of transactions (monthly)
    iii. Maximum Size (per transactions)
    iv. Total value (monthly)
b. Relationship Manager (RM) of Sonali Banks ensures that the customer understands everything of transaction profile form before filling it up.
c. They assist customers in filling the transaction profile form if any complexity arises.
d. RM matches the information mentioned in TP with all points covered in KYC guideline. Than he establish normal resemblance between two declared statements.

Transaction monitoring process:

Monthly review of accounts: The designated officer(s) review transactions in accounts for the previous month to identify changes or exceptions or inconsistencies with the customers' declared Transaction Profile (TP). Such review may be done with the help of Ledger and Cash Book.

Points to review: The following points should be reviewed:

a. No. of monthly deposits: Declared in TP vs. actual transaction,
b. Maximum amount per deposit: Declared in TP vs. Actual transaction,
c. Total monthly deposit: Declared in TP vs. actual transaction,
d. No. of monthly withdrawals: Declared in TP vs. actual transaction,
e. Maximum amount per withdrawal: Declared in TP vs. Actual transaction,
f. Total monthly withdrawal: Declared in TP vs. actual transaction,
g. Geographical origin/destination g., issuing bank, branch etc.

Maintaining secrecy: The above review is done as a part of the daily functions of the branch. It should be kept in mind that all exceptions may not be suspicious. Also, branch officials should be very much cautious in dealing with customers. They should perform the job in a manner that do not create any panic and do not disclose any information to any person.

7.2.4 Cash Transaction Reports (CTRs):

All banks are required to submit CTR to the BFIU, Bangladesh Bank on monthly basis. CTR is significantly different from abnormal/suspicious transactions reporting (STR). That is, if any customer happens to make transaction above 10 lacs taka or more, there is no scope of treating it as suspicious only for this. But the banks have to report CTR to BFIU, Bangladesh Bank for information only.

In the case of cash deposit (regardless of amount) of the Govt. accounts or of accounts of the Govt. owned entities need not to be reported. CTR must be submitted in soft copy. So every branch of Sonali Bank Ltd is required to submit CTR to head office by the 1st week of every month. After receiving such reports from every branch, Head office will compile all the CTRs and send it to the BFIU before 21st day of every month.

7.2.5 Recognition and reporting suspicious transaction:

Normally Every Business and individual has certain kind of transactions in line with their business or individual needs, which is declared in the Transaction Profile (TP) of the customer. Transactions inconsistent with the declared TP are considered unusual or suspicious.

How to recognize suspicious transactions:

As there are unlimited types of transactions that a money launderer may use, it is difficult to define a suspicious transaction. However, in most of the cases, a suspicious transaction will be one that is inconsistent with a customer’s known, legitimate business or personal activities. Therefore, the first key to recognize that a transaction, or series of transactions, may be unusual is to know enough about the customer's business. At the time of determining whether a customer's transaction may be suspicious, a branch considers the following questions:

a. Is the size of the transaction consistent with the normal activities of the customer?

b. Is the transaction rational in the context of the customer's business or personal activities?
c. Has the pattern of transactions conducted by the customer changed?
d. Where the transaction is international in nature, does the customer have any obvious reason for conducting business with the other country involved?

Procedure for reporting suspicious transaction:

According to Anti-money laundering act all financial Institutions must establish written internal procedures so that, in the event of a suspicious activity being discovered. All staff needs to be aware of the reporting chain and the procedures to follow. At last the financial institution should report to Bangladesh Bank of if there is a suspicion of money laundering. The procedures for report suspicious transaction in Sonali Bank are discussed below-

a. All officials of the bank are always alert to transactions that are inconsistent with the customer’s KYC information. If any unusual transaction is found, then the staffs who has noticed it reviews the account opening form, KYC documentation, transaction profile etc. He also reviews account statements and transaction records. If necessary he can directly seek information from customers after consulting with BAMLCO.
b. If the issue appears reportable, then the concerned staff immediately prepares a report and then sends it to the BAMLCO. BAMLCO acknowledges receipt of the report. A full detail of the customer and the reason for the suspicion is disclosed on the report.
c. After receiving the report BAMLCO analyzes the reported incident properly in the light of all other relevant information and record in writing with reasons in details whether the transaction is connected with money laundering or not. If the reported issue does not appear to be connected with money laundering, then BAMLCO closes the issue at his end after putting his comments on the STR form. If the reported issue appears to be connected with money laundering, then

BAMLCO sends the details immediately along with a copy of the STY form to the Anti-Money Laundering Division at Head Office.

