THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Setup by an Act of Parliament)

COIMBATORE BRANCH (SIRC)

ISSUE 6 **News Letter** June 2025

Chairman's Desk

Dear Esteemed Members,

Greetings from the Coimbatore Branch of SIRC of ICAI!

As we step into the vibrant month of June, I hope this message finds you in good health and high spirits. The first half of the year has been both dynamic and demanding, and I take this opportunity to thank each of you for your unwavering support, active participation, and continued commitment to our profession.

As you aware at the Coimbatore Branch, we are constantly striving to provide value to our members through relevant programs, technical enrichment sessions, and networking opportunities. In the coming weeks, we have lined up a series of seminars focusing on recent developments in Taxation ensuring that our members stay ahead in the knowledge curve. As professionals, we are navigating a landscape that is constantly evolving with digital disruption, regulatory reforms, and rising stakeholder expectations. In such times, it is imperative that we adapt, upskill, and uphold the highest standards of ethics and integrity that our profession demands.

I would also like to acknowledge the sincere efforts of our managing committee, staff and volunteers who are working diligently to serve the members and student community. Our strength lies in collaboration, and together, we can continue to make our branch a vibrant hub of excellence. We continue to strengthen our efforts in delivering quality Continuing Professional Education (CPE) programs. During the month of May our branch organized various CPE Seminars, Residential Seminar, Certificate Courses on GST & AI, I thank all the faculty Members, Guests, coordinators for sparing their time and sharing their knowledge with the CA fraternity.

In June, we have lined up seminars, study circles, Certificate Course on AI, Information Systems Audit Course (DISA), Residential Refresher Course. I urge all members to actively participate and stay updated. I am also happy to share that we are increasing our focus on student engagement and member support services. Whether it's training sessions for students, career counselling initiatives, or networking forums for young CAs, our team is working diligently to create impactful and inclusive platforms.

Let us stay united in our mission to uphold the legacy of ICAI and contribute meaningfully to the development of the accounting profession and the society at large.

Wishing you a productive and inspiring month ahead.

With Warm Regards,

CA. Sathish R.

Chairman

Inside

CPE Hours Generated Monthwise 2025

03 JAN	22 FEB	52 MAR	56 APR
64 MAY	JUN	JUL	AUG
SEP	OCT	NOV	DEC

Total CPE Hours Generated for the Year 2025

197

CERTIFICATE COURSE ON AI

CAREER COUNSELLING PROGRAMME

CPE SEMINAR

CERTIFICATE COURSE ON GST

Understanding Form 10BD of the Income Tax Act

Why Form 10BD?

Form 10BD was introduced to combat false or fraudulent donation claims and bring greater transparency to the reporting of donations. It replaces earlier manual procedures, which often led to discrepancies.

This new online reporting system, notified via **notification no. 19/2021-Income Tax**, ensures that all donation details are accurately declared.

By Harish R

Who Must File Form 10BD?

Charitable Institutions

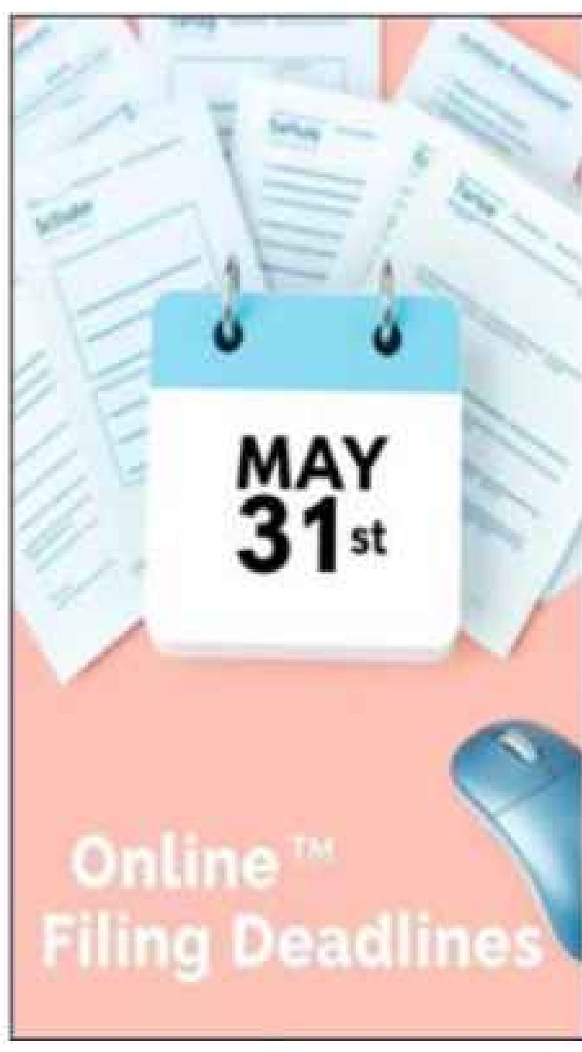
Entities with approval under Section 80G and Section 35(1) of the Income Tax Act, 1961, are mandated to file Form 10BD.

Research & Educational Institutions

This includes research institutions, colleges, universities, or other institutions falling under clause (i) to section 35(1A) of the Income Tax Act.

Mandatory Annual Filing

Filing of Form 10BD has been mandatory for these institutions starting from the financial year 2021-2022.



Key Deadlines and Filing Procedure

1. **Annual Filing**

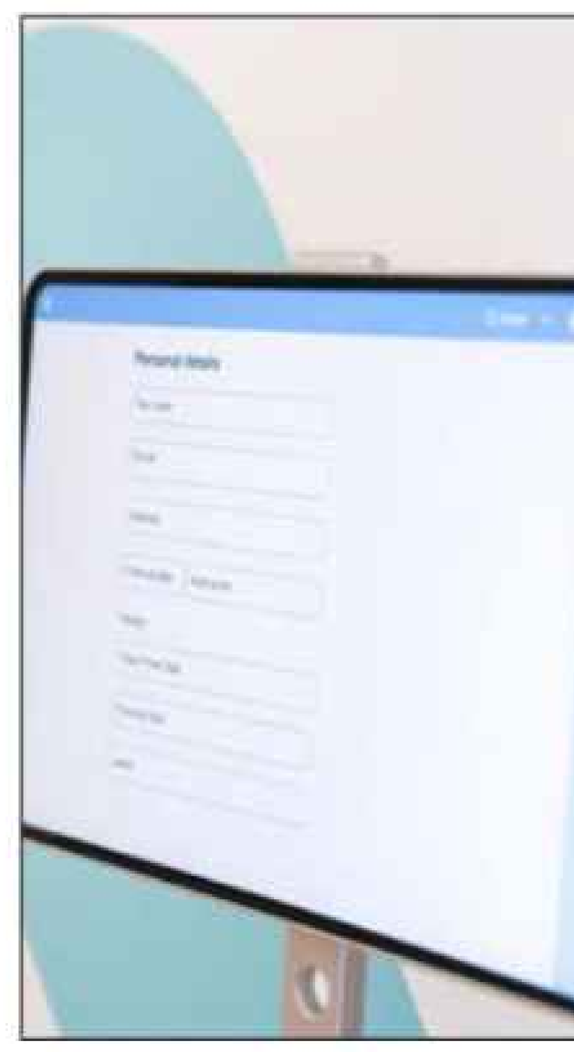
   Form 10BD must be filed annually, starting from the financial year 2021-2022.

2. **Due Date**

   The deadline for filing is on or before May 31st, immediately following the end of the financial year in which donations were received.

3. **Electronic Submission**

   The form must be filed electronically through the Income Tax Department's e-portal, requiring a digital signature from the authorized person.



Essential Details for Form 10BD

Reporting Person Details

- PAN
- Reporting Period (Financial Year)

Donor Information

- Unique Identification (PAN/Aadhar/Passport/Voter ID/Ration Card/Driving License)
- Name and Address
- Section Code (e.g., 35(1)(iia), 35(1)(ii), 35(1)(iii))

Donation Specifics

- Donation Type (Corpus, Specific Grants, Others)
- Mode of Receipt (Cash, Kind, Electronic Modes, Others)
- Amount of Donation

Modes and Types of Donation

Form 10BD requires detailed information on how donations were received and their specific classification. Accurate reporting of both the mode and type of donation ensures proper accounting and fund distribution.

