207.Financial Crime and Compliance(FCC) For AIBB

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Suggestion:

- ***Read 4 star and 5 star marked chapter if you have time shortage to read all chapter.***
- ***Must read short notes from all chapter.***
- ***MetaMentor Center suggest to read whole note to find 100% common in exam. We cover everything in our note.***

Important	Details	Number of Question common in previous years
*****	***Module-A:*** *Conceptual Issues and Terminology*	**32**
**	***Module-B:*** *Financial Crime in the Key Functional Areas of Banking*	**10**
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**	***Module-G****: Compliance*	**09**

Syllabus

Module-A: Conceptual Issues and Terminology

Financial Crime, Nature of Financial Crime, Key stakeholders of Financial Crime, Money Laundering, Terrorist Financing, Sanctions, Bribery and Corruption. Predicate Offence, Reporting Organizations, Investigative Agencies, Stages of ML, Bangladesh Financial Intelligence Unit (BFIU), FATF, APG, Egmont Group, National Coordination Committee and National Taskforce on AML- CFT, Penalties.

Module-B: Financial Crime in the Key Functional Areas of Banking

Nature of crimes in General Banking, Fraud and Forgeries in Credit Operations, Malpractices and crime in Trade Services and Foreign Exchange, Internal Control and Compliance (ICC) functions of banks and Financial Crime.

Module-C: Financial Crime Risk Assessment

ML/TF Risk Assessment Guidelines for Banking Sector; Identifying and Assessing Tarde Based Money Laundering (TBML), Guidelines for Trade Based Money Laundering in Bangladesh; Enterprise-wide, Business, Sector and Product level FC Risk; Geographic Risk, FATF Blacklists and Gray-lists.

Module-D: Prevention, Detection and Reporting

Customer, Beneficial Owner, Customer Acceptance Policy, KYC, Customer Risk Assessment/Rating, Customer Due Diligence (CDD), Enhanced Due Diligence (EDD), Periodic and Adhoc CDD/EDD review, Name Screening; Transaction Profile (TP), Transaction Monitoring, TP Based Transaction Monitoring, Automated Transaction Monitoring, Manual Transaction Monitoring, Transaction Screening, Ongoing Name Screening, Media Monitoring. Self-Assessment, Cash Transaction Reporting (CTR), Suspicious Transaction Reporting (STR), Suspicious Activity Reporting (STR), Protection for Good Faith Reporting, Reporting for Internal Governance, Negative Lists

Module-E: Sanctions, Anti-Bribery and Corruption

Economic Sanctions, Various Types of Sanctions, US Sanctions, UN Sanctions, Bangladesh list, Bribery, Corruption, Important definitions and provisions of Anti-Corruption Commission Act, 2004, Penal Code provisions on Bribery, expatriation of corruption proceeds, Bribery & Corruption through employment, internship, gifts, procurement, sponsorship and donations.

Module-F: Financial Crime Control (FCC) for New Economy

FCC Risk Associated with new services and Technology, Fintech products, MFS, e-wallet, transactional platforms, e-commerce sites, marketplace, Money Laundering in the New Payment System.

Module-G: Compliance

Concepts of Compliance and Compliance Risk, Identifying and Managing Compliance Risk, Various Sub-Risks, Assessing Inherent and Residual Compliance Risk, Compliance Policies and Governance, Regulatory Compliance, Independence of Compliance Function and role of all employees and senior management for compliance.

Module A:
Conceptual Issues and Terminology

Q-01. What is financial crime? What type of financial crimes/ common forms of financial crime are observed in Bangladesh financial sector? BPE-96th. BPE-98th. BPE-99th.
Or, What is financial crime?7TH BPE
Or, What is financial crime? Describe some common financial crime. BPE 5th.
Or Describe different types of Financial crime in Bangladesh.BPE-6th

Financial crime involves illegal activities to gain economic benefits through dishonest means, often using financial systems. Key types of financial crimes include fraud, corruption, tax evasion, insider trading, loan scams, and money laundering. In Bangladesh's financial sector, notable financial crimes include:

1. **Fraud and Forgery:** Deceiving others for financial gain.
2. **Corruption and Bribery:** Illegal benefits in exchange for influence or action in business or government.
3. **Tax Evasion:** Illegally avoiding paying taxes.
4. **Insider Trading and Market Manipulation:** Using confidential information for trading or manipulating market prices.
5. **Loan Scam:** Obtaining loans through false pretenses.
6. **Money Laundering:** Hiding the origins of illegally obtained money.
7. **Terrorist Financing:** Funding terrorist activities.
8. **Proliferation Financing of Weapons of Mass Destruction (WMD):** Financial support for developing WMDs.
9. **Online Gaming and Betting:** Illegal or unregulated online gambling.
10. **Hundi/Hawala:** Informal methods of transferring money, often bypassing legal channels.

These crimes impact the financial stability and trust in institutions, contributing to broader social and economic issues.

Q-02. Which are the main stakeholders of countering financial crimes in Bangladesh?

In Bangladesh, the main stakeholders involved in countering financial crimes include:

1. **Reporting Organizations (ROs):** Entities required to report suspicious financial activities.
2. **Bangladesh Financial Intelligence Unit (BFIU):** Central agency for analyzing financial transactions related to illegal activities.

3. **Investigating Agencies:** Such as the Anti-Corruption Commission (ACC), Criminal Investigation Department (CID) of Bangladesh Police, Bangladesh Securities and Exchange Commission (BSEC), Customs Intelligence and Investigation Directorate (CIID), Central Intelligence Cell (CIC) of National Board of Revenue, Department of Narcotics Control (DNC), and Directorate of Environment.
4. **Intelligence Agencies:** Engaged in gathering information related to financial crimes.
5. **Regulatory Authorities:** Including Bangladesh Bank, BSEC, Insurance Development and Regulatory Authority (IDRA), NGO Affairs Bureau, Microcredit Regulatory Authority (MRA), Department of Social Services, and Self-Regulatory Bodies.
6. **Different Ministries:** Like the Ministry of Commerce, Ministry of Finance, Ministry of Information Technology and Communication, and Ministry of Telecommunication.

These stakeholders play crucial roles in identifying, reporting, investigating, and regulating activities to combat financial crimes effectively.

Q-03. "All money laundering cases are financial crime but all financial crime are not money laundering" please discuss with some examples. BPE-96th. BPE-99th.BPE-6th

"Money laundering is a specific type of financial crime, but not all financial crimes are money laundering." This means while every act of money laundering is a financial crime, there are many financial crimes that are not related to money laundering.

Example of Money Laundering (Financial Crime): Suppose someone earns money illegally, maybe by selling drugs. They then try to hide this money's illegal source of money by passing it through various bank accounts or businesses, making it look like it came from a legal source. This process is money laundering.

Example of Non-Money Laundering Financial Crime: A person committing tax evasion by not reporting their full income to avoid paying the correct amount of tax is committing a financial crime. However, this is not money laundering, as they are not trying to disguise the source of their money. So, while money laundering always counts as a financial crime, there are many other types of financial crimes like tax evasion, fraud, and insider trading that don't involve laundering money.

Q-04. How a bank can be involved in a money laundering case of its customer? Describe with example. BPE-97th.

A bank can become involved in a customer's money laundering case by acting as an instrumentality, either knowingly or unknowingly, in the process of handling funds that are the proceeds of a crime. This involvement can happen when the bank is used to deposit, transfer, or withdraw money that has been obtained through illegal activities, with the intention of making these funds appear legitimate.