Documents to be enclosed with the STR: At the time of forwarding an STR to AMLD, BAMLCO encloses:

a. Photocopy of Account Opening Form, KYC, Transaction Profile etc.
b. Photocopy of all documents related to Account Opening (including Passport, National ID Card, Trade License etc.),
c. Statement of the Account for at least 1 (One) year
d. After receiving the report form BAMLCO, AMLD examine and analyze the reports and record its observations on the STR form and if they consider the incident to be reportable, then they submits the same directly to the General Manager, Anti-Money Laundering Department, Bangladesh Bank within Seven days for suspicion of Money Laundering and maintain confidentiality.

7.2.6 Self assessment:

According to the Bangladesh Bank's guideline on prevention of money laundering, bank establish an annual self-assessment process that assess how effectively the bank's anti-money laundering procedures enable management to identify the areas of risk or to assess the need for additional control mechanisms. The self-assessment conclude with a report documenting the work performed, who performed it, how it was controlled and supervised and the resulting findings, conclusions and recommendations.

Self assessment process:

According to Bangladesh Bank's guide line, Sonali Bank follows the following steps to assess itself in a quarterly basis-

a. Branches assess themselves and prepare a Report on the basis of Self-Assessment Checklist on a quarterly basis
b. On the basis of such assessment, the branch arranges a meeting of all important officials of the branch and to be led by the Sales & Service Manager of the branch. The meeting discusses the branch's self-assessment report; identify areas of risk/problem, if any find out ways or recommendations to mitigate the risk/problem areas, and Maintain minutes.
c. After a successful meeting, all the branches send their self-assessment report, steps taken by branch and recommendation to Anti-money Laundering Division and Audit & Inspection Unit of internal Control & compliance division of head office within 20th day off the next month after completion of each quarter.
d. Then the monitoring wing reviews the Self-Assessment Reports received from branches on a quarterly basis. If any area of risk has been identified in the review, then Monitoring wing requests Audit & Inspection Wing to conduct a special inspection on the concerned branch instantly.

e. After that, Audit & Inspection Wing conducts a special inspection on the concerned branch instantly and submits their report to the concerned authority for necessary action.
f. Finally, Compliance Wing, as part of their compliance function, ensures branch compliance (if applicable) to the observations/ recommendations made by Audit & Inspection Wing in their special inspection reports.

Independent testing procedure systems:

According to Bangladesh Bank's guideline, testing is to be conducted at least annually by the bank's internal audit personnel, compliance department, and by an outside party such as the institution's external auditors. The tests include:

a. Interviews with employees and their supervisors handling transactions to determine their knowledge and compliance anti-money laundering procedures;
b. A sampling of large transactions followed by a review of transaction record retention forms and suspicious transaction referral forms;
c. A test of the validity and reasonableness of any exemptions granted by the financial institution; and
d. A test of the record keeping system according to the provisions of the Act.

7.2.7 Training and awareness:

Section 23(1)(Cha) of the Ordinance requires Bangladesh Bank to provide training and arrange meetings, seminars etc. for the officers and staffs of the reporting organizations or any other organizations or institutions as Bangladesh Bank may consider necessary for the purpose of proper implementation of the ordinance. Since banks themselves have responsibilities under the Ordinance in relation to identification, reporting and retention of records, Sonali Bank ensures that its staffs are adequately trained to discharge their responsibilities. Sonali Bank takes appropriate measures to make its employees aware of:

a. Policies and procedures to prevent money laundering and for identification, record keeping and internal reporting,
b. Legal requirements, and
c. Provide employees with training in recognition and handling of suspicious transactions.

7.2.8 Keeping records:

Section 25(1) (Ka) of the Ordinance requires the Bank to retain correct and full information used to identify customers during their account relationships. Section 25(1) (Kha) of the Ordinance requires the bank to retain transaction related records for at least 5 (Five) years after termination of relationships with the customer.