Mode of Receipt

Donations can be made via cash (up to Rs. 2,000 for deduction), cheque/draft, in kind (property, goods, services), or other electronic payments.

Donation Type

Donations are categorized as specific (for a cause), corpus (general fund), restricted grant (specific project), or others, aiding accurate fund distribution.

Online Filing Process for Form 10BD

Filing Form 10BD electronically through the official Income Tax Department website is mandatory. The authorized person of the reporting entity must digitally sign the return, ensuring authenticity and compliance.

Log In

Navigate to the official Income Tax website and log in using valid credentials.

Locate Form 10BD

Under the "e-file" tab, click "Income Tax Forms" and find Form 10BD for the required financial year.

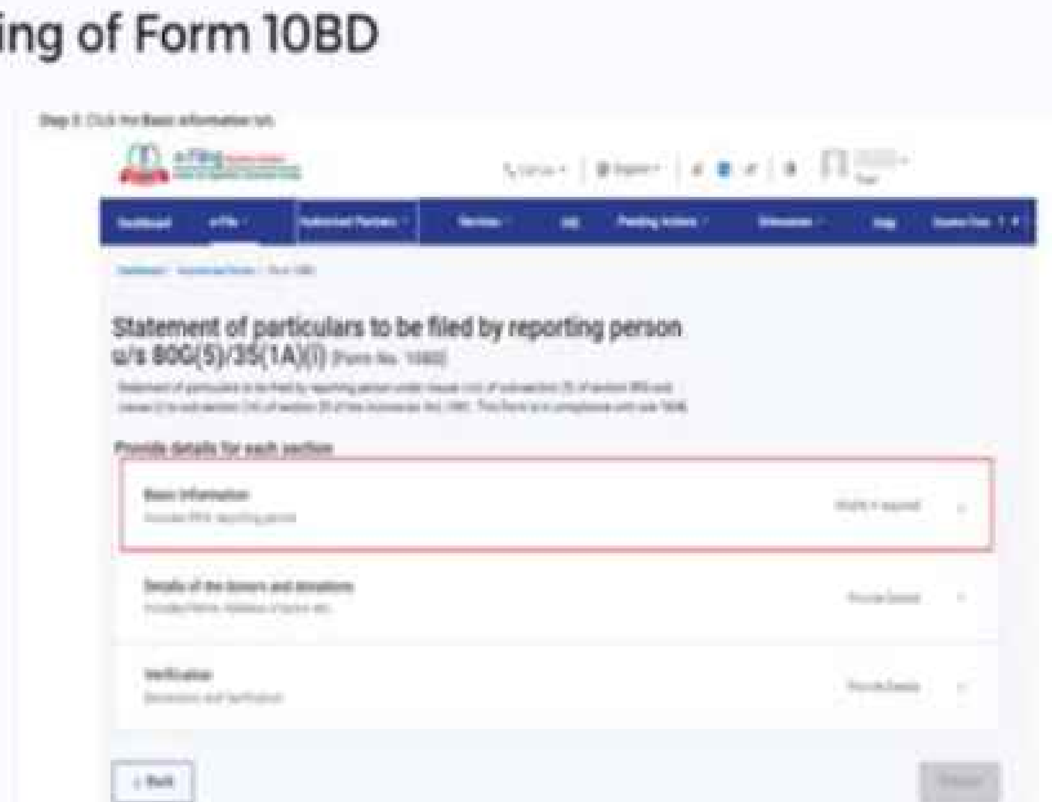
Provide Details & Upload

Fill in basic information, download an Excel template, upload the CSV file, and preview details for verification.

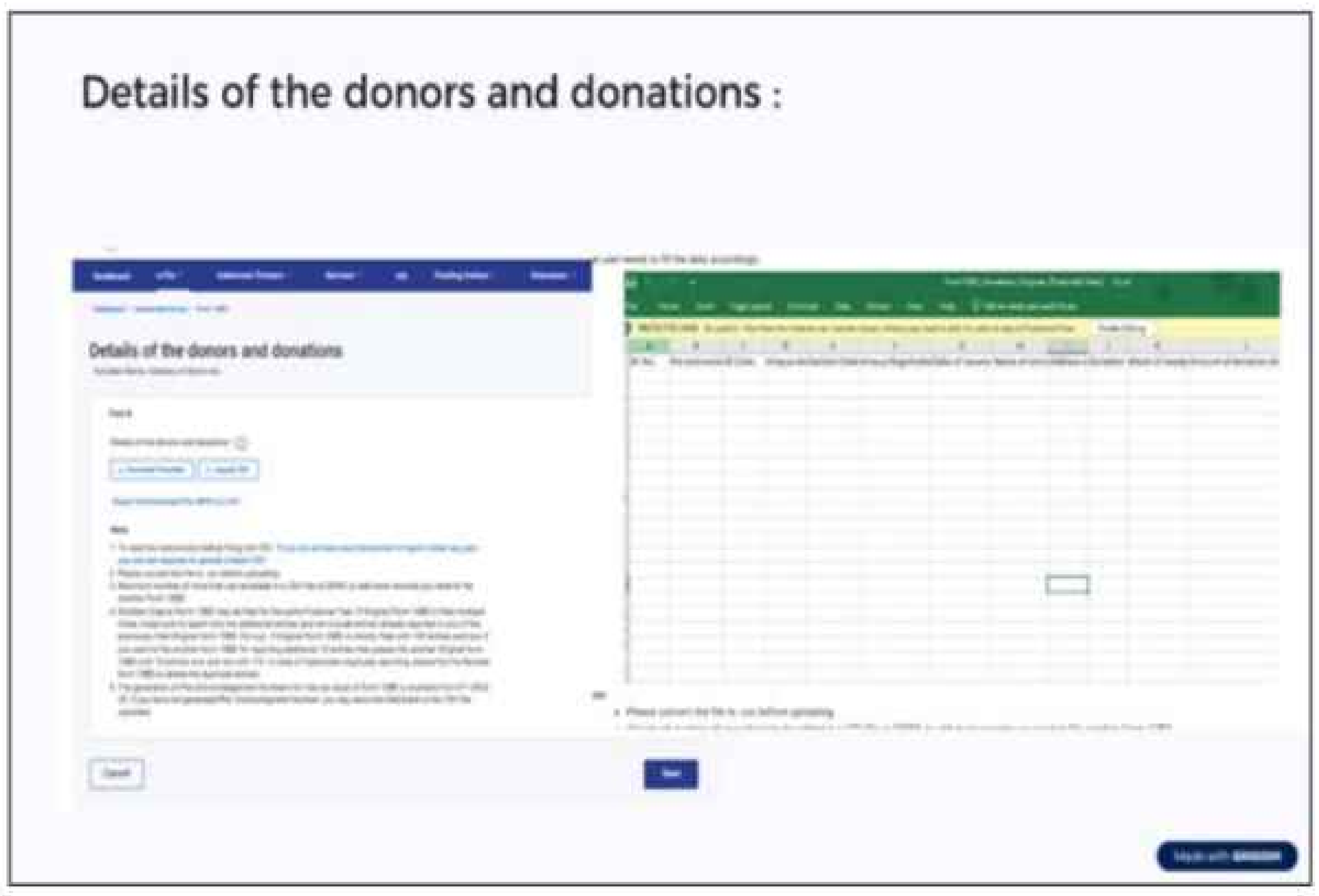
Verify & Submit

Confirm all details, select "Proceed to verify," click "Yes" to file, and download the acknowledgement. Errors can be revised.