Example: A customer who has earned money through illegal means, such as drug trafficking, might deposit this money into a bank account. They might then perform a series of complex transactions, such as transferring the money between different accounts, possibly in various countries, or investing it in legitimate businesses. If the bank does not perform adequate checks to identify the suspicious nature of these transactions, it can become an unwitting participant in the money laundering process. The bank's systems and services are thus used to give illegal funds an appearance of legitimacy, making it difficult for authorities to trace the original source of the money.

Q-05. How many ways financial institutions can be involved in financial crime?
Financial institutions can be involved in financial crime in three main ways:

1. **As a Victim:** Here, the institution itself is targeted by criminals. Examples include frauds like misrepresentation of financial information, embezzlement, and various types of scams like check fraud, credit card fraud, securities fraud, and pension fraud. The institution suffers losses due to these deceptive practices.
2. **As a Perpetrator:** In this less common scenario, the financial institution itself commits the crime. This could involve activities like selling fraudulent financial products, self-dealing, or misappropriating client funds.
3. **As an Instrumentality:** This is when financial institutions, either knowingly or unknowingly, are used as tools or channels for criminal activities. A prime example is money laundering, where illegal funds are processed through the institution to make them appear legitimate.

In each of these roles, the involvement of financial institutions can vary in intent and awareness, from being directly targeted to unknowingly facilitating criminal activities.

Q-06. What is money laundering? Define money laundering as per MLPA, 2012. BPE-97th.

Money laundering is the process of making illegally obtained money (like from drug trafficking or corruption) appear legal. According to the Money Laundering Prevention Act (MLPA), 2012 of Bangladesh, money laundering includes several key activities:

1. **Movement, Conversion, or Transfer of Illegal Proceeds:** This involves taking money
   gained from crimes and moving, converting, or transferring it to hide its illegal origin.

2. **Concealing Illicit Nature, Source, or Ownership:** This is about hiding the true identity, source, or ownership of criminal proceeds.
3. **Assistance in Evading Legal Consequences:** Helping someone involved in a crime to escape legal responsibility.
4. **Smuggling Money:** Transferring or bringing money into or out of the country illegally.
5. **Avoiding Reporting Requirements:** Conducting financial transactions in a way to dodge the legal obligation to report them.

The MLPA, 2012 essentially defines money laundering as activities that hide the illegal source of money or help criminals avoid getting caught.

Q-07. Describe the money laundering process. BPE-97th.
Or Discuss the stages of money laundering. BPE-96th. BPE-5th.
Or What are the stages of Money Laundering?

The money laundering process involves three key stages:

1. **Placement Stage:** This is where proceeds of crime are first introduced into the financial system, through methods like cash deposits in banks, small or structured deposits to avoid detection, buying foreign currency, or mixing illegal funds with legitimate business revenues.
2. **Layering Stage:** The aim here is to obscure the origin of the money through complex transactions. This may include transferring funds between accounts or countries, investing in businesses, or making various financial investments that disguise the money's source.
3. **Integration Stage:** The final step reintegrates the laundered money into the economy in a manner appearing legitimate. This could be through loans, investments in real estate or luxury goods, or using it as collateral, effectively hiding the money's criminal origins and allowing it to be used without suspicion.

Q-08. A government employee named Mr. X took 50 lac BDT as bribe from a person in exchange of providing service. Then he kept 25 lac BDT in a safe place of his house and gave the rest to his brother-in-law, Mr. Y deposited the money in his own bank account in the bank HP Bank Ltd. a. Is it falls under money laundering? Give reason for your answer. b. In the above scenario, who will be charged for money laundering and why? c. What due diligence measures should be taken by the bank HP Bank Ltd?

a. Yes, this falls under money laundering. Money laundering involves disguising money obtained from illegal activities as legitimate. Mr. X acquiring money through bribery (an illegal activity) and attempting to legitimize it by depositing part of it into a bank account through Mr. Y constitutes money laundering.

b. Both Mr. X and Mr. Y could be charged for money laundering. Mr. X for initiating the process by obtaining illegal funds and attempting to disguise its origin, and Mr. Y for aiding in this process by depositing the money into his bank account, acting as a layer to separate the funds from their illegal source.

c. HP Bank Ltd. should implement strict due diligence measures including:

- Identifying and verifying the source of large deposits.
- Monitoring transactions for unusual or suspicious activity.
- Reporting suspicious activities to relevant authorities.
- Training staff to recognize signs of money laundering.

These measures help in detecting and preventing money laundering activities.

Q-09. Is it essential to follow all stages to complete money laundering offences? If not please describe with example. BPE-96th.

No, it's not essential to follow all stages to complete a money laundering offense. Money laundering typically involves three stages: placement, layering, and integration. However, a money laundering offense can occur even if not all stages are completed.

For example, if an individual gains money illegally and just deposits it into a bank account (placement), it's already considered money laundering, even if they don't proceed to disguise the origins of the money (layering) or integrate it into the economy as legitimate (integration). The mere act of introducing illicit funds into the financial system can constitute a money laundering offense, demonstrating that completion of all stages is not a prerequisite for the offense to occur.

Q-10. What are the responsibilities of Reporting Organizations ROS mentioned in section 25 of Money Laundering Prevention Act (MLPA), 2012? BPE-96th. BPE-98th. BPE-5th.

Under Section 25 of the Money Laundering Prevention Act (MLPA), 2012, in Bangladesh, the responsibilities of Reporting Organizations (ROs) include:

1. **Diligent Reporting**: ROs must report any transaction suspected of being related to money laundering or terrorist financing to the Bangladesh Financial Intelligence Unit (BFIU) promptly.
2. **Record Keeping**: They are required to keep all identification records and transaction data for a period specified by the act, typically five years, to assist in any investigation or analysis related to money laundering or terrorist financing.

3. **Compliance Program Implementation**: ROs need to implement effective programs to combat money laundering and terrorist financing, including internal policies, procedures, and controls.
4. **Employee Training**: Ensuring that their employees are trained to recognize and handle transactions that may involve money laundering or terrorist financing risks appropriately.

These responsibilities aim to strengthen the fight against money laundering and terrorist financing by promoting vigilance and cooperation among financial and non-financial institutions.

Q-11. Which non-compliant issues of ROS are punishable under MLPA, 2012? BPE-96th.

Under the Money Laundering Prevention Act (MLPA), 2012, in Bangladesh, non-compliant issues of Reporting Organizations (ROs) that are punishable include:

1. **Failure to Report**: Not reporting transactions suspected of money laundering or terrorist financing to the Bangladesh Financial Intelligence Unit (BFIU).
2. **Inadequate Record-Keeping**: Failing to maintain proper records of identification and transaction data for the required period.
3. **Non-Compliance with Due Diligence**: Not conducting due diligence on customers or failing to verify their identity appropriately.
4. **Lack of Compliance Program**: Not implementing a comprehensive program to prevent money laundering and terrorist financing, including policies, controls, and procedures.
5. **Negligence in Training**: Failing to train employees on recognizing and dealing with transactions related to money laundering and terrorist financing.

Violations of these responsibilities can lead to penalties, including fines and imprisonment, as outlined in the MLPA, 2012.

Q-12. What is the punishment for money laundering offence conducted by a person? BPE -97th.

Or Mention the penal provisions in case of failure to perform those responsibilities BPE -98th.

Under the Money Laundering Prevention Act, 2012, in Bangladesh, the punishment for an individual involved in money laundering offences includes:

- **Imprisonment**: A minimum of 4 years and up to 12 years.
- **Fine**: A fine equivalent to twice the value of the property involved in the offence or 10 lakhs Bangladeshi Taka (whichever is greater). If the fine is not paid, additional imprisonment equivalent to the fine may be imposed.