Chapter 08
The Offence and Punishment of Money Laundering

8.1 Offence of money laundering:

According to money laundering prevention act 2012, section 4,

1) For the purposes of this Act, money laundering shall be deemed to be an offence.

2) Any person who commits or abets or conspires to commit the offence of money laundering, shall be punished with imprisonment for a term of at least 4(four) years but not exceeding 12(twelve) years and, in addition to that, a fine equivalent to the twice of the value of the property involved in the offence or taka 10(ten) lacks, whichever is greater.
3) In addition to any fine or punishment, the court may pass an order to forfeit the property of the convicted person in favor of the State which directly or indirectly involved in or related with money laundering or any predicate offence.
4) Any entity which commits an offence under this section shall be punished with a fine of not less than twice of the value of the property or taka 20(twenty) lacks, whichever is greater and in addition to this the registration of the said entity shall be liable to be cancelled.
5) It shall not be a prerequisite to charge or punish for money laundering to be convicted or sentenced for any predicate offence.

According to money laundering prevention act 2009, The money laundering offences are, in summary:

1) **Offence of money laundering:** The act of money laundering will be treated as an offence [See Section 4(1) of the Act].

2) **Offence of not retaining information:** It is an offence for reporting organizations not to retain correct and full information used to identify their customers during their account relationships. It is also an offence for reporting organizations not to retain transaction related records for at least 5 (Five) years after termination of relationships with the customers.(Sec- 25(1)Kha.

3) **Offence of not reporting suspicious transactions:** It is also an offence for reporting organizations not to make a report to Bangladesh Bank where they suspect that a money laundering offence has been or is being committed. (Sec-25(1)Gha.

4) **Offence of not providing information on demand:** It is also an offence for reporting organizations not to provide customer identification and transaction records to Bangladesh Bank from time to time on demand.

5) **Offence of violating freezing or attachment order:** It is an offence for any person to violate any freezing order or attachment order passed under this Act [See Section 14(5) of the Act].

6) **Offence of divulging information:** It is an offence for a person to divulge any information relating to an investigation or any other related information to any person, organization or news media for the purpose of frustrating the investigation or making adverse influence over the investigation [Section 6(1) of the Act].

7) **Offence of using or publishing information:** It is also an offence for any person, organization or agent authorized under the Act to use, publish or divulge any information except for the purpose of the Act, which was collected, received, retrieved and known by him/her during the period of his/her employment or appointment period or after completion of his/her employment or appointment contract [Section 6(2) of the Act].

8) **Offence of obstructing or refusing to assist an investigation:** It is an offence under the Act for any person to obstruct or refuse to assist the investigating officer engaged in any investigation under the Act [Section 7(1)(Ka) of the Act].

9) **Offence of refusing to submit reports:** It is an offence under the Act for any person or refuse to submit reports or supply information without any reasonable ground under the Act [Section 7(1)(Kha) of the Act].

10) **Offence of providing false information:** It is an offence for any person to provide false information knowingly about the sources of funds or the identity of an account holder or the beneficial owner or nominee of an account [Section 8(1) of the Act].

8.2 Punishment for money laundering offences:

According to money laundering prevention act 2012,

a. Punishment for violation of an order for freezing or attachment:

Any person who violates a freezing or attachment order issued under this Act shall be punished with imprisonment for a term not exceeding 3 (three) years or with a fine equivalent to the value of the property subject to freeze or attachment, or with both.

b. Punishment for divulging information:

No person shall, with an ill motive, divulge any information relating to the investigation or any other related information to any person, organization or news media. Any person, institution or agent empowered under this Act shall refrain from using or divulging any information collected, received, retrieved or known by the person, institution or agent during the course of employment or appointment, or after the expiry of any contract of service or appointment for any purpose other than the purposes of this Act.Any person who contravenes the provisions of sub-sections (1) and (2) shall be punished with imprisonment for a term not exceeding 2 (two) years or a fine not exceeding taka 50 (fifty) thousand or with both.

c. **Punishment for obstruction or non-cooperation in investigation, failure to submit report or obstruction in the supply of information:**

1. Any person who, under this Act –
   a) obstructs or declines to cooperate with any investigation officer for carrying out the investigation; or
   b) Declines to supply information or submit a report being requested without any reasonable ground; shall be deemed to have committed an offence under this Act.
2. Any person who is convicted under sub-section (1) shall be punished with imprisonment for a term not exceeding 1 (one) year or with a fine not exceeding taka 25 (twenty five) thousand or with both.

d. Punishment for providing false information.–

1) No person shall knowingly provide false information in any manner regarding the source of fund or self identity or the identity of an account holder or the beneficiary or nominee of an account.