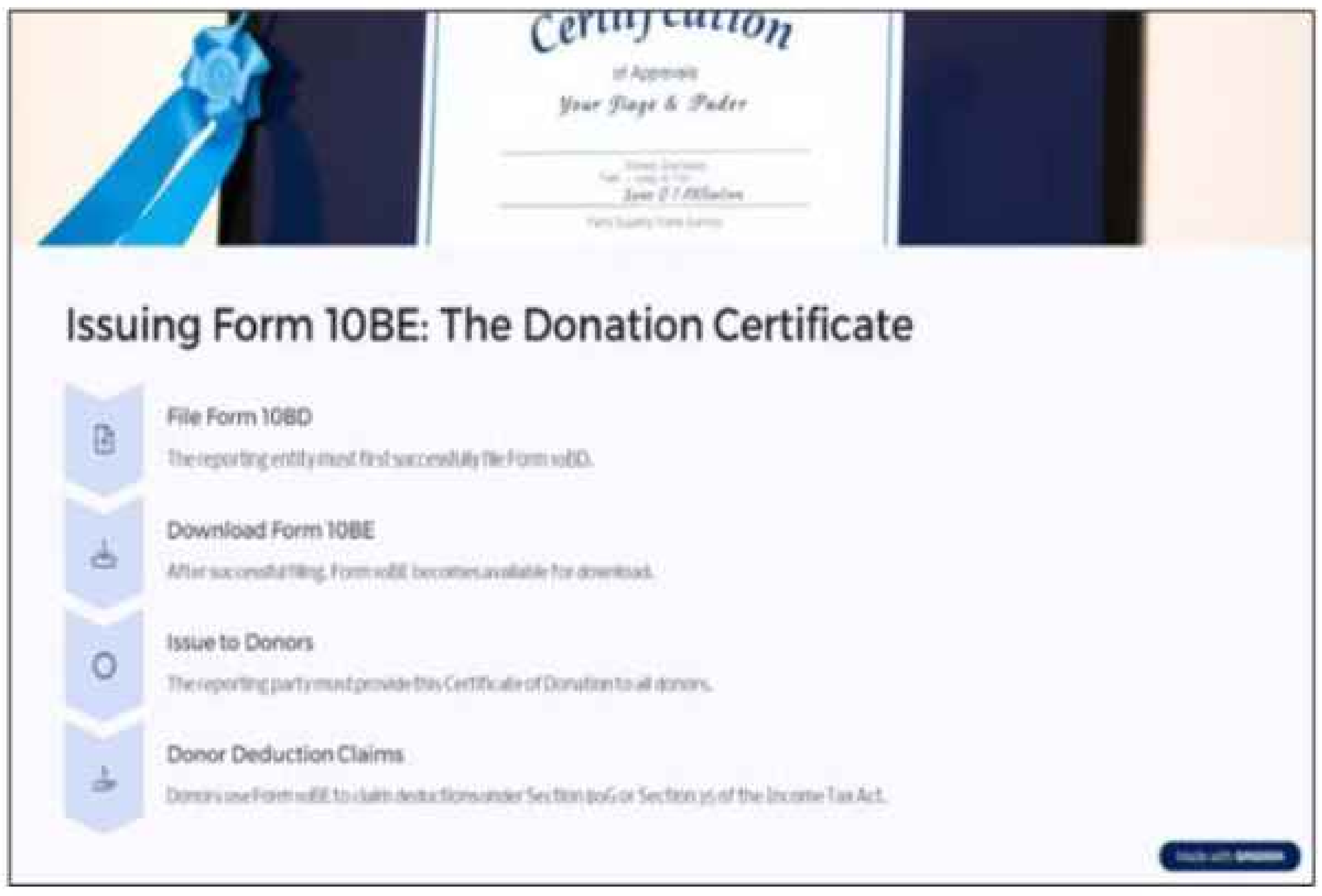
Filing of Form 10BD

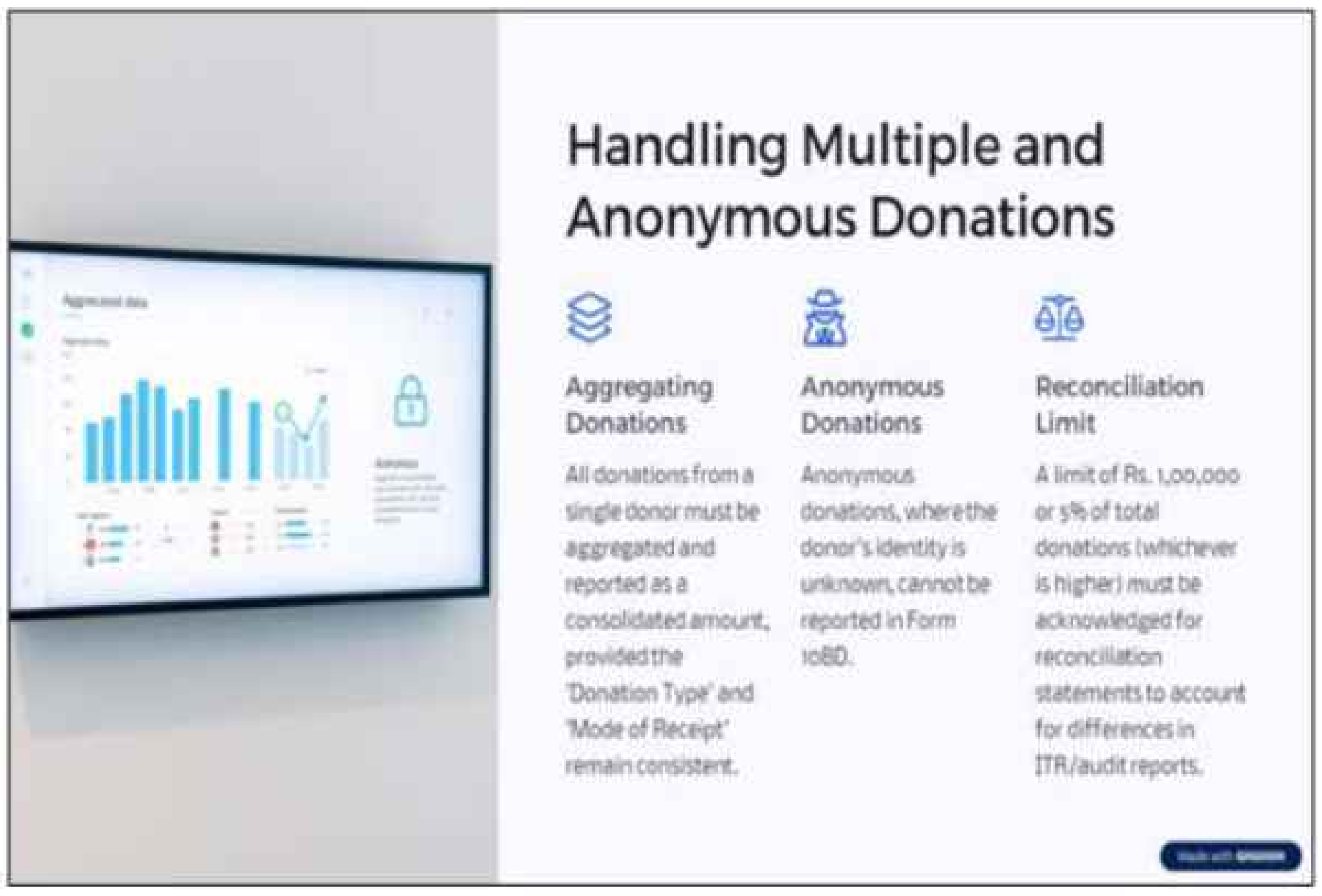


Basic Information :