- **Property Forfeiture**: The court may also order the forfeiture of the convicted person's property in favor of the State if it is directly or indirectly involved in or related to money laundering or any predicate offence.

This framework emphasizes the severity with which the Bangladesh legal system treats money laundering, aiming to deter individuals and entities from engaging in such illicit activities.

Q-13. What is predicate offence? Mention 10 (ten) predicate offence. Which agencies are empowered to investigate money laundering cases? BPE-98th . BPE-5th.

A predicate offence refers to a crime that generates proceeds that can be laundered or used to finance other illegal activities. According to the Money Laundering Prevention Act (MLPA), 2012 of Bangladesh, predicate offences include a variety of criminal acts such as corruption, bribery, fraud, forgery, illegal trade of firearms, narcotics trafficking, kidnapping, murder, human trafficking, and more. These offences are recognized as the underlying crimes whose proceeds are subsequently laundered, forming the basis for money laundering investigations and prosecutions.

Here are ten examples:

1. **Fraud** – Deceptive practices for financial gain.
2. **Drug Trafficking** – Illegal distribution of controlled substances.
3. **Human Trafficking** – Exploiting people for labor or sex.
4. **Terrorism** – Violent acts to instill fear for political purposes.
5. **Corruption** – Abuse of power for personal gain.
6. **Tax Evasion** – Illegally avoiding paying taxes.
7. **Embezzlement** – Misappropriation of funds.
8. **Bribery** – Offering or receiving undue rewards.
9. **Extortion** – Obtaining something through force or threats.
10. **Counterfeiting** – Producing fake goods or currency.

These offenses often underpin more complex criminal enterprises.

Under the Money Laundering Prevention Act 2012 and related rules, several agencies are empowered to investigate money laundering cases in Bangladesh. These include:

In Bangladesh, under the Money Laundering Prevention Act 2012 and related rules, several agencies are empowered to investigate money laundering cases. These include:

1. Bangladesh Bank, particularly through its Bangladesh Financial Intelligence Unit (BFIU).
2. The Anti-Corruption Commission (ACC).
3. Law enforcement agencies like the Police, Rapid Action Battalion (RAB), and Border Guard Bangladesh (BGB).

These agencies work together to detect, investigate, and prevent money laundering, ensuring that individuals or entities cannot illegally disguise the origins of criminally obtained money.

Q-14. What is BFIU? What are the main functions and responsibilities of BFIU? BPE-97th.

Or, What are the roles of Bangladesh Financial Intelligence Unit (BFIU) to prevent money laundering? BPE-98th. BPE-99th. BPE-5th.

The Bangladesh Financial Intelligence Unit (BFIU) is a central agency established under the Money Laundering Prevention Act (MLPA) 2002, renamed in 2012, focusing on combating money laundering (ML), terrorist financing (TF), and proliferation financing (PF) of weapons of mass destruction (WMD).

1. **Analysis & Reporting:** Receives, analyzes, and produces financial intelligence from STRs/SARs, CTRs, and complaints for investigative agencies.
2. **Database Management:** Maintains comprehensive databases of STRs/SARs and CTRs.
3. **Guidance & Supervision:** Issues guidelines to prevent ML, TF, and PF; supervises reporting organizations for compliance.
4. **International Compliance:** Monitors implementation of UN Security Council Resolutions on PF and cooperates with global organizations like FATF and EGMONT Group.
5. **Training & Cooperation:** Provides training and works with various stakeholders including regulators, law enforcement, and international FIUs.
6. **Policy Implementation:** Acts as secretariat for national committees on AML & CFT and monitors policy implementation.
7. **Public Awareness:** Creates awareness against ML, TF, and PF activities.

These points encapsulate the broad and critical role of the BFIU in preventing financial crimes and enhancing national and international security efforts.

Q-15. What are the powers and responsibilities of Bangladesh Bank under sections 15 and 20A of the Anti-Terrorism Act (ATA), 2009 regarding suspicious transactions?

1. **Report Analysis:** Request and analyze suspicious transaction reports.
2. **Account Freeze:** Freeze accounts for 30 days, extendable up to 6 months for terrorism-linked
suspicions.
3. **Agency Supervision:** Supervise reporting agencies' activities.

4. **Preventive Directions:** Instruct on preventing terrorism financing and WMD proliferation.
5. **Compliance Monitoring:** Conduct compliance checks and on-site inspections.
6. **Training Provision:** Train in identifying suspicious transactions and preventing terrorism financing.
7. **Law Enforcement Cooperation:** Inform and collaborate with law enforcement on investigations.
8. **International Cooperation:** Seize accounts for foreign offenses or under international agreements, with fund disposal according to court or international directives.

Q-16. What kind of report bank has to report to BFIU? For how many days an account can be frozen by BFIU? BPE-97th. BPE-99th.

Based on the provided information from the authorities and responsibilities of the Bangladesh Financial Intelligence Unit (BFIU) as mentioned in the MLPA, 2012, and ATA, 2009, here are the key points regarding your questions:

1. **Type of Reports Banks Must Submit to BFIU**: Banks, as reporting organizations, are required to submit two primary types of reports to the BFIU:
   - **i. Cash Transaction Reports**: These are reports of significant cash transactions that occur within the bank.
   - **ii. Suspicious Transaction Reports**: These reports are filed when a bank identifies a transaction that appears unusual or suspicious, suggesting it might be related to money laundering or other criminal activities.
2. **Duration for Freezing an Account by BFIU**: According to the provisions mentioned:
   - The BFIU has the authority to issue an order to any reporting organization to **suspend or freeze transactions of any account**.
   - This suspension or freezing can be for a **maximum of 7 (seven) times**.
   - Each suspension or freezing period can last **up to 30 (thirty) days**.

These measures are part of the BFIU's efforts to combat money laundering and related financial crimes. The banks play a crucial role in this process by providing necessary information to the BFIU.

Q-17. Briefly explain the duties and responsibilities of Reporting Organizations.

Reporting organizations are required to fulfill specific duties and responsibilities to prevent money laundering, as outlined in Section 25(1) of the MLPA. These include:

1. Keeping accurate and complete information about the identities of their customers while their accounts are active.

2. After an account is closed, they must retain all records of that account and its transactions for at least five years.
3. They must provide information on customer identities and account transactions to the Bangladesh Financial Intelligence Unit (BFIU) upon request.
4. They are obliged to report any transactions or attempts of transactions that seem doubtful or suspicious as "suspicious transaction reports" to the BFIU immediately and proactively.

Q-18. How many Reporting Organizations (ROS) are there to report suspicious transaction to Bangladesh Financial Intelligence Unit (BFIU). Write the name of ROS. BPE-96th. BPE-98th. BPE-5th.

Bangladesh Financial Intelligence Unit (BFIU) recognizes 17 types of Reporting Organizations (ROs) for reporting suspicious transactions. These include:

1. Banks
2. Financial Institutions
3. Insurers
4. Money Changers
5. Companies or Institutions for remitting or transferring money
6. Institutions approved by Bangladesh Bank for business operations
7. Stock Dealers and Stockbrokers
8. Portfolio Managers and Merchant Bankers
9. Securities Custodians
10. Asset Managers
11. Non-Profit Organizations (NPOs)
12. Non-Government Organizations (NGOs)
13. Cooperative Societies
14. Real Estate Developers
15. Dealers in Precious Metals or Stones
16. Trust and Company Service Providers
17. Lawyers, Notaries, other Legal Professionals, and Accountants

Additionally, the BFIU has the authority to include any other institution as a reporting organization with government approval, ensuring a comprehensive network for monitoring and preventing suspicious financial activities.