2) Any person who violates the provision of sub-section (1) shall be punished with imprisonment for a term not exceeding 3 (three) years or a fine not exceeding taka 50 (fifty) thousand or with both.

8.3 Powers and responsibilities of Bangladesh Bank in restraining and preventing the offence of money laundering:

1) For the purposes of the AML Act 2012, Bangladesh Bank shall have the following powers and responsibilities, namely:-

a. To analyze or review information related to cash transactions and suspicious transactions received from any reporting organization and to collect additional information relating thereto for the purpose of analyzing or reviewing from the reporting organizations and maintain data on the same and, as the case may be, provide with the said information to the relevant law enforcement agencies for taking necessary actions;

b. Ask for any information or obtain a report from reporting organizations with regard to any transaction in which there are reasonable grounds to believe that the transaction involves in money laundering or a predicate offence;

c. Issue an order to any reporting organization to suspend or freeze transactions of any account for a period not exceeding 30 (thirty) days if there are reasonable grounds to suspect that any money or property has been deposited into the account by committing any offence: Provided that such order may be extended for additional period of a maximum of 6 (six) months by 30 (thirty) days, if it appears necessary to find out correct information relating to transactions of the account;

d. Issue, from time to time, any directions necessary for the prevention of money laundering to the reporting organizations;

e. Monitor whether the reporting organizations have properly submitted information and reports requested by Bangladesh Bank and whether they have duly complied with the directions issued by it, and where necessary, carry out on-site inspections of the reporting organizations to ascertain the same;

f. Arrange meetings and seminars including training for the officers and staff of any organization or institution, including the reporting organizations, considered necessary for the purpose of ensuring proper implementation of this Act by Bangladesh Bank;

g. Carry out any other functions necessary for the purposes of this Act.

(2) If any investigation agency makes a request to provide it with any information in any investigation relating to money laundering or suspicious transaction, then Bangladesh Bank shall provide with such information where there is no obligation for it under any existing law or for any other reason.

(3) If any reporting organization fails to provide with the requested information timely under this section, Bangladesh Bank may impose a fine on such organization which may extend to a maximum of taka 5 (five) lacks at the rate of taka 10 (ten) thousand per day and if any organization is fined more than 3(three) times in 1(one) financial year, Bangladesh Bank may suspend the registration or license of the organization or any of its branches, service centers, booths or agents for the purpose of closing its operation within Bangladesh or, as the case may be, shall inform the registration or licensing authority about the fact so as to the relevant authority may take appropriate measures against the organization.

(4) If any reporting organization provides with false information or statement requested under this section, Bangladesh Bank may impose a fine on such organization not less than taka 20 (twenty) thousand but not exceeding taka 5 (five) lacks and if any organization is fined more than 3(three) times in 1(one) financial year, Bangladesh Bank may suspend the registration or license of the organization or any of its branches, service centers, booths or agents for the purpose of closing its operation within Bangladesh or, as the case may be, shall inform the registration or licensing authority about the fact so as to the relevant authority may take appropriate measures against the said organization.

(5) If any reporting organization fails to comply with any instruction given by Bangladesh Bank under this Act, Bangladesh Bank may impose a fine on such organization which may extend to a maximum of taka 5 (five) lacks at the rate of taka 10 (ten) thousand per day for each of such non compliance and if any organization is fined more than 3(three) times in 1(one) financial year, Bangladesh Bank may suspend the registration or license of the organization or any of its branches, service centers, booths or agents for the purpose of closing its operation within Bangladesh or, as the case may be, shall inform the registration or licensing authority about the fact so as to the relevant authority may take appropriate measures against the said organization.