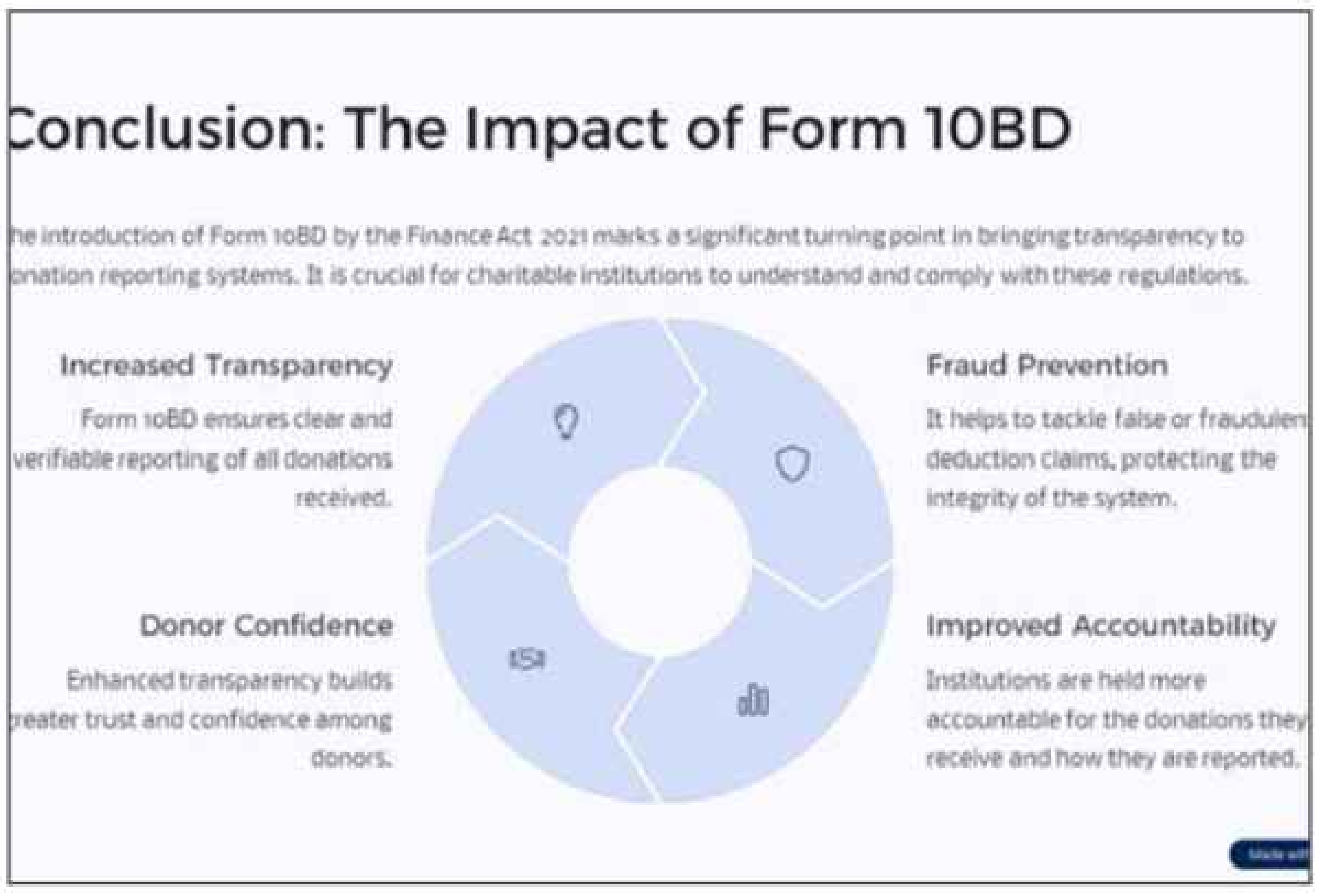

Details of the donors and donations :
Details of the donors and donations


Verification :


Issuing Form 10BE: The Donation Certificate
File Form 10BD
The reporting entity must first successfully file Form 10BD.
Download Form 10BE
After successful filing, Form 10BE becomes available for download.
Issue to Donors
The reporting party must provide this Certificate of Donation to all donors.
Donor Deduction Claims
Donors use Form 10BE to claim deductions under Section 80G or Section 35 of the Income Tax Act.


Handling Multiple and Anonymous Donations
Aggregating Donations
All donations from a single donor must be aggregated and reported as a consolidated amount, provided the 'Donation Type' and 'Mode of Receipt' remain consistent.
Anonymous Donations
Anonymous donations, where the donor's identity is unknown, cannot be reported in Form 10BD.
Reconciliation Limit
A limit of Rs. 1,00,000 or 5% of total donations (whichever is higher) must be acknowledged for reconciliation statements to account for differences in ITR/audit reports.


Consequences of Non-Compliance
200
Daily Penalty
Rs. 200/- per day for delayed filing of Form 10BD under Section 234G.
10K
Minimum Penalty
Not less than Rs 10,000 for failure to furnish the statement of donations.
100K
Maximum Penalty
Penalty may extend up to Rs 1,00,000 under Section 271K for non-furnishing.


Conclusion: The Impact of Form 10BD
he introduction of Form 10BD by the Finance Act 2021 marks a significant turning point in bringing transparency to
onation reporting systems. It is crucial for charitable institutions to understand and comply with these regulations.
Increased Transparency
Form 10BD ensures clear and verifiable reporting of all donations received.
Fraud Prevention
It helps to tackle false or fraudulen deduction claims, protecting the integrity of the system.
Donor Confidence
Enhanced transparency builds reater trust and confidence among donors.
Improved Accountability
Institutions are held more accountable for the donations they receive and how they are reported.

ANTI –MONEY LAUNDERING OBLIGATIONS, COMPLIANCE PRACTICES FOR CA

Presented by CA B A Shankar, Salem

What is money laundering?
Converting black money into white money.

Black money means?
The money on which income tax is not paid & Others

Reason for regeneration of black money:

Can be earned through

Legal Means But Tax Not Paid ← → Illegal Means (By committing crime) No Tax Paid

WHY SO IMPORTANT NOW?

- The Central Government vide Notification No. S.O. 2036(E), dated 03.05.2023 has notified the amendment to Section 2 of the Act. As per the amended norms, financial transactions carried out by practicing CA/CS/CWA on behalf of their clients will now fall under the scope of the PMLA. This article discusses in detail the impact of the same.

STORY & ORIGIN

- Al – Capone – US Based Notorious mafia, Obtained money from illegal activities, Created many laundries across the USA, Laundry business was in cash dealing. So, he can easily convert the illegal money into the system.

METHODS OF MONEY LAUNDERING

1. **Structuring** - Often known as *smurfing*, is a method of placement whereby cash is broken into smaller deposits of money.

2. **Bulk cash smuggling**: This involves physically smuggling cash to another jurisdiction and depositing it in a financial institution, such as an offshore bank, that offers greater bank secrecy or less rigorous money laundering enforcement.

3. **Cash-intensive businesses**: In this method, a business is typically expected to receive a large proportion of its revenue as cash uses its accounts to deposit criminally derived cash.

Examples are parking structures, strip clubs, tanning salons, car washes, arcades, bars, restaurants, casinos, barber shops, DVD stores, movie theaters, and beach resorts.

METHODS OF MONEY LAUNDERING

4. **Trade-based laundering**: This method is one of the newest and most complex forms of money laundering.

5. Shell companies and trusts: Trusts and shell companies disguise the true owners of money. Trusts and corporate vehicles, depending on the jurisdiction, need not disclose their true owner.

6. Round-tripping: Here, money is deposited in a controlled foreign corporation offshore, preferably in a tax haven where minimal records are kept, and then shipped back as a foreign direct investment, exempt from taxation.

METHODS OF MONEY LAUNDERING

7. **Invoice Fraud**: An example is when a criminal contacts a company saying that the supplier payment details have changed. They then provide alternative, fraudulent details in order for you to pay them money.

8. Casinos**:** In this method, an individual walks into a casino and buys chips with illicit cash. The individual will then play for a relatively short time.

Key details of PMLA cases up to 31st January 2023

5906 No. of Enforcement Case Information Report (ECIR) recorded	**531** No. of ECIR in which search has been conducted	**4954** No. of Search Warrants issued	**8.99%** Search Warrants to total ECIR
176 No. of ECIR recorded against existing and Ex MPs, MLAs, & MLCs	**2.98%** ECIR recorded against existing and Ex MPs, MLAs, & MLCs to total ECIR	**1919** No. of Provisional Attachment Orders (PAOs) issued	**115350 Cr** PAOs issued in Crores
1632 No. of PAOs confirmed by Ld. Adjudicating Authority	**71290 Cr** PAOs confirmed by Ld. Adjudicating Authority in Crores	**260** No. of PAOs pending for confirmation before the Ld. Adjudicating Authority	**40904 Cr** PAOs pending for confirmation before the Ld. Adjudicating Authority in Crores
513 No. of persons arrested	**1142** No. of prosecution complaints filed	**25** No. of cases in which trial completed under PMLA	**24** No. of trial cases resulted in conviction under PMLA
45 No. of accused convicted in PMLA	**1** No. of trial cases resulted in acquittal	**96%** Conviction %	**36.23 Cr** Confiscation under Section 8(5) of PMLA in Crores
4.62 Cr Fine imposed on accused in Crores	**15587.435 Cr** Confiscation under Section 8(7) of PMLA in Crores	**15623.665 Cr** Total amount of confiscation in Crores	

Anti-Money Laundering Legal Framework in India

- The Prevention of Money Laundering Act, 2002 **(PMLA)**, and the rules issued thereunder **(PML Rules)**
- The Unlawful Activities (Prevention) Act, 1967
- Weapons of Mass Destruction and Their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005
- Rules and Regulations enacted by the Reserve Bank of India **(RBI)** and the Securities and Exchange Board of India **(SEBI)**
- Sector-specific AML Guidelines issued by Competent Authorities such as the Directorate General of India – Indirect Taxes and Customs
- The Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974
- The Benami Transactions (Prohibition) Act, 1988
- The Indian Penal Code, 1860, and Code of Criminal Procedure, 1973
- The Narcotic Drugs and Psychotropic Substances Act, 1985
- IFSC Authority (AML, CTF & KYC) Guidelines, 2022 for units operating in GIFT City, Gandhinagar