Q-19. Write down the penalty provision for tipping off and providing false information to BFIU by a Reporting Organization (RO).

For providing false information to the Bangladesh Financial Intelligence Unit (BFIU), a Reporting Organization (RO) may face a fine ranging from Taka 20,000 to Taka 5 lacs. If fined more than three times in one financial year, BFIU can suspend or cancel the organization's registration or license, potentially leading to the closure of its operations within Bangladesh. Additionally, for non-compliance or knowingly submitting false information, the penalty can extend up to Taka 25 lacs, with Bangladesh Bank having the authority to suspend or cancel the license, requiring further action from the registering or licensing authority. Failure to pay fines allows Bangladesh Bank to recover dues by debiting the organization's accounts, and unresolved payments may lead to court involvement for recovery.

If a Reporting Organization (RO) provides false information to the Bangladesh Financial Intelligence Unit (BFIU), the penalties are as follows:

1. The BFIU can impose a fine on the RO not less than Taka 20,000 but not exceeding Taka 5 lakhs.
2. If an RO is fined more than three times in a financial year, the BFIU may suspend the registration or license of the RO or its branches, service centers, booths, or agents, potentially leading to the closure of its operations in Bangladesh. The BFIU will also inform the registration or licensing authority for further action against the organization.

Furthermore, if an RO fails to comply with directions issued by Bangladesh Bank or knowingly provides false information:

1. The reporting agency can be fined by Bangladesh Bank up to Taka 25 lakhs.
2. Bangladesh Bank may suspend the registration or license of the agency or its operational units within Bangladesh and inform the relevant authorities for appropriate actions.
3. If the fine is not paid, Bangladesh Bank can recover the amount by debiting the RO's accounts in other banks or financial institutions, and if necessary, apply to the court for recovery of any unpaid amount.

Q-20. What is FATF? Write down 10 FATF recommendations.

The Financial Action Task Force (FATF) is an intergovernmental body established in 1989 by the Group of Seven (G-7) nations during their annual economic summit in Paris. Initiated with France as its first chair, FATF aims to lead global efforts against international money laundering. It has evolved from its initial G-7 framework to become the foremost entity providing Anti-Money Laundering (AML) guidance to governments worldwide. FATF's recommendations have significantly influenced global banking practices, legal frameworks, and governmental operations to combat money laundering and terrorism financing. The organization operates under the auspices of the Organization for Economic Cooperation and Development (OECD) in Paris, where it maintains its secretariat.

The FATF 40 Recommendations are a comprehensive set of guidelines for countries to combat money laundering and terrorist financing. Here are 10 of these recommendations:

1. Assess risks and apply a risk-based approach.
2. National cooperation and coordination.
3. Define money laundering offenses and confiscation measures.
4. Detail terrorist financing offenses and related sanctions.
5. Implement targeted financial sanctions related to terrorism and proliferation.
6. Ensure transparency and beneficial ownership of legal persons.
7. Strengthening the financial system and its regulation against ML/TF.
8. Enhance the role of law enforcement and operational measures.
9. Promote international cooperation and mutual legal assistance.
10. Require reporting entities to perform customer due diligence and record-keeping.

Q-21. What do you know FATF members and Observers? What do you understand by non cooperative countries and territories (NCCTs)?

The Financial Action Task Force (FATF) consists of 37 member jurisdictions and 2 regional organizations, covering most major financial centers worldwide. It focuses on combating money laundering and terrorism financing. FATF has a history of "naming and shaming" countries with inadequate anti-money laundering controls through its Non-Cooperative Countries and Territories (NCCT) initiative. This effort aimed to identify jurisdictions with significant weaknesses in their anti-money laundering systems, using 25 criteria aligned with FATF's 40 Recommendations. The initiative led to the identification of 24 jurisdictions, pushing them to improve their systems. Nowadays, FATF continues to highlight jurisdictions with AML/CFT deficiencies, updating its findings thrice yearly in response to G-20 directives for identifying high-risk areas.

Non-Cooperative Countries and Territories (NCCTs) are jurisdictions identified by FATF as having inadequate anti-money laundering controls or not cooperating in global AML/CFT efforts. The NCCT process, initiated in 2000, aimed to reduce financial system vulnerability by ensuring all financial centers adopt internationally recognized measures against money laundering. Jurisdictions listed as NCCTs faced international pressure to reform their AML/CFT systems. This list has evolved into a process identifying jurisdictions with strategic deficiencies in their AML/CFT regimes, leading to regular updates on high-risk jurisdictions and those with strategic deficiencies to ensure global financial system protection.

Q-22. How VA and VASPS create ML & TF risk for banks and its customers? BPE-96th.BPE -99th.

Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs) introduce money laundering (ML) and terrorist financing (TF) risks to banks and their customers due to their inherent characteristics. The anonymity and global reach of VAs can obscure the origin of funds, making it challenging to identify and track illicit financial flows. VASPs, operating in a rapidly evolving digital landscape, may lack comprehensive regulatory oversight, allowing bad actors to exploit these platforms for ML/TF purposes. The speed and cross-border nature of transactions facilitated by VAs and VASPs complicate the monitoring and reporting processes, thereby increasing the risk exposure for financial institutions and their clientele to ML/TF activities. This scenario necessitates enhanced due diligence, continuous monitoring, and the development of sophisticated tools and practices by banks to effectively manage and mitigate these emerging risks.

Q-23. 'Digital transformation of financial system can reduce ML & TF risk as well as it can create addition ML & TF risk' describe with some examples. BPE-96th. BPE-99th.

The digital transformation of the financial system can significantly impact the landscape of money laundering (ML) and terrorist financing (TF) risks. For instance, the adoption of digital identification and verification processes enhances the ability of financial institutions to accurately identify and verify customer identities, reducing the risk of fraudulent accounts and activities. Automated systems and machine learning algorithms can analyze vast amounts of transaction data in real-time, identifying suspicious patterns that may indicate ML or TF, thereby improving the detection and prevention capabilities of financial institutions.

Conversely, the same digital advancements also create new vulnerabilities. Cybercriminals can exploit digital platforms for the rapid movement of funds across borders, utilizing anonymity-enhancing technologies such as encrypted communications and cryptocurrencies to evade detection. Moreover, the pace of technological change can outstrip regulatory and law enforcement capabilities, leaving gaps that can be exploited for illicit purposes. This dual-edged nature of digital transformation underscores the need for continuous innovation in regulatory, compliance, and monitoring approaches to effectively manage the evolving risks associated with ML and TF in the digital age.

Q-24. What is APG? What Egmont Group? What are their functions in AML/CFT? BPE- 99th.

The Asia/Pacific Group on Money Laundering (APG) is a FATF-style regional body (FSRB) that focuses on the Asia-Pacific region. It aims to combat money laundering

(ML) and terrorist financing (TF) by promoting the adoption and implementation of international standards on AML/CFT within its member jurisdictions. The APG facilitates regional cooperation, conducts mutual evaluations, and provides technical assistance and training to its members to strengthen their AML/CFT regimes.
The Egmont Group is an international organization comprised of financial intelligence units (FIUs) from around the world. It serves as a platform for the secure exchange of expertise and financial intelligence to combat ML and TF. The Egmont Group enhances international cooperation among its members by fostering better communication and collaboration, supporting the development of national FIUs, and promoting the effective implementation of AML/CFT measures globally.