(6) If any reporting organization fails to comply with any order for freezing or suspension of transaction issued by Bangladesh Bank under clause (c) of sub-section (1), Bangladesh Bank may impose a fine on such organization not less than the balance held on that account but not more than twice of the balance held at the time of issuing the order.

(7) If any person or entity or reporting organization fails to pay any fine imposed by Bangladesh Bank under sections 23 and 25 of this Act, Bangladesh Bank may recover the fine from accounts maintained in the name of the relevant person, entity or reporting organization in any bank or financial institution or Bangladesh Bank, and in this regard if any amount of the fine remains unrealized, Bangladesh Bank may, if necessary, make an application before the court for recovery and the court may pass such order as it deems fit.

(8) If any reporting organization is imposed fine under sub-sections (3), (4), (5) and (6), Bangladesh Bank may also impose a fine not less than taka 10 (ten) thousand but not exceeding taka 5 (five) lacks on the responsible owner, directors, officers and staff or persons employed on contractual basis of that reporting organization and, where necessary, may direct the relevant organization to take necessary administrative actions.

8.4 Responsibilities of the Sonali Bank Ltd. in prevention of money laundering:

The Sonali Bank Ltd. shall have the following responsibilities in the prevention of money laundering, namely:-

a) To maintain complete and correct information with regard to the identity of its customers during the operation of their accounts;
b) If any account of a customer is closed, to preserve previous records of transactions of such account for at least 5(five) years from the date of such closure;
c) To provide with the information maintained under clauses (a) and (b) to Bangladesh Bank from time to time, on its demand;
d) If any doubtful transaction or attempt of such transaction as defined under clause (n) of section 2 is observed, to report the matter as “suspicious transaction report” to the Bangladesh Bank immediately on its own accord.
e) To follow a guideline of Bangladesh bank to prevent money laundering.
f) Develop a processes and policy to prevent money laundering.

8.5 Responsibilities of government in prevention of money laundering:

Contract with foreign countries –

1) For the purposes of this Act, the Government may enter into a contract with any foreign State under bilateral or multilateral agreements, conventions or any other means recognized by international law.
2) If the Government enters into any contract with any foreign State under this section, the Government may, for the purpose of prevention of money laundering:-
    a. ask for necessary information from the foreign State or organization; and

    b. Provide with information asked for by the foreign State or organization if it is not a threat to national security.

Chapter 09
Case Analysis

Money laundering: some real cases

Money laundering is not uncommon, but some money laundering cases have met the spotlight due to the severity of the act, or the amount of money involved in the crime. Large-scale money laundering cases often involve global transactions.

Here we are going to present some of the real world cases of money laundering that have been occurred over the time. We will present the real world cases from two perspective viz. Bangladesh perspective and world perspective.

9.1 Cases: world perspective:

I. Sharif Brothers money laundering case:

Main Nawaz Sharif and Mian Shahbaz Sharif were alleged of money laundering and used the hudaibiya Paper Mils as cover for money laundering during the late 1990s. The Hudaibiya Paper mills case is still pending in the National Accountability Bureau.

II. HSBC Holdings case:

In 2012 HSBC Holdings, a London-based company, paid nearly $2 billion in fines after it was discovered that the financial institution laundered money for drug traffickers, terrorists, and other organized crime groups throughout Iran. The laundering went on for many years before the activity was detected.

III. Bank of Credit and Commerce International case:

In the 1980s, the Bank of credit and Commerce International, a bank registered in Luxembourg and with offices in London, was found guilty of laundering an amount of money estimated to be in the billions for drug traffickers.

IV. The Johnny K yong case:

In 1990 Johnny K yong was convicted of supplying heroin to the New York mafia. Apparently he moved his profits through bulk shipments of cash to Hong Kong of through a Venezuelan company to bank accounts in Hong Kong and from there used the fie chine or Asian underground banking system to move funds to Burma and Thailand to purchase more drugs.