MULTIPLE METHODS THROUGH WHICH BLACK MONEY, LAUNDERED & HUGE PROFIT IS MADE

- Stock Market Scams
- Creating Bogus company & booking false Income
- Hawala
- Drug Trafficking
- Laundering via Real Estate
- Bribery & Corruption
- Cash Smuggling – Depositing in Swiss Account
- Kidnapping & Extortion

TOPICS COVERED UNDER AML

- Sec 12 to 15 Obligations of Reporting Entity
- Sec 16 to 24 Search & Seizure
- Sec 25 to 42 Appellate Tribunal
- Sec 43 to 54 Special Courts & Authorities
- Sec 5 to 11 Attachment & Adjudications
- Sec 55 to 61 Reciprocal Arrangement
- Sec 3 & 4 Offence of Money Laundering
- Sec 62 to 75 Miscellaneous

IMPORTANT DEFINITIONS

Proceeds of Crime:

- Defines as any property derived or obtained, directly or indirectly, by any persons as a result of criminal activity relating to a scheduled offence.

Scheduled Offence:

- a. The offences specified under Part A of the Schedule
- b. The offences specified under Part B of the Schedule if the total value involved in such offences is one crore rupees or more
- c. The offences specified under Part C of the Schedule

Stages of Money Laundering

PLACEMENT

Objective: Introduce proceeds derived from illegal/illicit activities into the economy.

Example:
- Cash deposit in smaller amount to avoid detection.
- Muling of money, to physically move the illegal money from one country to another.
- Change of currency.

LAYERING

Objective: To disguise the illicit nature of funds by concealing their origin.

Example:
- Wire transfers between multiple bank accounts, often in different jurisdiction.
- Creating shell companies.

INTEGRATION

Objective: To create apparent legal origin of criminal proceeds and using such proceeds for personal interest.

Example:
- Real estate
- Cash in hand
- Investments
- Luxury assets, etc.

Satyam Case

- Company: Satyam Computer Services Ltd.
- Founded: 1987 by Byramjee Ramalinga Raju
- Scandal Revealed: January 7, 2009

Nature of the Fraud

- Chairman Ramalinga Raju confessed to manipulating the company's accounts and inflating profits for several years.
- Around ₹7,136 crore (about $1.5 billion) worth of fictitious assets and cash were falsely reported on the balance sheet.
- He admitted to inflating revenues, margins, and cash balances to mislead investors and regulators.

Modus Operandi

- Fake invoices were generated.
- Fake bank statements were created to show large cash reserves.
- Employee numbers and salary payments were inflated to siphon off money.

Impact

- Shook investor confidence in India's corporate sector.
- Led to stronger corporate governance norms and amendments to auditing standards and company laws in India.

Vijay Mallya Scandal

- • Person: Vijay Mallya, Indian businessman, former MP, and owner of now-defunct Kingfisher Airlines.
- • Scandal Type: Bank loan fraud and money laundering
- • Estimated Amount: Over ₹9,000 crore (approx. $1.3 billion) owed to a consortium of 17 Indian banks.

Key Events

- • Kingfisher Airlines, launched in 2005, ran into severe financial trouble by 2012.
- • Mallya took large loans from public sector banks despite the airline's poor financial performance.

Loans were obtained through false guarantees, overvaluation of assets, and diversion of funds.

- • Mallya allegedly diverted the borrowed funds to offshore accounts and for personal use, including luxury expenses.

Impact

- • Sparked debate on India's banking oversight, political connections, and loan recovery mechanisms.
- • Contributed to the formation of laws against economic offenders, including the Fugitive Economic Offenders Act (2018).

- **Nirav Modi Scam**
- • Person: Nirav Modi, Indian billionaire jeweler and owner of Firestar Diamond.
- • Scandal Type: Bank fraud and money laundering.
- • Amount Involved: Over ₹13,000 crore (approx. $2 billion) – one of India's largest bank frauds.

Key Events

- Fraud discovered in February 2018 at Punjab National Bank (PNB), one of India's largest public sector banks.
- Modi, along with his uncle Mehul Choksi, allegedly used fraudulent Letters of Undertaking (LoUs) issued by PNB's Brady House branch in Mumbai.
- These LoUs were used to obtain loans from overseas branches of Indian banks without proper collateral or record.

Modus Operandi

- PNB employees colluded with Modi's firms to issue unauthorized LoUs for years.
- The funds were diverted and never repaid.
- The scam went undetected due to lack of integration between PNB's SWIFT system and core banking software.

- **Impact**
- • Major blow to India's banking system and public trust.
- • Triggered stricter controls on bank guarantees and trade finance mechanisms.
- • Increased global scrutiny on financial crimes involving high-profile businessmen.

Identifying Beneficial Owners under IFSCA (AML, CFT & KYC Guidelines)

Understanding the natural person behind the corporate customer is essential to the Customer Due Diligence process.

The **Beneficial Owners** can be determined as under:

COMPANY A natural person having **controlling ownership interest** or exercises **control** through other means:

Controlling ownership interest	Ownership of **more than 10%** of shares/capital or company's profits
Control	Right to: • appoint a majority of the directors, or • control the management or policy decisions (through shareholding, management rights, shareholders, or voting agreements)

PARTNERSHIP FIRM A natural person having ownership of **more than 10%** of the **capital or profits** of the partnership

UNINCORPORATED ASSOCIATION/BODY OF INDIVIDUALS
A natural person having ownership of **more than 15%** of the **property or capital or profits** of the unincorporated association/BOI

TRUST Author of the trust, trustee, beneficiaries having **10% or more interest** in the trust, or person exercising ultimate control over the trust

If BOs cannot be identified basis of the above, the Senior Management of the legal person or legal arrangement shall be treated as Beneficial Owners.

Designated Non-Financial Businesses and Professions (DNFBPs) under PMLA 2002

Real Estate Agents

- Any person who negotiates or acts on behalf of another person in the sale or purchase of a plot / apartment / building
- A person who introduces prospective buyers and sellers to each other for the sale or purchase of a plot / apartment / building.
- Property dealers, brokers, middlemen, etc. having an annual turnover of INR **20 lakhs or more**

Dealers in Precious Metals, Precious Stones and other High-value Goods

Dealers in precious metals and precious stones, engaging in any cash transactions of **INR 10 lakhs or more** (carried out in a single transaction or multiple connected transactions)

- **Precious metals** – gold, silver, platinum, palladium or rhodium
- **Precious stones** – diamond, emerald, ruby, sapphire

Practising CA, CS and CMA

Conducting the following financial transactions on behalf of the clients:

- buying and selling of any immovable property
- managing of client's funds and assets, including securities
- management of bank, savings or securities accounts
- organising contributions for establishing or managing a company
- creation, operation or management of companies, LLP or trusts
- buying and selling of business entities.

Others

- Casino
- Person engaged in safekeeping and administration of cash or liquid securities on behalf of his clients

Understand the difference between Source of Funds and Source of Wealth

IFSCA (AML/CFT & KYC) Guidelines, 2022 mandates the regulated entities to apply **Enhanced Customer Due Diligence** while dealing with High-Risk Customers. One of the EDD measures is to understand the **customer's financial position**, i.e., source of funds and wealth.

DIFFERENTIATING PARAMETER	SOURCE OF FUNDS	SOURCE OF WEALTH
WHAT is it?	Origin of the **funds which are involved** in the business relationship	Origin of the customer's entire wealth (i.e., **total assets**)
WHY is it required?	• To identify where the funds for a particular transaction are coming from • Whether that **funding is aligned** with the customer's source of wealth	• To understand the size of the customer's wealth • Whether **transaction value is aligned** with the customer's wealth
HOW to establish legitimacy?	• Bank statements • Salary slips • Bonus certificates • Proceeds from the sale of assets • Loan documentation, etc.	• Asset title document • Trust deed • Audited Financial Statement • Employment contract with CTC • Income Tax Return • Bank statements • Gift deed • Will (inheritance), etc.