Q-25. What are the benefits Bangladesh is getting as a member of Egmont Group? BPE-97th.
As a member of the Egmont Group, Bangladesh benefits significantly in enhancing its anti-money laundering (AML) and combating the financing of terrorism (CFT) efforts. Membership provides Bangladesh with access to a global network for the exchange of financial intelligence, crucial in tracing cross-border financial transactions related to ML and TF. It facilitates real-time information sharing among financial intelligence units (FIUs) worldwide, enabling Bangladesh to receive and provide valuable financial intelligence that supports the investigation and prosecution of money laundering and terrorist financing cases. Additionally, being part of the Egmont Group allows Bangladesh to leverage international expertise and best practices in AML/CFT, enhancing its capacity to establish more robust domestic financial monitoring and regulatory frameworks. This global cooperation strengthens Bangladesh's financial system against illicit financial flows and supports its efforts in maintaining international financial security.

Q-26. Which agencies are designated as investigative authorities for money laundering cases according to the Money Laundering Prevention Rules (MLPR), 2019 in Bangladesh?
According to the Money Laundering Prevention Rules (MLPR), 2019 in Bangladesh, several agencies are designated to investigate money laundering cases. These agencies can conduct investigations individually or jointly, depending on the related predicate offences. The specified investigative authorities are:

- Anti-Corruption Commission (ACC)
- Department of Narcotics Control (DNC)
- Criminal Investigation Department (CID), Bangladesh Police
- Bangladesh Securities and Exchange Commission (BSEC)
- Bangladesh Customs
- National Board of Revenue (NBR)
- Directorate of Environment

These agencies are empowered to investigate and address various aspects of money laundering activities within their respective domains.

Q-27. What is the establishment and nature of the Bangladesh Financial Intelligence Unit (BFIU) as per the Money Laundering Prevention Act (MLPA), 2012?

The Bangladesh Financial Intelligence Unit (BFIU) was established under Section 24 of the Money Laundering Prevention Act (MLPA), 2012. Originally formed as the Anti Money Laundering Department (AMLD) in June 2002, it was renamed BFIU in 2012. The MLPA, 2012 ensures BFIU's operational autonomy, stating that it should have its own seal, letterhead, and office within the Bangladesh Bank premises. The Chief Officer of BFIU, appointed contractually by the government, has the status equivalent to that of a Deputy Governor of Bangladesh Bank. The BFIU is responsible for formulating and implementing policies on Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) with the government's approval and can request information and manpower from various government and law enforcement agencies.

Q-28. What are the penalties available for non-submission of STR/SAR? BPE-98th.

Penalties for non-submission of Suspicious Transaction Reports (STRs) or Suspicious Activity Reports (SARs) are significant to ensure compliance and prevent money laundering. The Bangladesh Financial Intelligence Unit (BFIU) can impose several penalties:

1. **Fines:** Organizations may face fines up to BDT 5 lakhs (500,000 Taka) at the rate of BDT 10,000 per day for each day of non-compliance. If fined more than three times in a financial year, the BFIU may suspend the organization's registration or license, effectively ceasing its operations within Bangladesh.
2. **Suspension of License:** Persistent non-compliance can lead to the suspension of the organization's registration or license, affecting its ability to conduct business.
3. **Fines for False Information:** If false information or statements are provided, the organization can be fined between BDT 20,000 and 5 lakhs. Repeated offenses can also lead to license suspension.
4. **Individual Penalties:** Responsible owners, directors, officers, and staff can also be fined between BDT 10,000 and 5 lakhs. Additionally, necessary administrative actions may be directed against them.

Q-29. Department of Narcotic Control (DNC) request you to provide bank information of your customer. What kind of review you will do to response this request? BPE-99th.

Or, Officer in Charge (OC) of a police station send a letter to your branch requesting bank information of your customer Mr. X as they are investigating a fraud case. What you will do in this case? BPE-98th.

Or, Department of Environment has requested you to provide bank information of your customer. What kind of review you will conduct in response to that request? BPE-5th.

Request by Department of Environment – Bank's Review Steps:

1. **Check Legal Authority**: First, verify if the Department of Environment has legal power under any law to ask for customer bank information.
2. **Confidentiality Obligation**: As per **Bank Company Act, 1991 (Section 46)** and **MLPA**, customer information is confidential and can't be disclosed without legal grounds.
3. **Ask for Formal Request**: Ensure the request is written, signed by authorized official, and includes valid reason and section of law under which the information is sought.
4. **Internal Compliance Review**: Consult the bank's legal and AML Compliance unit to decide whether the request can be honored.
5. **Inform BFIU (if required)**: In sensitive cases, inform Bangladesh Financial Intelligence Unit (BFIU) before disclosing.

Q-30. Investigating Authorities of Money Laundering Cases. BPE-99th.

Investigating Authorities of Money Laundering Cases

Money laundering cases can be investigated by one or more authorities depending on the nature of the related predicate offences. As per the **Money Laundering Prevention Rules (MLPR), 2019**, the following agencies are designated as investigating authorities:

1. **Anti-Corruption Commission (ACC)** – Investigates cases related to corruption and bribery.
2. **Department of Narcotics Control (DNC)** – Handles cases related to illegal drug and narcotics trade.
3. **Criminal Investigation Department (CID), Bangladesh Police** – Investigates various financial crimes, including counterfeiting, extortion, fraud, and organized crime.
4. **Bangladesh Securities and Exchange Commission (BSEC)** – Oversees cases of insider trading, market manipulation, and financial fraud in the capital markets.
5. **Bangladesh Customs** – Investigates smuggling and customs-related offences.
6. **National Board of Revenue (NBR)** – Handles tax-related offences and foreign currency trafficking.
7. **Directorate of Environment** – Investigates financial crimes related to environmental violations.

These authorities work jointly in cases where multiple offences overlap, ensuring a comprehensive approach to combating money laundering.

Q-31. What are the penalties/sanctions available in MLPA for non-performing of RO's responsibilities? BPE 5th

According to the Money Laundering Prevention Act (MLPA), if a Reporting Organization (RO) fails to perform its responsibilities, it may face several penalties or sanctions. These include:

1. **Financial Penalty** – The organization may be fined for non-compliance.
2. **Warning or Caution** – Bangladesh Financial Intelligence Unit (BFIU) may issue an official warning.
3. **Suspension or Cancellation** – License of the organization can be suspended or cancelled.
4. **Naming and Shaming** – Names of the defaulting organizations may be published in newspapers.
5. **Other Measures** – BFIU may take any other necessary action to ensure compliance.

These steps help enforce strong Anti-Money Laundering (AML) standards.

Q-32. During establishing business relationship, you have identified your potential customer is an Influential Person (IP) and his/her risk score is high. What due diligence measures you will take while establishing business relationship? BPE 5th.

Identifying the Customer as an Influential Person (IP):

If the potential customer is identified as an Influential Person (IP) and has a high-risk score, extra care must be taken. As per guidelines, IPs may include politicians, senior government officials, or also individuals holding important positions in organizations.

Due Diligence Measures to be Taken

1. **Enhanced Due Diligence (EDD):** Collect additional information like income source, asset details, and financial background.
2. **Approval from Senior Management:** Before starting the relationship, take written approval from higher management.
3. **Close Monitoring:** Monitor the account more frequently to detect unusual or suspicious transactions.
4. **Ongoing Review:** Regularly update customer information and perform risk reviews.
5. **Screening:** Match the customer profile against sanctions and watch lists.

