Money laundering

- It is the **concealing or disguising the identity of illegally obtained proceeds** so that they appear to have originated from legitimate sources.

Round Tripping of Funds

- Round tripping refers to money that leaves the country through various channels and makes its way back into the country often as foreign investment.
- This mostly involves black money and is allegedly often used for stock price manipulation.

Prevention of Money-Laundering Act

- **Prevention of Money-Laundering Act (PMLA), 2002** deals with money laundering and has three main objectives:
  - To prevent and control money laundering.
  - To provide for confiscation and seizure of property obtained from laundered money.
  - To deal with any other issue connected with money-laundering in India.
- Under the PMLA Act, the **Enforcement Directorate** is empowered to conduct a Money Laundering investigation.
- **PMLA (Amendment) Act, 2012**
  - Adds the concept of ‘**reporting entity**’ which includes a banking company, financial institution, intermediary etc.
  - It prescribes **obligation of banking companies, financial institutions and intermediaries for**
    - Verification and maintenance of records of the identity of all its clients and also of all transactions.
    - Furnishing information of such transactions in prescribed form to the **Financial Intelligence Unit-India (FIU-IND)**.
    - It empowers the Director of FIU-IND to impose fine on banking company, financial institution or intermediary if they or any of its officers fails to comply with the provisions of the Act as indicated above.
  - PMLA, 2002 levied a fine up to Rs 5 lakh, but the amendment act has removed this upper limit.
  - It has provided for **provisional attachment and confiscation of property** of any person involved in such activities.