Defence & Security · GS - III

Discuss how emerging technologies and globalisation contribute to money laundering. Elaborate measures to tackle the problem of money laundering both at national and international levels.

EXAM YEAR	PAPER	SUBJECT
2021	GS - III	Defence & Security

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Digital payments, cryptocurrencies, shell companies, fintech platforms, cross-border transactions, trade-based money laundering, Prevention of Money Laundering Act, Enforcement Directorate, Financial Intelligence Unit–India, FATF, international cooperation, beneficial ownership transparency

Model Answer

Introduction

Money laundering is the process of disguising the illegal origin of proceeds from crime so that they appear legitimate. Digital finance and globalised transactions have increased both its scale and complexity.

Role of Technology and Globalisation

- **Digital assets:** Cryptocurrencies, mixers and anonymous wallets can obscure transaction trails.
- **Fintech and online banking:** Rapid transfers across multiple accounts facilitate layering of illicit funds.
- **Global financial networks:** Differences in national regulations allow criminals to shift funds across jurisdictions.
- **Shell companies and trade:** Complex corporate structures, false invoicing and over- or under-invoicing conceal ownership and criminal proceeds.

- **Cybercrime:** Ransomware, online fraud and identity theft generate funds that may subsequently be laundered.

Measures at the National Level

- Enforce the Prevention of Money Laundering Act, 2002, and strengthen investigation by the Enforcement Directorate.
- Improve suspicious-transaction reporting through the Financial Intelligence Unit–India.
- Require robust customer due diligence and beneficial ownership disclosure.
- Strengthen oversight of virtual digital asset service providers and digital payment systems.
- Use data analytics and inter-agency coordination while safeguarding legitimate privacy rights.

Measures at the International Level

- Implement Financial Action Task Force standards.
- Share financial intelligence and beneficial ownership information.
- Strengthen mutual legal assistance, asset tracing and confiscation.
- Coordinate regulation of digital assets and close cross-border enforcement gaps.

Conclusion

Effective anti-money-laundering policy requires risk-based regulation, technological capability and international cooperation without obstructing legitimate financial innovation.

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