Q-34. Detective Branch (DB) of Bangladesh police requested you to provide bank information of your customer. What kind of review you will do to response this request? BPE 5th.

Before providing the customer's bank information, the bank should review the following matters:

1. **Authenticity of the Request:** Verify whether the request is made through an official letter with proper seal, signature and reference number.
2. **Authority of the Officer:** Check the identity, designation and legal authority of the requesting DB officer.
3. **Legal Validity:** Examine whether the request is supported by applicable law, court order or approval of a competent authority.
4. **Customer Identification:** Match the customer's name, account number, NID and other details with the bank's records.
5. **Scope and Purpose:** Review the purpose of the request and identify exactly what information and period have been requested.
6. **Internal Approval and Confidentiality:** Obtain approval from the bank's Legal, Compliance or competent authority and disclose only the required information.
7. **Accuracy and Record Keeping:** Ensure that the information is correct and properly certified, and preserve copies of the request, approval and information supplied.

After completing the above reviews, the bank may provide the requested information through an authorized channel in accordance with law and the bank's internal policy.

Q-33. While opening of a bank account of a company you identified that account owner of the company is holding 1% share and rest 99% is owned by a foreign firm. What kind of CDD measures you should follow in this case? BPE 5th.

When opening a bank account for a company where 99% is owned by a foreign firm and 1% by a local individual, the following Customer Due Diligence (CDD) measures should be taken:

1. **Identify Beneficial Owner:** Collect documents to confirm the foreign firm as the beneficial owner (owning 99%).
2. **Verify Foreign Entity:** Obtain registration certificate, business profile, and legal existence of the foreign firm.
3. **Check Ultimate Ownership:** Identify and verify the individuals who ultimately own/control the foreign firm.
4. **Screening:** Perform name screening of the foreign firm and its key persons against global watchlists.

5. **Risk Assessment:** Since a foreign entity is involved, consider it a higher risk and apply Enhanced Due Diligence (EDD).
6. **Source of Fund:** Collect declaration about source of funds and expected transaction profile.

Q-34. How you will identify beneficial owner of a company listed in capital market? BPE-5th
Or, How do you identify Beneficial Owner (BO) of an individual account and company account? 7TH BPE
or, How you will identify BO of a company? BPE-98th. BPE-99th.
Beneficial Owner (BO) of an account. BPE 5th.
Or Who is/are the beneficial owner of a bank account? BPE-6th

To identify the beneficial owner of a company listed in the capital market, follow these steps:

1. **Understand Ownership Structure:** Publicly listed companies usually have many shareholders.
2. **Look for Major Shareholders:** Check if any individual or entity owns or controls more than 5% or 10% of shares, depending on regulatory threshold.
3. **Review Disclosures:** Use stock exchange filings, company's annual reports, and public disclosures to identify major shareholders.
4. **No Single Owner:** In many cases, no single shareholder qualifies as a beneficial owner due to dispersed ownership.
5. **Apply Exceptions:** If no individual meets the ownership/control criteria, the company may not have a reportable beneficial owner under standard rules.
6. **Documentation:** Record findings and justification for no beneficial owner or list significant shareholders if required.

Q-35. How you will ensure 'complete and accurate' information of your customer? Explain with example. BPE 5th.
Or, How you will ensure 'complete and current' information of your customer? Explain. BPE-99th.
Or, How you will ensure complete and correct' information of your customer? Describe with example. BPE-97th.
Or Complete and correct information about customer.BPE-6th

Ensuring complete and correct information of customers involves:

1. **Document Verification**: Collect and verify official documents like national IDs, passports, or utility bills. For instance, cross-check the customer's provided address with a utility bill to confirm accuracy.

2. **Regular Updates**: Periodically update customer information, especially if they haven't engaged with the bank for a while. An example is asking long-time customers to update their contact details annually.
3. **KYC Forms**: Use Know Your Customer (KYC) forms to gather detailed information on customers' identity and financial activities. Review these forms during onboarding and at regular intervals.
4. **Monitoring Transactions**: Monitor customer transactions to ensure consistency with their declared financial profile. Unusual transactions might prompt further checks or updates to their information.

These practices ensure that the bank has accurate customer information, aiding compliance and reducing risks.

Q-36. What are the responsibilities of Anti Money Laundering cell of your bank in submission of STR? BPE 5th.

Responsibilities of Anti Money Laundering (AML) Cell in Submission of STR:

1. **Receive Unusual Transaction Reports:** The AML cell collects reports from branches or departments that detect suspicious activity.
2. **Analyze Transactions:** It reviews the customer's profile, transaction pattern, and any unusual behavior.
3. **Conduct Internal Review:** The team evaluates the risk level and checks if the case meets the criteria of Suspicious Transaction Report (STR).
4. **Prepare STR:** If suspicious, the cell prepares a formal STR with all necessary facts and transaction records.
5. **Submit to BFIU:** The STR is submitted to Bangladesh Financial Intelligence Unit (BFIU) in the prescribed format through the goal system.
6. **Maintain Confidentiality:** STRs must be kept confidential and never disclosed to the customers or unauthorized persons.

Q-37. What are the power and authority available for BFIU under the MLPA to make Ros compliant on AML & CFT? BPE 5th.

Power and Authority of BFIU under MLPA to Ensure RO's Compliance on AML & CFT:

1. **Monitoring Power:** BFIU can monitor and inspect if the Reporting Organization (RO) is following Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) laws.
2. **Information Collection:** BFIU can ask ROs to submit any documents or information needed for investigation.
3. **Issue Guidelines:** BFIU has the authority to issue circulars, instructions, or guidelines to Ros to improve compliance.
4. **Enforcement Action:** If any RO fails to comply, BFIU can impose administrative penalties like warnings, fines, or restrictions.
5. **Audit and Review:** BFIU can conduct audits or appoint inspectors to examine records related to AML/CFT compliance.

Q-38. Mention the authorities and power of BFIU delineated in Money Laundering Prevention Act, 2012 and Anti-Terrorism Act 2009.BPE-6th

Under Money Laundering Prevention Act (MLPA),2012

1. BFIU can receive STR/SAR and CTR from Reporting Organizations.
2. BFIU can ask for any information or documents from Reporting Organizations for AML purposes.
3. BFIU can analyze financial information and send intelligence reports to be investigating agencies.
4. BFIU can order freezing or suspension of transactions of an account for up to 30 days at a time, extendable up to 7 times.
5. BFIU can issue guidelines, circulars, and instructions and monitor AML compliance of Reporting Organizations.

Under Anti-Terrorism Act (ATA), 2009

1. BFIU can receive and analyze suspicious transaction information related to terrorist financing.
2. BFIU can freeze or suspend accounts suspected of terrorist financing for 30 days, extendable up to 6 months.
3. BFIU can share information with law enforcement agencies for investigation.
4. BFIU can supervise reporting agencies and issue preventive directions against TF and proliferation financing.
5. BFIU can conduct inspections and provide training to Reporting Organizations.

Q-39. Roles of Asia Pacific Group on ML and Egmont Group of FIU.BPE-6th

Roles of Asia Pacific Group (APG) on Money Laundering

- Promotes implementation of FATF AML/CFT standards in the Asia-Pacific region.
- Conducts mutual evaluations to assess member countries' AML/CFT systems.
- Identifies money laundering and terrorist financing risks in the region.

Roles of Egmont Group of Financial Intelligence Units (FIUs)

- Facilitates secure exchange of financial intelligence among FIUs worldwide.
- Supports cross-border investigation of money laundering and terrorist financing.
- Develops best practices and standards for FIU operations.