Politically Exposed Persons (PEP) under IFSCA (AML, CFT & KYC) Guidelines

Understanding the PEP:
An individual entrusted with prominent public functions in any country, such as:

- Heads of country or government
- Senior politicians
- Senior government, judicial or military officials
- Senior executives of state-owned corporations
- Important political party officials
- International Organisation PEP

Excludes middle-ranking or junior individuals

Determining the PEP status of the following:

- Customer
- Beneficial Owner (BO)
- Natural person acting on behalf of the customer
- Beneficiary (in case of life insurance)

Additional measures to be applied for PEP:

- **Identity verification** before onboarding PEP
- Identifying the **source of wealth and income** of PEP and BO
- **Senior management approval** before onboarding or transacting with PEP
- **Increased ongoing monitoring** of the business relationship and transaction

Measures as applicable to PEP customers are also to be for **family members** and **close associates** of PEP

- Chartered Accountants (CAs) manage accounting, auditing, and financial reporting services for clients, set up a company, assist in operating and managing the operations and client's funds, etc. These services make them vulnerable to the **risks of money laundering**.
- In response, you must apply AML measures to manage and prevent risks. However, Chartered Accountants must avoid the most common mistakes during the AML compliance journey.

- To avoid these mistakes, you must be aware of them. Our blog helps you with a list of common AML **compliance mistakes by Chartered Accountants**. The blog explores the applicable AML regulations for practicing Chartered Accountants. It also discovers the red flags the CAs may observe, indicating the potential exposer of

  (i) Money laundering (ML),

  (ii) Terrorism financing (TF), and

  (iii) Other financial crime risks such as **proliferation financing (PF)**.

AML Audit Function – Key compliance requirement under IFSCA (AML, CFT, & KYC) Guidelines, 2022

IFSC entities are obligated to maintain an AML Audit Function, which:

- is **independent**
- is **adequately resourced**
- conducts **periodic audits** of the AML/CFT framework

AML regulations applicable to Chartered Accountants in India

The primary AML laws applicable to Chartered Accountants in India are:

The Prevention of Money Laundering Act, 2002 (PMLA) In this context, it is essential to note that the notification issued under the PMLA provides that the practising Chartered Accountants would be construed as "Designated Non-Financial Businesses and Professions" when conducting financial transactions in relation to the following activities in the course of their profession and on behalf of the client:

- Buying and selling of any immovable property – Sec 144 of the companies Act.
- Managing of client's money, securities, or other assets

AML regulations applicable to Chartered Accountants in India

- Management of bank, savings, or securities accounts
- Organization or arranging for any contributions to the creation, operation or management of client's companies
- Creation, operation or management of companies, LLP or trusts
- Buying and selling of business entities
- The Unlawful Activities (Prevention) Act, 1967
- The **Weapons of Mass Destruction** and Delivery Systems (Prohibition of Unlawful Activities) Act, 2005

AML Compliance under IFSCA (AML, CFT & KYC) Guidelines, 2022

AML regulations applicable to Chartered Accountants in India

- FIU-India's AML & CFT guidelines for professionals with certificates of practice from ICAI, ICSI, and ICMAI
- International Financial Service Centre Authority (AML, CFT, and KYC) Guidelines, 2022 (for the CAs registered with IFSCA and practising from IFSC)
- Several rules and circulars of FIU-India govern their operations in alignment with PMLA

The above regulations and rules require the **Chartered Accountants** to adopt the following measures for mitigating the ML/FT risks:

a) Understand your business's risk exposure by performing risk assessments

b) Develop appropriate AML/CFT policies, procedures, and controls

c) Conduct adequate KYC and Customer Due Diligence processes for identifying the customer before onboarding – vegetable buyer – opening and closing of Accounts

d) Screen your customers and employees against sanctions, PEPs, and watchlists

e) Conduct enhanced customer due diligence of high-risk customers

f) Perform ongoing monitoring of the transactions and business relationships (customers' re-KYC during the business relationship and consistency between transactions and overall risk profile)

- Appoint a designated director and a principal officer to handle the AML activities
- Conduct AML training for employees
- File the reports on suspicious transactions to FIU-India
- Do not tip off the clients on any suspicious transaction reported to authorities
- Maintain records for at least five years (six years for IFSCA-regulated CAs)

You must follow each of these requirements to prevent financial crimes. You can only manage them by avoiding the most **common mistakes in AML compliance**. Let's look into these mistakes individually so you can sidestep them.

AML Record Keeping as per IFSCA Guidelines, 2022

TIME PERIOD

For a minimum period of six (6) years from –
- End of the business relationship, or
- Completion of the transaction

RECORDS TO BE MAINTAINED

- Documents and information on **Customer Due Diligence**, including Customer Risk Assessment and ongoing monitoring
- Records pertaining to **ML/FT Business Risk Assessment**
- Records about **transactions**
- Observations related to **unusual or suspicious activities** and **internal intimations** filed with the Principal Officer
- **STRs filed** with FIU-IND

PROPER MAINTENANCE OF ADEQUATE AML RECORDS

The AML records maintained by the regulated entity must allow the following:
- Easy retrieval of the records when requested by the authorities
- Assessment of the level of the entity's regulatory compliance by IFSCA
- Reconstruction of the already executed transaction
- Identification of a customer

Mistakes by Chartered Accountants in AML Compliance

The common AML compliance mistakes by Chartered Accountants include the following:

As a practicing Chartered Accountant in India, you must fulfil the AML obligations.

1. But how will you follow these requirements if you don't know them?
2. So, you must have complete knowledge of AML requirements you need to adhere to.
3. Lack of awareness of AML laws is a mistake by CAs in AML compliance.

When you are aware of them, you know what obligations you need to follow. You must understand the activities notified as subject to AML compliance and be in a position to adequately separate the same from the general services which are not included in PMLA.

You must know the deadlines, formats, and procedures of submissions. Also, information on the best practices of each AML procedure – KYC, CDD, transaction monitoring, and others will make your compliance smoother.

So, have a complete awareness of these crucial points of AML.

Misuse of Shell Companies as Conduits for Money Laundering

1. Conversion of Proceeds of Crime into Alternative Assets
2. Layering of Laundered Funds
3. Fake Invoicing
4. Concealing Beneficial Ownership
5. Fictitious Business Expenses or Loans

Misuse of Shell Companies as Conduits for Money Laundering

Shell companies are those companies that have been incorporated but have no independent business operations or activities, employees or assets. While shell companies may have legitimate uses such as to hold stock, invest in another business or hold assets for another company, they are often misused as conduits for money laundering. This infographic discusses how shell companies are misused to launder money.

Conversion of Proceeds of Crime into Alternative Assets

Proceeds of crimes such as tax evasion, drug trafficking, corruption, etc, are funnelled into the shell company, which is then used to buy assets such as real estate, jewellery, art, etc. It can also be used to invest into other businesses or give loans to other businesses. Using shell companies gives the proceeds of crime a cloak of legitimacy.

Layering of Laundered Funds

Layering is the second stage of the three stages in money laundering. After a shell company is formed, it can open commercial accounts at banks and other financial institutions. Transactions are then routed through shell companies to distance the illicit funds from their criminal source

Fake Invoicing – Satyam Computers.

Shell companies can be used to generate fake invoices for non-existent goods or services, allowing money launderers to transfer illicit funds under the guise of legitimate business activities.

Concealing Beneficial Ownership – Maytas

Shell companies are used to create complex ownership structures, such as multiple layers of ownership. Shell companies may also issue bearer bonds or use nominee directors who act on instructions of the real beneficial owners. Shell companies can also be used to buy assets such as real estate for beneficial owners who may be criminals and cannot otherwise purchase assets in their own name.

Fictitious Business Expenses or Loans PNB Bank Vs Nirav Modi

Criminals use shell companies to record fictitious business expenses, such as paying salaries of fake employees, buying non-existent assets, etc. It can also give out or take fake loans so that the illicit funds are integrated into the legitimate economy.

Strengthening the Three Lines of Defence through AML/CFT Training

STRENGTHENING THE THREE LINES OF DEFENCE THROUGH AML/CFT TRAINING

- To address the emerging threats of money laundering (ML), terrorism financing (TF), and proliferation financing (PF), the three lines of defence serve as a protective barrier. This protective barrier can be bolstered through Anti-Money Laundering / Combating the Financing of Terrorism (AML/CFT) training for the employees and compliance team that form a part of these lines of defence. In this infographic, the strengthening of the three lines of defence through AML/CFT training has been discussed in detail.

