JAIIB PPB Module A (Unit 2-AML KYC Guidelines)

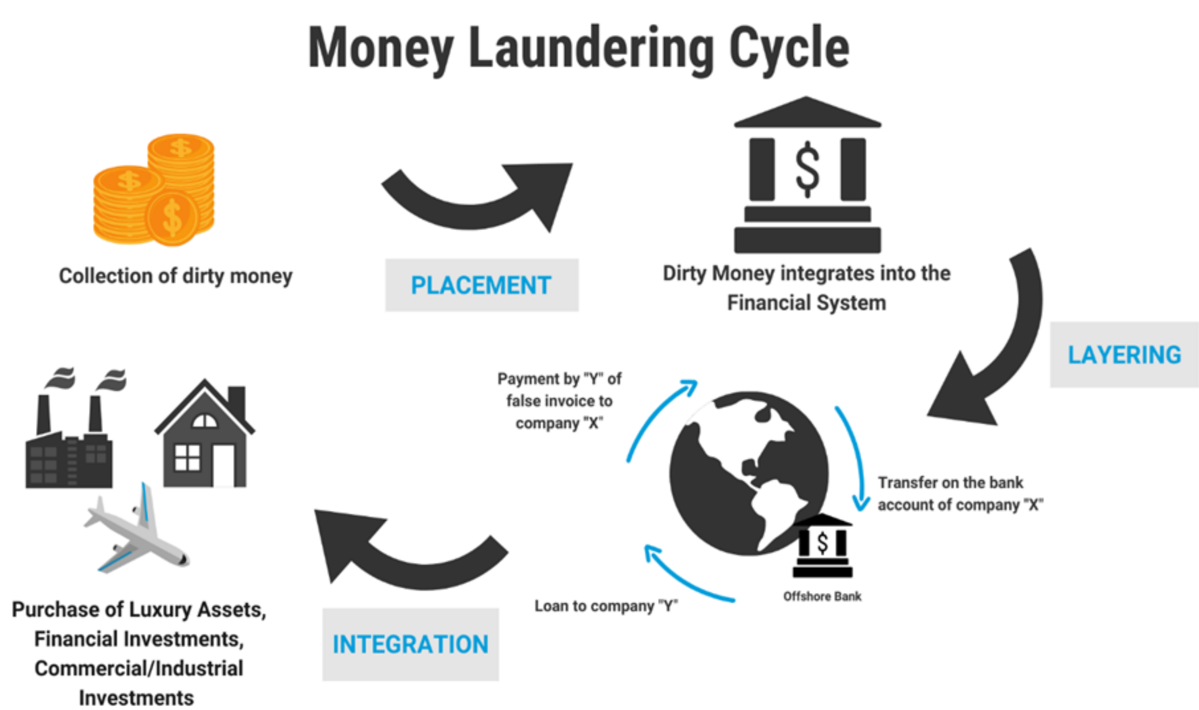
MONEY LAUNDERING & FINANCING OF TERRORISM RISKS

Money laundering (ML) is a process whereby the origin of funds generated from criminal activities(drug trafficking, gun smuggling, corruption etc

Terrorist financing (TF) has developed linkages with money laundering as for both purposes similar modalities are used

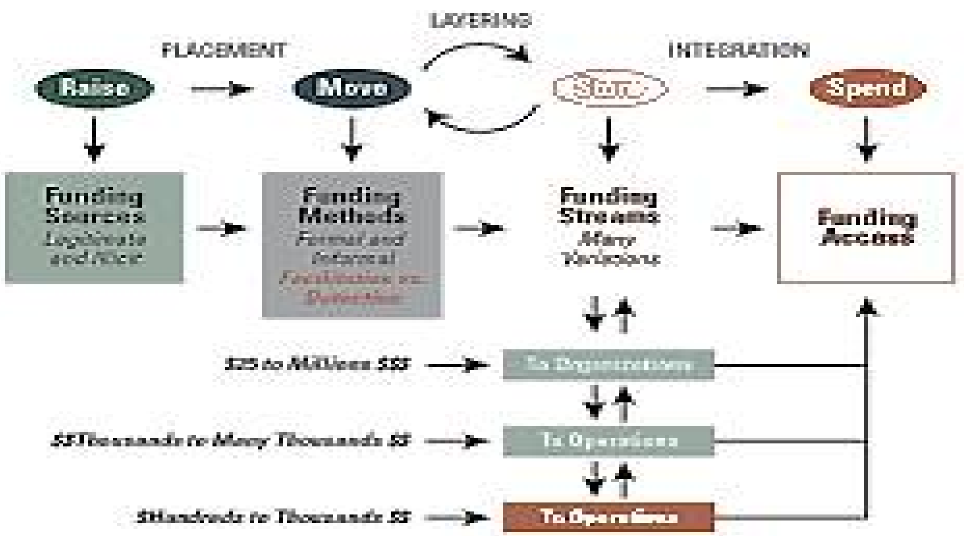
Financial Action Task Force (FATF), a global organization, was set up for evolving measures to be taken by financial sector businesses and certain non-financial businesses and professions for prevention of money laundering

Stages of Money Laundering



Stages of Financing of Terrorism

Figure 1: Funding: Sources / Methods / Access



Objectives of Prevention of Money Laundering

The main object[...] mone[...]ering a[...]