Q-40. What are the main responsibilities of Reporting Organization (ROs) as delineated in MLPA, 2012 and ATA, 2009? BPE-99th.

The main responsibilities of Reporting Organizations (ROs) as delineated in the Money Laundering Prevention Act (MLPA, 2012) and the Anti-Terrorism Act (ATA, 2009) include:

1. **Customer Due Diligence (CDD)**: Conduct thorough checks to identify and verify customers, beneficial owners, and the nature of their transactions.
2. **Record Keeping**: Maintain accurate records of transactions and customer identification information for at least five years.
3. **Suspicious Transaction Reporting (STR)**: Report suspicious transactions that indicate possible money laundering or terrorism financing to the Bangladesh Financial Intelligence Unit (BFIU).

4. **Training and Awareness**: Ensure employees are adequately trained in AML/CFT policies and procedures.
5. **Internal Controls and Policies**: Implement strong internal control measures, such as automated monitoring systems, to detect and prevent financial crimes.

These responsibilities aim to ensure compliance, reduce risks, and support national and international efforts against money laundering and terrorism financing.

Q-41. What are the four responsibilities of reporting organization under Section 25(1) of MLPA, 2012? BPE-6th.7TH BPE

Under Section 25(1) of the Money Laundering Prevention Act (MLPA), 2012, a reporting organization has the following four responsibilities:

- **Customer Identification and Verification:** The reporting organization must identify and verify the identity of customers and beneficial owners using reliable and independent documents, data, or information.
- **Record Keeping: The** organization must maintain records of customer identification and transaction details for at least **five years** after the relationship ends or the transaction is completed.
- **Reporting Suspicious Transactions:** The organization must promptly report any suspicious transaction or activity related to money laundering or terrorist financing to the Bangladesh Financial Intelligence Unit (BFIU).
- **Internal Control and Compliance Measures:** The organization must establish and maintain proper internal policies, procedures, and controls, including staff training and compliance programs, to prevent money laundering.

These responsibilities ensure effective prevention, detection, and reporting of money laundering activities.

Q-42. What are the penalties available for breaching section 25 (1) of MLPA, 2012 under section 25 (2) of that act?7TH BPE

If a Reporting Organization fails to perform the responsibilities mentioned in Section 25(1) of the Money Laundering Prevention Act (MLPA), 2012, the following penalties may be imposed under Section 25(2) of the Act:

1. The Bangladesh Financial Intelligence Unit (BFIU) may impose a financial penalty ranging from Tk. 20,000 to Tk. 5,00,000 on the Reporting Organization.
2. If a Reporting Organization is penalized more than three times in the same financial year, its registration, license, branch, booth, or agent operations may be suspended or cancelled.
3. The matter may also be reported to the concerned registration or licensing authority for taking necessary action.
4. If any Reporting Organization violates Bangladesh Bank's instructions or provides false information, an additional penalty up to Tk. 25,00,000 may be imposed.

5. If the imposed penalty is not paid, Bangladesh Bank may recover the amount from the organization's bank account or take legal action through the court for recovery.

Case Study

Case-1: Suspicious Trading Activity and AML Concern

Case Scenario: ABC Trading Corporation opened a current account with a scheduled bank in Bangladesh stating its business as import of consumer goods and local wholesale trading. The company was incorporated only six months ago with a small paid-up capital, but within a short period it started
receiving large inward remittances from different overseas entities located in high-risk jurisdictions.

The declared monthly turnover was BDT 50 lakh, but actual transactions exceeded BDT 10 crore within three months. The company frequently deposited cash and transferred funds to unrelated third parties. When the bank asked for trade documents and sources of funds, the customer provided incomplete and inconsistent information. The bank also noticed that transactions were often made in round figures, sometimes below reporting thresholds, and funds were moved out quickly after being credited. The customer pressed for urgent outward remittance without proper trade justification. The AML Cell of the bank became concerned about possible financial crime and money laundering risk.

Questions:

(a) Identify the financial crimes involved in the case.

(b) Explain whether all financial crimes in the case are money laundering.

(c) Mention the stages of money laundering reflected in the case.

(d) State the responsibilities of the bank as a Reporting Organization (RO).

(e) What role should BFIU play in this case?

Answers:

(a) Financial crimes involved in the case

- Money laundering through unusual and unjustified transactions
- Trade-based money laundering by using false or weak trade justification
- Fraud and misrepresentation of business nature and turnover
- Possible tax evasion by hiding actual business income

(b) Whether all financial crimes are money laundering

- No, all financial crimes are not money laundering.
- Money laundering is one type of financial crime, but activities like fraud, false declaration, and tax evasion are financial crimes even when no laundering process is involved.

c) Stages of money laundering reflected in the case

- Placement stage: Introduction of funds through cash deposits and inward remittances
- Layering stage: Rapid movement of money through multiple transfers and third-party payments.
- Integration stage: Attempt to send funds abroad as outward remittance showing them as legitimate trade payments

(d) Responsibilities of the bank as a Reporting Organization (RO)

- Conduct proper customer due diligence and enhanced due diligence
- Continuously monitor customer transactions
- Maintain customer and transaction records
- Identify suspicious activities and submit STR to BFIU on time

(e) Role of BFIU

- Receive and analyze STR submitted by the bank
- Order suspension or freezing of the account if required
- Share financial intelligence with investigating authorities
- Supervise and ensure AML compliance of the bank

Case-2: Unusual Export Proceeds and High-Risk Counterparty

Case Scenario: Silver Wave Exports Ltd. maintains a current account with your bank and claims to be engaged in exporting jute goods and home textiles. The company started business two years ago with moderate paid-up capital, but recently its transaction volume increased sharply.

Within a short period, the company received large export proceeds from multiple foreign buyers located in high-risk and offshore jurisdictions. The export proceeds were credited first and immediately transferred to third-party local accounts and money exchangers. The customer also requested frequent outward remittances for "commission and consultancy fees" without proper agreements.

During review, the bank observed that:

- Export values are unusually high compared to market prices.
- Shipping documents are submitted late and sometimes corrected repeatedly.
- Sources of buyers and beneficial ownership information are not clearly disclosed.
- The customer insists on urgent transactions and avoids compliance queries.

The transaction pattern does not match the customer's declared business profile. Compliance Unit suspects possible financial crime and money laundering risk.

Questions:

(a) How does the transaction pattern differ from the declared business profile?

(b) Explain how the bank is being used as an instrumentality of financial crime.

(c) Identify indicators of trade-based money laundering (TBML) in the case.
(d) What reporting obligation arises for the bank in this case?
Answers:
(a)The transaction pattern differs from the declared business profile

- Export proceeds increased suddenly without business expansion
- Export prices are higher than normal market prices
- Funds are transferred immediately after credit
- Use of third-party accounts and money exchangers

(b)Explain the bank is being used as an instrumentality of financial crime.

- Bank accounts are used to receive suspicious export proceeds
- Funds are layered through third-party transfers
- Outward remittance is used to legitimize funds
- Weak documentation is used to justify transactions

(c)Identify indicators of trade-based money laundering (TBML) in the case.

- Over-invoicing of export goods
- Late and repeatedly corrected shipping documents
- Buyers from offshore and high-risk jurisdictions
- Payments not linked with genuine trade contracts

(d) Reporting obligation arises for the bank in this case.