The three lines of defense in a business protect it from ML, TF, and PF threats by detecting, assessing, and reporting them. These three lines of defense comprise various stakeholders involved in the AML/CFT measures adopted by businesses regulated under the AML/CFT laws of India, such as the Prevention of Money Laundering Act 2002. Discussed below are the constituents of the three lines of defense along with the training they should be given to perform their role effectively.

- **First line of defense:**

  Frontline Employees

- **Second line of defense:**

  AML/CFT Principal Officer and the AML/CFT Compliance Department

- **Third line of defense:**

  Independent Audits and Health Checks

Forgetting to take a risk-based approach to AML compliance

The Indian AML regulations need you to conduct business risk assessments. Herein, you identify the risks to your business from:

- Customers
- Transactions
- Geographies/jurisdictions
- Nature of services (specifically the ones included in the definition of the "**Designated Non-Financial Businesses and Professions**" of the PMLA)
- Delivery channels

Take a risk-based approach to determine appropriate AML measures based on these risks. These AML measures must align with your AML requirements. These measures help you prevent, manage, or mitigate the identified risks.

- Prevention of risk exposure to money laundering, proliferation financing, and terrorism financing.
- Reduction in illicit money flow, resulting in financial stability and integrity.
- Better management and mitigation of risks affecting your business.
- Enhanced collaboration and cooperation between entities, regulators, and stakeholders against financial crimes.

So, alignment with regulations is necessary for all these benefits to your business, country, and the world.

Disregarding client acceptance principles

What's the purpose behind conducting KYC and CDD? It's about knowing your customers better. Know their identities, addresses, sources of funds, beneficial owners, and other details. All these details help you spot suspects.

With KYC and CDD, you can know your customers better. So, ensure that you perform these processes diligently. Collect all the possible details. Verify them with customer-submitted documents and other third-party sources. For customer screening, consider the latest watchlists of sanctions, PEPs, and terrorists. Match them according to all criteria to get accurate results.

Similarly, define your method well for ongoing transaction and business relationship monitoring. Determine the transaction rules based on the red flags or warning signs of **suspicious transactions**. Only with proper, well-defined processes can you achieve the desired outcomes.

ABSENCE OF KNOWLEDGE OF THE RED FLAGS OF SUSPICIOUS TRANSACTIONS IN YOUR BUSINESS

- The nature of accountancy and audit business makes it vulnerable to money laundering. Your association with clients for financial, advisory, and legal matters exposes you to financial crimes. There are specific factors that are warning signs of these risks. You must be aware of these warning signs of the danger of illicit activities.

Ignorance of this factor is a mistake in AML compliance by Chartered Accountants.

So, you must know the common and industry-specific red flags, like:

- The unusual nature of the transaction, inconsistent with the client's profile
- Large-sized transactions with no apparent reasons
- Unusual patterns in a transaction/s, varying from the usual ones
- Complex business structure
- Reluctance to answer your questions on transactions or identities
- Clients from high-risk industries or geographies
- Use of shell companies for several transactions

All these are crucial factors for you to know about. Knowing them lets you spot suspicious transactions and take further action.

Overseeing the need for timely and format-specific submission of STRs

The PMLA Act and the guidelines require CAs to file STR via their statutory regulatory bodies (SRBs), i.e., the Institute of Chartered Accountants of India.

You must submit these reports in the required format with all the necessary details. You must report these transactions immediately once suspicion is identified. It can be a suspicious transaction or only an attempt at it, irrespective of the value involved.

So, the rule requires you to submit accurate, complete, and on-time STRs. Failing to submit STRs on time or submitting inaccurate or incomplete STRs is a common AML compliance mistake by Chartered Accountants.

Tipping off the client on STR filed to FIU-India

The PMLA Act, IFSCA Guidelines and other regulations do not want the clients to know about STRs filed against them. If you tip off the client before or after filing the STR, they will try to save themselves.

So, avoid informing the client about any STR filing against their transaction. If you think the client might get an inkling of the suspicion by collecting more details during due diligence, avoid doing that. Just collect all possible transaction details and file an STR to FIU-India. Tipping off the client would be a lapses by Chartered Accountants in AML compliance.

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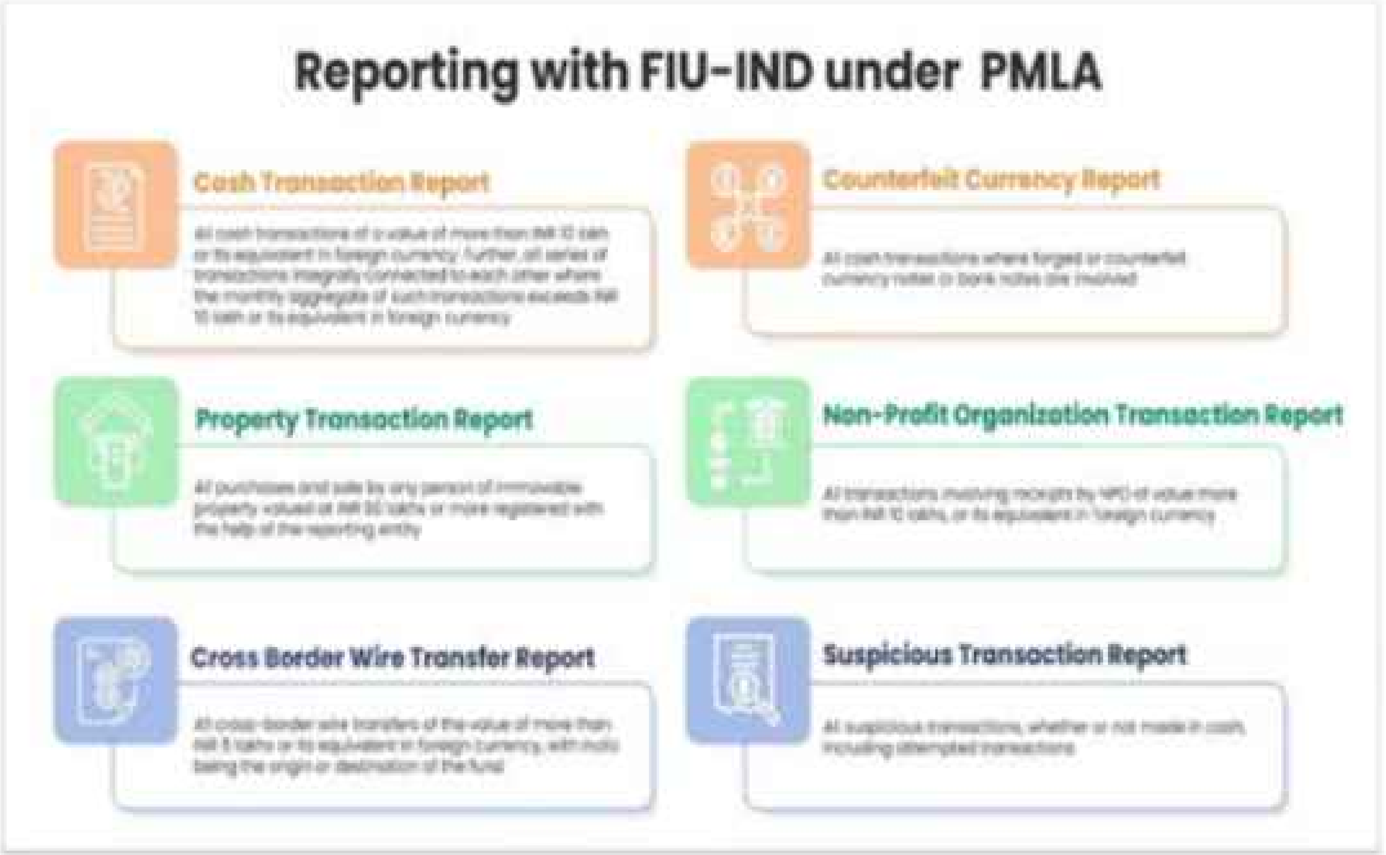