(a) To prevent [...] financial system for mo[...]

(b) To prevent s[...]ciety.

(c) To safeguar[...]

(d) To prevent t[...]m[...]ess[...]nci[...]s[...]

AML FRAMEWORK IN INDIA

Financial Intelligence Unit-India (FIU-Ind) has been set up	• For receiving information about various financial transactions from certain businesses, including banks and financial institutions.
Enforcement Directorate (ED)	• is the investigation and prosecuting authority for money laundering crime.
Special Courts	• for adjudication of cases pertaining to money laundering crime. The adjudicating authority has powers to freeze the assets and even confiscate the assets proved to be related to money laundering
Regulators of various business activities	• issue operating instructions and guidelines for the businesses regulated by them

Money Laundering Offence

- The offence of money laundering has been defined in Sec. 3 of the PMLA
- Sec. 45 of PMLA stipulates that all offences under the PMLA are to be deemed to be cognizable and non-bailable offences
- Sec. 4 of PMLA stipulates the punishment for money laundering offence, which is rigorous imprisonment for not less than 3 years but up to 7 years and fine as per the gravity of the offence
- In cases connected with offences under the Narcotics Drugs and Psychotropi [redacted] maximum 1 [redacted]

RISK MANAGEMENT

Risk Based Approach	[redacted] gement of the
Risk Assess [redacted]	[redacted] gate the ML/TF
Customer R [redacted] Categorisati [redacted]	[redacted] low, based on
Role of Oth [redacted] Functions	[redacted] on of KYC/AML
Introductio [redacted] New Techno [redacted]	[redacted] roducing new
Staff Hiring [redacted] Training	[redacted] arties used for [redacted] y Agents,, etc.

Q1. Which of the following is not true?

I. Money laundering (ML) is a process whereby the origin of funds generated from criminal activities.

II. Corruption, tax evasion, Ponzi schemes, other financial crimes, cybercrimes are closely connected with money laundering

III. CFT a global organization, was set up for evolving measures to be taken by financial sector businesses.

IV. Money laundering and terrorism financing are considered as criminal activities across the world.

A. All are true except I

B. All are true except III

C. I & III

D. II & IV

Ans: B. All [redacted]

Q2. Choose th[redacted]

I. **Moving**[redacted]s are therefore require[redacted]

II. **Raising**[redacted]om [redacted]rganisations

III. **Using:** [redacted]urpos[redacted]or for various organis[redacted]

IV. Storing[redacted]ank accoun[redacted]

A. I, II, III [redacted]

B. II,IV, III[redacted]

C. III, IV, I [redacted]

D. II, I, IV [redacted]

Ans: D. II, I[redacted]

Q3. Which of t[redacted]

A. Placem[redacted]

B. Layerin[redacted]

C. Raising[redacted]

D. Integra[redacted]

Ans: C. Rai[redacted]

Q4. Match the[redacted]

I. Placement	**a. The funds lying in multiple accounts in one or few accounts that are then deployed for investing in some legal business activity or for acquiring some asset in legitimate manner.**
II. Layering	b. In this stage the funds from criminal activity are introduced into the financial system
III. Integration	c. Funds are passed through numerous financial transactions in these accounts creating several layers of funds transfers

A. I-c, II-a, III-b

B. I- b, II- c, III- a

C. I- a, II- c, III- b

D. None of these

Ans: B. I- b, II- c, III- a

Q5. Choose the correct answer in respect to AML framework in India?

I. Financial Intelligence Unit-India (FIU-Ind) has been set up for receiving information about various financial transactions from certain businesses, including banks and financial institutions
II. ED also has supervisory powers over the business entities that are subject to PMLA
III. Enforcement Directorate (ED) is the investigation and prosecuting authority for money laundering crime.
IV. High Court are for adjudication of cases pertaining to money laundering crime
V. The Regulators of various business activities, covered under PMLA, issue operating instructions and guidelines for the businesses regulated by them for discharging their obligations under the PMLA and PMLR

A. All are correct except II & V
B. I, II, III [illegible]
C. I, III, IV & [illegible]
D. All are c[illegible]

Ans: D. All [illegible]

Q6. Which of t[illegible]

I. The off[illegible] ned in[illegible]
II. Sec. 45 [illegible] nder th[illegible] zable and non-bailabl[illegible]
III. Sec. 4 o[illegible] r mo[illegible] laun[illegible] prisonment for not less[illegible]
IV. In case [illegible] der t[illegible] Na[illegible] otics [illegible] ances Act the impriso[illegible] um 15 years.

A. All are [illegible]
B. I, II & I[illegible]
C. I, III, IV[illegible]
D. D. All a[illegible] excep[illegible] IV

Ans: A. All [illegible] ct [illegible] cep[illegible] & [illegible]