- Treat the transactions as suspicious
- Prepare and submit STR to BFIU
- Maintain confidentiality (no tipping-off)
- Keep records for regulatory review

Compare and Contrast

Q-01. Is there any difference between money laundering and financial crime? What are those? BPE-97th.

Aspect	Money Laundering	Financial Crime
1.Definition	A process where illegal funds are made to appear legitimate.	Broad category of crimes involving illegal gain or loss of money.
2.Methods	Involves three stages: placement, layering, and integration.	Includes fraud, embezzlement, tax evasion, and more.
3.Example	Laundering drug trafficking proceeds through a legitimate business.	Insider trading based on non-public information for personal gain.

Q-02. What is the difference between smuggling of money or asset with money laundering?

Aspect	Smuggling of Money or Assets	Money Laundering
1.Primary Objective	To evade taxes or move illegally goods/cash across borders.	To disguise the origins of criminally derived funds.
2.Detection Point	At borders or points of entry/exit.	Within the financial system, during transactions or accounts activities.
3.Example	Smuggling $1 million in cash across a border to evade taxes.	Laundering $1 million from drug sales through a legitimate business to integrate it as clean money.

Q-03. Investigating Authority vs Intelligence Agency.BPE-6th

Aspect	Investigating Authority	Intelligence Agency
Meaning	Agency that formally investigates crimes and files cases	Agency that collects and analyzes information on threats
Output	Conducts inquiry, collects evidence, submits charge sheet	Gathers, assesses, and shares intelligence
Output	Case report, charge sheet, prosecution support	Intelligence report, alerts, risk information

Q-04. Money Laundering vs Terrorist Financing.BPE-6th

Aspect	Money Laundering Authority	Terrorist Financing
Meaning	Process of making illegal money appear legal	Process of collecting or providing money for terrorist activities
Use of Funds	Used for business, assets, or luxury spending	Used for attacks, training, logistics, or propaganda
Example	Laundered money through bank transfers or businesses	Sending money to fund terrorist group activities

Q-05. Structuring of Transaction vs Layering in Transactions. 7TH BPE

Aspect	Structuring of Transaction	Layering in Transactions
Meaning	Structuring means breaking a large transaction into several small transactions to avoid reporting requirement or regulatory detection.	Layering means moving money through multiple transactions to hide the original source of illegal funds.
Main Objective	The main objective is to avoid CTR or regulatory reporting threshold.	The main objective is to conceal the origin of illegal money and confuse the audit trail.
Stage in Money Laundering	It usually occurs in the placement stage of money laundering.	It mainly occurs in the layering stage of money laundering.

Q-06. Shell Company vs Shelve Company. 7TH BPE

Aspect	**Shell Company**	**Shelve Company**
Meaning	A Shell Company is a company that exists mainly on paper and has little or no real business operation.	A Shelve Company is a pre-registered inactive company kept ready for future business use or sale.
Business Activity	Usually has no significant business activities or assets.	Remains inactive until purchased or used by a new owner.
Purpose	Often used to hide ownership, transfer money, or conduct suspicious financial activities.	Mainly created for quick business start-up and legal convenience.

Q-07. Bangladesh Financial Intelligence Unit (BFIU) vs Anti Money Laundering Department of (AMLD) of BB.7TH BPE

Aspect	**Bangladesh Financial Intelligence Unit (BFIU)**	**Anti Money Laundering Department of (AMLD)**
Meaning	BFIU is the central financial intelligence agency of Bangladesh for AML and CFT activities.	AMLD was the former Anti Money Laundering Department of Bangladesh Bank.
Establishment	Established under Money Laundering Prevention Act (MLPA), 2012.	Functioned as a department of Bangladesh Bank before BFIU formation.
Legal Status	BFIU has operational independence under law.	AMLD did not have separate independent legal status.

Short Notes:

Q-01. Describe the risk assessment framework of a bank as per ML/TF Risk Assessment Guideline issued by BFIU. BPE-97th.

The ML/TF Risk Assessment Framework for banks, as per the guidelines issued by the Bangladesh Financial Intelligence Unit (BFIU), is designed to ensure banks identify, assess, and effectively mitigate their risks related to money laundering (ML) and terrorist financing (TF). This framework is aligned with Recommendation 1 of the Financial Action Task Force (FATF), which mandates financial institutions and designated non-financial businesses and professions (DNFBPs) to proactively manage and control their ML/TF risks. According to Rule 10 of the Money Laundering Prevention Rules (MLPR) 2019, banks are required to conduct periodic risk assessments considering the nature of their business, products or services, countries of operation, and geographical locations.

Q-02. What are the objectives of FATF?

The FATF's objectives include setting standards and promoting effective measures against money laundering, terrorist financing, and threats to financial integrity. It monitors members' progress on recommendations, reviews ML/TF techniques, and encourages global adoption of its standards. FATF assesses compliance and effectiveness, focusing on legal, institutional frameworks, and outcomes essential to robust AML/CFT systems. It aims for a coordinated global response, enhancing legal and operational measures and fostering international cooperation to combat financial crimes.

Q-03. Define virtual asset (VA) and virtual asset service providers (VASPS) in line with FATF recommendation. BPE-96th. BPE-99th.

Virtual Assets (VAs) are digital representations of value that can be digitally traded or transferred and can be used for payment or investment purposes, excluding digital representations of fiat currencies.

Virtual Asset Service Providers (VASPs) are businesses or individuals that provide services related to one or more of the following: exchange between virtual assets and fiat currencies; exchange between one or more forms of virtual assets; transfer of virtual assets; safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset. These definitions align with FATF recommendations, emphasizing the need for countries and financial institutions to assess and mitigate the risks associated with VAs and VASPs, including their development, use, and the technologies that enable them.

Q-04. What are the penal provision for violation of Section 25(1) of MLPA, 2012 and Section 25(2) of that Act? BPE-6th

Penal provisions for violation of Section 25(1) and Section 25(2) of MLPA, 2012

Section 25(1): Violation of responsibilities of Reporting Organizations (ROs)

- BFIU may impose a financial penalty ranging from BDT 20,000 to BDT 5,00,000.
- If an RO is penalized more than three times in a financial year, BFIU may suspend or cancel the registration or license of the RO, its branch, booth, or agent.

Section 25(2): Failure to comply with directions or providing false information

- Bangladesh Bank may impose a fine up to BDT 25,00,000.
- Bangladesh Bank may suspend or cancel the license or registration of the Reporting Organization.

Q-05. What is smuggling of money or asset? Elaborate your answer in line with MLPA,2012.

Smuggling of money or assets refers to the illegal movement of goods, currency, or other assets across borders to avoid taxes or for other criminal purposes. Under the Money Laundering Prevention Act (MLPA),2012, this activity is closely associated with money laundering as it often involves the concealment or transfer of illicit funds.

The MLPA, 2012 defines money laundering as any process that disguises illegal gains as legitimate. Smuggling money or assets typically serves this purpose by moving illicit funds out of the country or bringing in assets that are not declared to customs, thereby evading taxes or scrutiny. This act not only violates customs and tax laws but also contributes to the laundering of money, as it obscures the illegal origin of these funds or assets, integrating them into the legal economy.

Q-06. Mention 10 predicate offences asper MLPA.7TH BPE

According to the Money Laundering Prevention Act (MLPA), predicate offences are the underlying crimes that generate illegal money which may later be laundered. Ten predicate offences are:

1. Fraud
2. Corruption
3. Bribery
4. Drug trafficking
5. Human trafficking
6. Tax evasion
7. Embezzlement
8. Extortion
9. Counterfeiting

End of First Chapter

MetaMentor Center