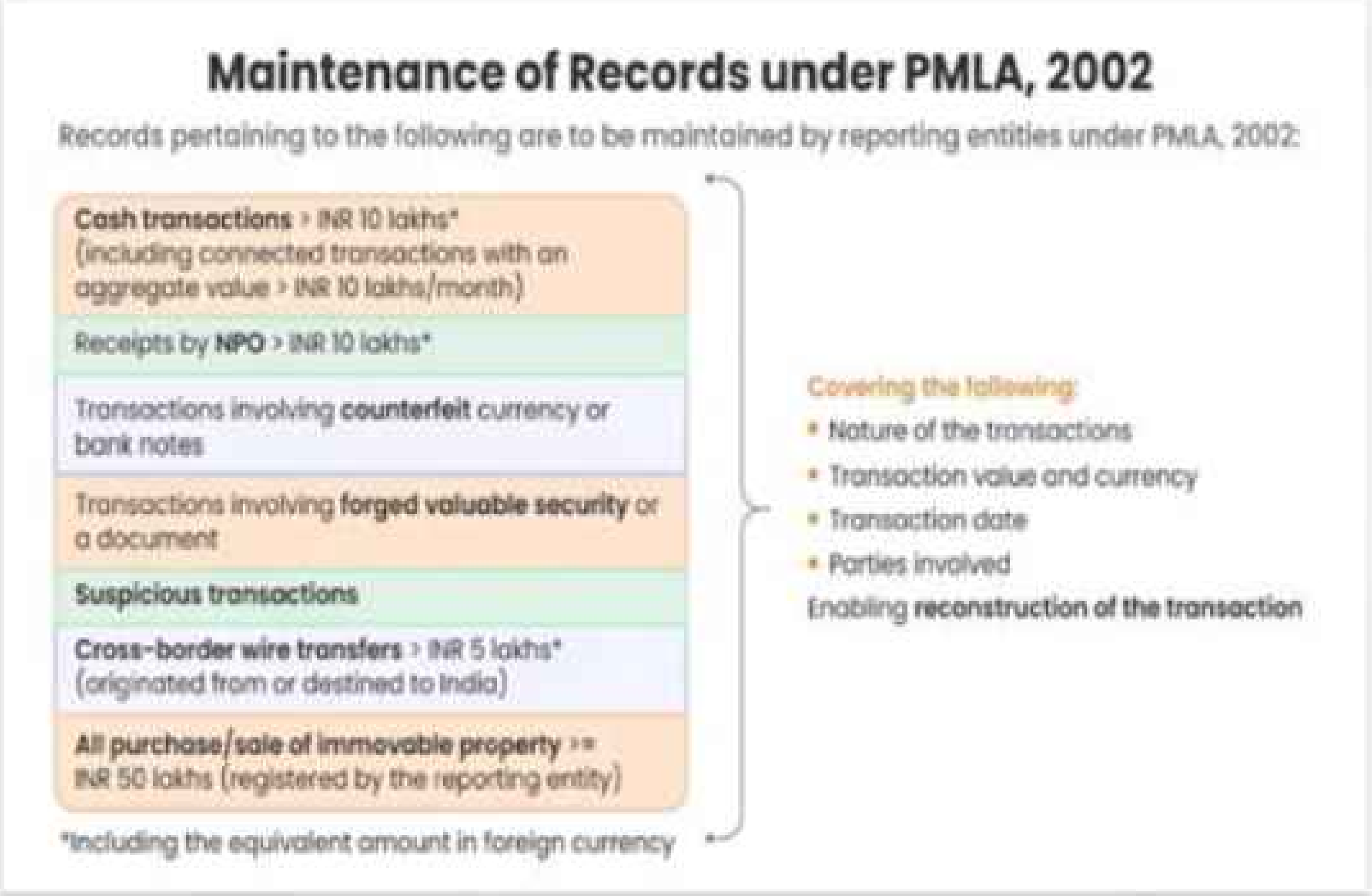

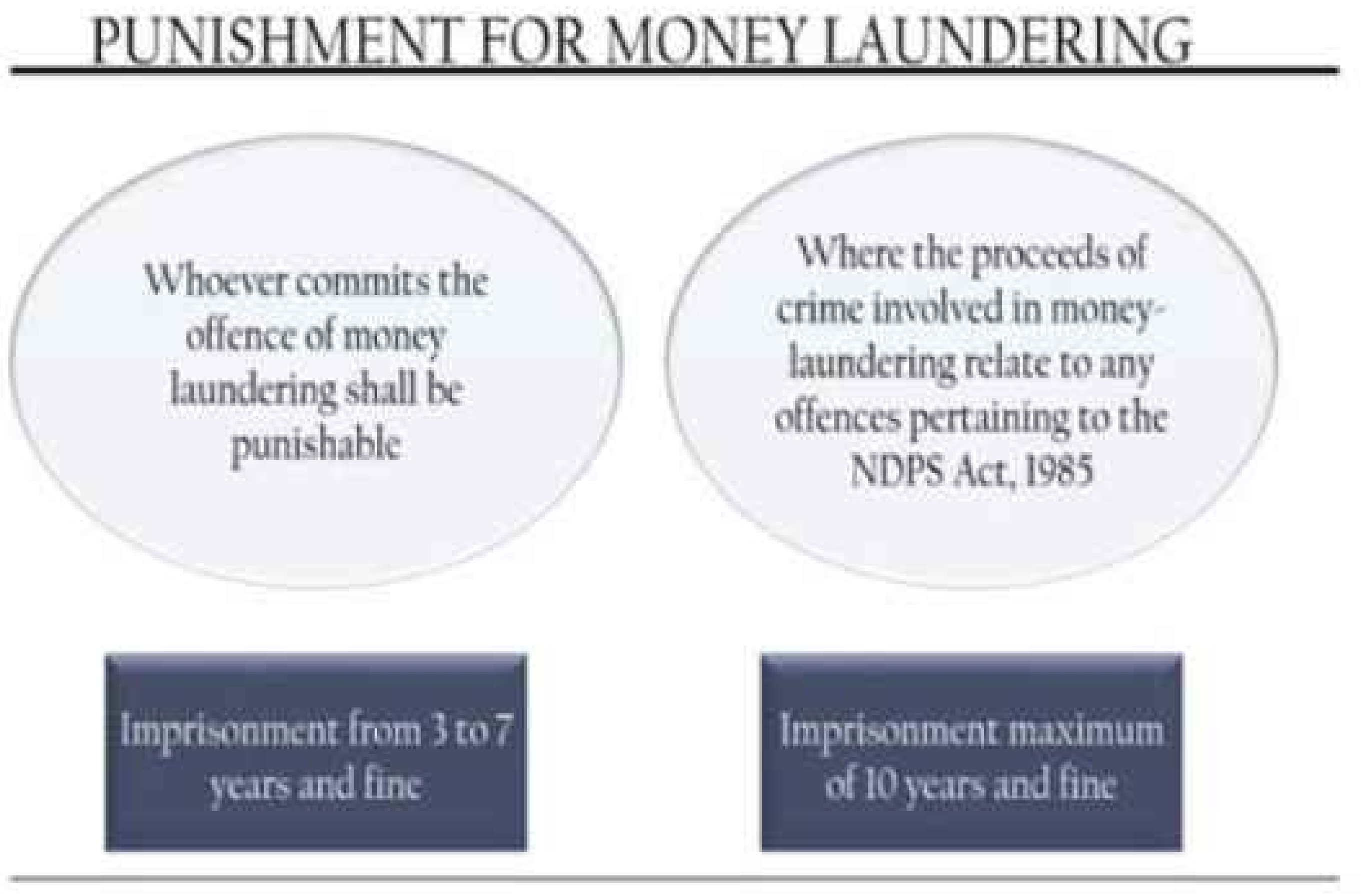

ATTACHMENT

- ❖Order for provisional attachment – By Director – By order in writing – Provisionally attach such property for 180 days – If is stayed by the High Court, shall exceed 30 days from end of 180 days.
- ❖Conditions for attachment:
  - a. A report has been forwarded to a magistrate
  - b. A complaint has been filed by a person
- ❖Forward of copy of attachment along with material in his possession to Adjudicating Authority.
- ❖No effect on the right to enjoy the property.
- ❖Complaint against the attachment before the AA – Director should file within 30 days stating the facts of such attachment.

OBITUARY

CA. M. Bhaskar
M. No. 25073

Passed away on 21st May 2025.
May his soul Rest in Peace...

FRIENDLY CRICKET MATCH - ICAI COIMBATORE Vs INCOME TAX COIMBATORE







UDUMALPET CPE SEMINAR









RESIDENTIAL SEMINAR, OOTY