V. Jimmy Hitchcock case:

On September 23, 2014, in Charlotte, North Carolina, Jimmy Hitchcock, a former NFL football player, was sentenced to 46 months in prison and two years of supervised release. Hitchcock pleaded guilty in June2013 to mortgage fraud conspiracy, bank bribery conspiracy and money laundering conspiracy. According to court documents, Hitchcock was the leader of a mortgage fraud conspiracy and engaged in a sophisticated scheme to create false documents; Hitchcock recruited a bank insider to assist in the fraud and paid her bribes to provide bogus verifications. Hitchcock is the fourth in this conspiracy to be sentenced. The others who have been sentenced as part of this conspiracy include Christopher T. Belin. Mitzi Jackson and Coley Scagliarini.

9.2 Case: Bangladesh perspective:

I. Bangladesh Bank heist

In February 2016, instructions to steal US$951 Million from Bangladesh Bank, the central bank of Bangladesh, were issued via the SWIFT network. Five transactions issued by hackers, worth $101 million and withdrawn from a Bangladesh Bank account at the Federal Reserve Bank of New York in February 4–5 when Bangladesh Bank's offices were closed. The laundered money was moved via transfer requests, with about $81 million ending up in bank accounts in the Philippines. The other $20 million went to an account in Sri lanka. This money was laundered through casinos and some later transferred to Hong Kong.

The laundered money transferred to the Philippines was deposited in five separate accounts with the Rizal Commercial Banking Corporation (RCBC); the accounts were later found to be under fictitious identities. The money was coursed through Philippines' banking system, deposited to a Filipino-Chinese businessman's bank account, and transferred to 3 large casinos – these are just some important details in a story that is developing into the biggest documented case of money laundering in Philippine history.

The $20 million transfer to Sri Lanka was intended by hackers to be sent to the Shalika Foundation, a Sri Lanka-based non profit organization. The hackers misspelled "foundation" in their request to transfer the funds, spelling the word as "fandation". This spelling error gained suspicion from Deutsche Bank. The laundered money came from the account of the central bank of Bangladesh. The Sri Lankan funds have been recovered by Bangladesh Bank.

II. Sonali Bank Ltd. money laundering case: Hall Mark case:

The Hall Mark officials had embezzled over Tk 26.86 billion from the Ruposhi Bangla Hotel Branch of state run Sonali Bank in league with the Bank officials between 2010 and 2012. A Dhaka Court has kicked off trial by framing charges against Hall Mark Group Managing Director Tanvir Mahmud and Chairperson Jesmin Islam and 21 others in nine money laundering case filed over the loan fraud. The Anti Corruption Commission started its investigations in 2012.

III. Khandaker Mosharraf Hossain case:

The Anti Corruption Commission (ACC) had filed a case against Khandaker Mosharraf Hossain in February 2014, accusing him of siphoning off Tk 90 million while serving as the health minister between 2001 and 2006. The money was allegedly parked at Lloyd's TSB Offshore Private Bank in London.

IV. Lutfazzaman Babar case:

Earlier in Jaunary 2008, The Anti Corruption Commission (ACC) had filed a case against Babar on charges of accumulating wealth disproportionate to his income. The case alleged that Babar had earned wealth worth Tk 7.05 Crore, beyond his known incomes. The Commission had found that cash worth $10 lakh was deposited from a Singapore bank into Babar's bank account at the Prime Bank's Banani Branch. The Commission director said that the money was deposited in three years beginning from 2004 when he was the state minister for home affairs.

Chapter 10
Findings, Suggestions and Conclusion

10.1 Findings:

Numerous findings have been identified on anti money laundering processes of commercial bank. Some of them are in the followings:

1) Each commercial bank has developed anti money laundering policy according to guideline of Bangladesh bank and AML prevention act.
2) Majority of the commercial bank's staffs is aware of the Anti-Money Laundering Policy and understands its provisions.
3) Though there is no single method of laundering money, launderer accomplished this task by following in 3 basic stages which are placement, layering, and integration stage.
4) To supervise and monitoring the overall activities of AML and CFT, the Bank constitute a separate Anti-Money Laundering Department (AMLD) at its Head Office and also have a branch Anti-Money Laundering compliance officer in each branch
5) It is found that majority of money laundering events occur through financial institutions like bank.
6) In case of money laundering banks lost goodwill and customer lost faith to deposits to bank.
7) Money laundering decrease the foreign investment in Bangladesh. Because it indicates the high level of corruption and lack of transparency.
8) According to Basel AML index 2015, the score of Bangladesh is increasing gradually which is not a good sign but the ranking is better.
9) Though the Bangladesh bank launched AML prevention act, money laundering occur due to weak implementation of the act and political influence.
10) Money laundering hamper the reputation of the financial institution and increase the operational risk of the banking firm when banking firm itself involved with the launderer or in criminal activities.
11) Money laundering damages the financial-sector institutions by affecting economic growth, reduces productivity in the economy's real sector by diverting resources and encouraging crime and corruption,
12) Bank anti-money laundering policy has a positive impact on its operations.
13) Banks follow a pattern to identify and report transactions of a suspicious nature to the financial intelligence unit in Bangladesh bank.

