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**INDIA FULLY COMMITTED TO COMBAT MONEY LAUNDERING AND
FINANCING OF TERRORISM: FM**

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Union Finance Minister Shri Mukherjee has said that the capabilities against money laundering and terrorist financing should be strengthened by all nations to ensure an effective, efficient and more productive crusade against this menace. He said that left unchecked, money laundering can undermine the integrity of any financial system and embroil individual financial institutions in share-crippling financial scandals. Shri Mukherjee was speaking at the inaugural session of plenary of Asia Pacific Group at Kochi in Kerala today.

Shri Mukherjee said that the 20th century was characterized by a number of structural changes in the world economy. He said that the main pillars of this process were liberalization and deregulation of national economies and these developments together, created both opportunities and risks for the society. Shri Mukherjee said that while exponential technological breakthroughs in telecommunication and information sciences made knowledge, health care systems, agro technology, investments, and entertainment global, it also made, among other things, money laundering a global problem.

Finance Minister Shri Mukherjee said that the phenomenon of money laundering takes a myriad of dimensions, and therefore, its impact on the society are enormous and multi-dimensional. It has socio-economic, political as well as security implications on any nation. He said that the socio-economic effects of money laundering are crippling: illicit funds generated from criminal activities such as fraud, corruption, extortion, gun running, drug and human trafficking, and other forms of organised crime are laundered into clean currency, and in turn are used to fund new criminal operations or expand existing ones. Shri Mukherjee said that this translates into more fraud, more corruption, more drug trafficking and dealing, more illegal firearms, more violent

crimes, and – most disconcertingly – more international terrorism. Moreover, the quantum of money generated from criminal activities and laundered throughout the world is believed to be several billions of dollars – up to as much as 2 to 5 % of global GDP, although it is not possible to produce a reliable estimate of the amount of money laundered, he said. The Finance Minister said that this gives the beneficiaries of money laundering a lot of muscle, and certainly enough means to threaten political stability worldwide. He stated that cross-border linkages of money laundering make it increasingly necessary for us to make collective efforts in dealing with it ruthlessly.

Shri Mukherjee said that the global menace of money laundering cannot be contained by any nation alone. He said that this was realized way back in 1989 and a co-operative and global policy response to the threats posed by money laundering was made in the form of the Financial Action Task Force (FATF). He added that since 1989, the FATF and FATF-Style regional bodies like APG are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism. Finance Minister Shri Mukherjee said that the Asia Pacific Group (APG) which was established in 1997 has been growing in membership and now consists of 40 active members making it the largest FATF-Style regional body in the world. Shri Mukherjee complimented the APG in achieving this milestone. However, having regard to the challenges which are peculiar to this region, APG has to continuously pursue its role in bringing more countries into its fold, the Minister said.

Shri Mukherjee said that the APG has been successfully carrying out its role in the Asia Pacific region in assessing APG members' compliance with the international anti-money laundering and combating the financing of terrorism (AML & CFT) standards through its programme of mutual evaluations; by supporting implementation of the international AML/CFT standards, through technical assistance and training; by conducting research and analysis into money laundering and terrorist financing trends and methods. He said that the APG has a robust technical assistance and training function in the region. Congratulating the APG for being the first FATF-Style Regional Body to have formal institutionalized processes for technical assistance and training coordination relating to AML & CFT issues, Shri Mukherjee expressed confidence that the member countries would be making full use of the knowledge and expertise available with APG in augmenting their AML & CFT regimes. The Finance Minister Shri Mukherjee said that in 2005 India underwent its first APG mutual evaluation. He said that India also underwent a joint APG & FATF mutual evaluation in 2009. India became

a member of the APG in March 1998 and 34th member of the FATF in June 2010.

The Finance Minister, Shri Mukherjee reiterated that India is fully committed to implement the international standards to combat money laundering and the financing of terrorism and has taken a number of measures to improve the AML/CFT regime, in accordance with the FATF standards. This has been well acknowledged in the recent FATF plenary conducted in Mexico in June 2011, he said. The Minister further stated that India is strengthening its anti-money laundering and combating the financing of terrorism system as per its commitment to APG and FATF. He said that India has enacted anti-money laundering and terrorist financing legislations. The anti-money laundering legislation, Prevention of Money Laundering Act, 2002, presently covers 156 offences under 28 different statutes as predicate offences, said the Minister. Shri Mukherjee said that the Unlawful Activities (Prevention) Act deals with terror and combating funding of terror. He said that in order to make the legislations more effective to deal with money laundering and terror funding, India is in the process of making suitable amendments to the Prevention of Money Laundering Act and Unlawful Activities (Prevention) Act to bring them in line with the core and key recommendations of the FATF. Shri Mukherjee said that India has established a Financial Intelligence Unit which includes a system for reporting suspicious financial transactions. India's money laundering investigations are spearheaded by the Directorate of Enforcement of the Ministry of Finance and we have recently augmented its manpower threefold, he said.

Finance Minister Shri Mukherjee said that India as a member of FATF has also accepted enhanced responsibility as Asia Pacific Regional Review Group (AP RRG) Co Chair. He said that as part of India's commitment to global fight against money laundering and financing of terrorism, India has become a member of the Eurasian Group on anti-money laundering and combating the financing of terrorism (EAG), wherein India is leading the project 'Money laundering through securities Market'. India also participated in the joint FATF – EAG high level mission to Tajikistan with regard to its asset repatriation program, he said.

Shri Mukherjee said that India has ratified the United Nations Convention Against Transnational Organized Crime in May 2011 and also the UN Convention Against Corruption. We have constituted a Financial Stability and Development Council (FSDC), which is also tasked with inter-regulatory coordination to ensure compliance with India's international obligations.

The Finance Minister said that India has been playing a pro-active role in the comity of nations in dealing with money laundering. Senior functionaries of Government of India have been part of the assessment teams of FATF and APG to assess the efficacy of anti-money laundering regimes of other countries and is also actively participating in the various Working Groups to meet the challenges of money laundering in its various dimensions. He said that recently, India was part of a high level mission to Bhutan which met with senior officials and Parliamentarians in the capital city of Thimpu in May 2011 to discuss Bhutan's programme to implement AML & CFT measures and that India is extending all possible help to Bhutan to strengthen its FIU. He assured that India would continue to contribute significantly in the global efforts to prevent money laundering and in maintaining the integrity of financial systems.

In his concluding remarks, he said that global responses to the challenges of money laundering could be in the form of raising awareness about the phenomenon, especially its socio-economic impact; creating the necessary legal and institutional frameworks; and of course, effective law enforcement and international cooperation among others. Shri Mukherjee said that the need for mutual legal assistance, especially in extradition, and exchange of information and intelligence among enforcement agencies becomes imperative. Technical assistance and cooperation must be strengthened in a robust manner, he added. Shri Mukherjee said that the APG is the ideal multi-lateral body in the region for us to engage ourselves on these issues to enhance our capabilities and add to our tool box of new methodologies to deal with the complexities of money laundering. The Finance Minister expressed hope that APG will continue its good work and succeed in making the Asia Pacific region and the world at large, a better and safer global village devoid of its global problems. He hoped that the deliberations there would result in concrete suggestions and proposals in enhancing the capabilities to fight the war against the money laundering. Among others present on the occasion were Mr. K. Jose Cyriac, APG Co-Chair and Secretary to the Govt. of India, Mr. Tony Negus, APG Co-Chair and Commissioner, Australian Federal Police, Mr. Giancarlo Del Bufalo, President, FATF and Dr. Gordon Hook, APG Executive Secretary. Around 300 senior government officials from the Asia/Pacific region and the world are attending this event.

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