10.2 Suggestions:

In order to prevent or reduce the events of money laundering in Bangladesh, commercial banks and central bank can adopt the following Suggestions:

1) The money laundering prevention act must be revised time to time to be in the track of changing global phenomenon by taking feedback from bankers, customers and lawyers etc.

2) Government should take very strict laws that minimize the money laundering. Those laws are usually directed at banks, financial institutions and non bank financial institutions.
3) Bank should install of anti-money laundering software that filters customer data, classifies it according to level of suspicion and report anomalies.
4) There should be a central database system that will contain necessary information about suspected customers that will facilitate the identification of money laundering attempts.
5) Bangladesh bank should have a separate budget for anti-money laundering activities especially training and awareness.
6) Legal system should be strengths to stop political influence and dishonesty.
7) Bank should arrange regular training programs to make their staffs more efficient and aware of new techniques of money laundering.
8) Bangladesh Bank should ensure more frequent supervision and Bangladesh Bank should discuss with all financial entities before issuing any circular or making any change in the Act.
9) Penalties of money laundering to be increased for personal statutory obligations
10) Commercial bank should maintain a close connection with Bangladesh Bank to take good advice if needed.
11) Advertisement is necessary to create general awareness among all people at all levels. The national Dailies, Radio, Television should run appropriate campaign for mass people.

10.3 Conclusion:

Money laundering is the integration of illicit funds into the main stream of legitimate finance in order to conceal the criminal sources and nature of such funds and ultimately making the funds look clean. In global economy money laundering is playing a pivotal role. It hampers the economic growth and at the sometimes hinders the overall development of the nation as a whole. Money Laundering decrease the foreign investment in Bangladesh. Because it indicates the high level of corruption and lack of transparency. Money laundering hamper the reputation of the financial institution and increase the operational risk of the banking firm when banking firm itself involved with the launderer or in criminal activities.

The money laundering prevention act must be revised time to time to be in the track of changing global phenomenon and Bank should install of anti-money laundering software that filters customer data, classifies it according to level of suspicion and report anomalies. Bank should arrange regular training programs to make their staffs more efficient and aware of new techniques of money laundering.

These are important findings and suggestions, but further work needs to be done to identify any trends or patterns in relation to money laundering and terrorist financing in banking sector. While this report focus only banking sector, further study is also needed including the information of other financial sector involving with money laundering to know more detail about money laundering in Bangladesh.

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Annexure I

AML- Anti Money Laundering
AMLP- Anti-Money Laundering policy
AMLD- Anti -Money Laundering Department
ATM- Automated Teller Machine
APGML-Asia Pacific Group on Money Laundering
A/C- Bank Account
BB- Bangladesh Bank
BIS-Bank for International Settlements
BFIU- Bangladesh Financial Intelligence Unit
BAMLCO- Branch Anti-Money Laundering Compliance Office
CAMLCO- Chief Anti-money Laundering Compliance Officer
CFT-Combating Financing of Terrorism
EFT- Electronic Fund Transfer
E-Banking-Electronic-Banking
FATF- Financial Action Task Force
ITP- independent Testing Procedure
JMLSG-The joint Money Laundering Sterling Group
KYC- Know Your Customer
L/C- Letter of Credit
ML- Money Laundering
PFS - Personal Financial Service
PEPs- Politically Exposed Persons
RM-Relationship Manager
SRT- Suspicious Transaction Report
TP- Transaction Profiling
TMP- Transaction Monitoring Process
TT- Telegraphic Transfer
VC -Vienna Convention