RE-LOOKING AT THE ECONOMIC OFFENCES THROUGH THE LENS OF SUSTAINABLE DEVELOPMENT GOALS

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Abstract

Crime has been since time immemorial. In this global digital era, financial crimes have increased globally, which is gradually causing dent on the economy. Reducing corruption and bribery is an important Sustainable Development Goal including measures to combat all kinds of organized crime. Offences such as money laundering, fraud, etc. poses a major challenge to the sustainable development, as essential public resources are being diverted away from the public welfare schemes and developmental projects. Due to this, the ability of the state is hampered in effectively utilizing taxes and public finances towards achieving SDGs. This paper puts forth special focus on Goal 16 and the need for robust legal and regulatory framework to aid SDGs by ensuring that taxes are mobilized appropriately towards public welfare, promoting social and economic growth. Thereafter, this paper puts forth the role of International organizations like FATF and FIU towards monitoring financial transactions and emphasising towards critical norms like KYC, due diligence, which helps in preventing the flow of illegal funds. Furthermore, multifarious efforts are required, ensuring global cooperation, domestic legal reforms, enhanced oversight, to curb economic offences and promote sustainable development.

Keywords:*Economic offences, SDGs, money laundering, tax, Goal 16, FATF, legal framework.*

1. Introduction

Corruption is a global problem that jeopardizes financial system integrity,

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impairs economic stability, and affects good governance. This issue of corruption has become pertinent due to the increase in the illegal activities globally, as the funds generated from such activities are laundered to portray them as proceeds from legal activities. Offences such as terrorism, drug-trafficking, illegal trading, corruption; among others, harms the standing of the banks, financial institutions and countries thereby associated. They do so by the movement of money unlawfully across the nation and even globally. Criminals involved in such illegal activities, put multiple layers of transactions very tactfully in order to evade the detection of black money, thereby concealing the origin of the tainted proceeds of crime. Therefore, through the process of money laundering, criminals evade detection and earn profits from illegal activities. So, in other words, we can say that the process of money laundering is very crucial towards facilitating criminal activities at global stage.

The nations which are developing countries, are prone to more risk of money laundering activities. The reason being their nascent financial systems, lack of proper regulatory mechanisms and inefficient methodology for enforcement. Furthermore, developing countries, additionally, finds it difficult to handle activities pertaining to money laundering as they lack behind in terms of the resources and knowledge required to handle such complex problems. Criminals often have been seen taking advantage of the shortcomings in the laws and lack of proper monitoring, which makes it easier for them to flow the illegal money through borders. Furthermore, the developing countries become more vulnerable due to their political tension, bribery, corruption and nascent legal frameworks. This paper puts forth the measures taken by India to prevent money laundering by examining its regulatory and legal framework. It also mentions the learnings for India, by doing a comparative analysis of other developing countries such as Brazil, South Africa and Mexico. All of these countries, including India, have high risk score as per the latest 2024 ranking given by Basel.[1]

India holds an important place in global financial map. This is because a country like India, has a significant position due to its growing market and being a global investment hub. However, this also attracts major challenges towards battling the issue of money laundering. Moreover, the risk increases even further due to the digital payment system, NBFCs and expanding network of banks. There have been multifarious efforts of India to combat with money

[1]Basel Institute on Governance, Basel AML Index 2024, Ranking Money Laundering Risks Around the World? 33 (Dec, 2024).

laundering activities but they hindered because of many reasons. Majorly, weak enforcement and regulatory mechanism; and lack of cooperation amongst agencies impacted the efforts in effectively strengthening our anti-money laundering (AML) regime. However, due to the growing importance of India in global financial market, strong need is felt to bring forth effective methods to combat money laundering.

1.1 Economic offences and SDGs

The issue of money laundering has become most prominent in the international economy. It is an alarming situation for the banking infrastructure around the globe and for the nation's security. There are many financial crimes such as corruption, fraud, money laundering, etc.; when happening at a large scale, impacts the economies. People tend to loose trust in institutions. It impacts the development of a nation as resources are diverted from necessary projects because of such crimes. The developing nations take major toll of economic offences due to their limited regulatory capability and nascent financial system.

SDG 16 lays an emphasis upon the significance of combating corruption and bribery for sustainable development of a nation. A fast growing economy like India faces major risks in its financial sector. The law to address such issues came in the year 2002 called as the Prevention of Money Laundering Act, 2002 (PMLA). Although, India still struggles with the enforcement, despite having amendments and other regulations. This is due to lacunas in regulatory mechanism, poor inter-agency cooperation and shortage of resources. Stringent measures are required to aim ensure good governance and economic stability.

2. Global Challenge of Money Laundering

The offence of money laundering being global in nature, affects the economies gradually. It causes concern towards security as it facilitates unlawful activities and disrupts governance. Moreover, by money laundering, resources are wasted on illegal activities, thereby impacting sustainable development. There is exploitation of the connected global financial system through money laundering activities. Criminals earns profits from illegal activities. They convert black money into white, through the process of money laundering. They do so by the movement of money unlawfully across the nation and even globally. Criminals involved in such illegal activities, put multiple layers of transactions very tactfully in order to evade the detection of black money, thereby concealing the origin of the tainted proceeds of crime. Therefore, through the process of money laundering, criminals evade detection and earn profits from illegal activities.[2]

2.1 Money Laundering and SDGs

Money laundering is a significant threat to a nation's economic integrity and its development, both domestically and globally. It is interlinked with Goal 16 of the Sustainable Development Goals (SDGs), which emphasizes peace, justice, and strong institutions. Goal 16 targets towards the reduction in illegitimate financial and arms flows, strengthening the recovery and return of stolen assets, and combating organized crime by 2030. However, illegal activities like smuggling drugs, human trafficking, and terrorism contribute to increased money laundering, eroding the country's economic fabric. Additionally, Target 16.5 emphasizes reducing corruption and bribery, which are inherently linked to money laundering, fueling systemic corruption and posing a threat to holistic development. To achieve these targets, a comprehensive approach addressing the multi-dimensional nature of financial crimes is needed. Accountability and transparency[3] are crucial for building effective infrastructure and robust anti-money laundering frameworks.

2.2 Money Laundering and Globalisation

Globalisation has led to increased transnational financial transactions, creating opportunities for criminals to exploit financial system loopholes. There are two major issues which facilitates money laundering globally. Firstly, differences in the law and enforcement mechanisms. Secondly, poor cooperation between nations. Therefore, money laundering being a global offence, cannot be curtailed by a nation alone. It requires joint efforts internationally to curb this crime. The participation of all nations in global financial network, is required to strengthen AML policies and have proper measures, thereby to prevent money laundering activities effectively.[4]

3. India AML framework: Legal & Regulatory Background

In India, over the period of time, we have seen the development of AML policies. Such measures have shown the significant position of India in global

[2]UN Office on Drugs and Crime, "Global Programme Against Money Laundering and the Financing of Terrorism: The United Nations Response" (Oct, 2024).

[3]UN, Department of Economic and Social Affairs, "Sustainable Development Goals, Target 16.6" (September, 2024).

[4]*Supra* note 2.

economy and its relevance towards financial crimes. India, being the fastest growing economy in the world, is at increased risk of money laundering, thereby, calling for a strong regulatory framework and stringent laws to combat this threat.[5] The groundwork of India?s AML has been established through numerous legislations, reforms, and institutional development focusing at prevention, detection and prosecution of money laundering activities. Regardless of these measures, India?s AML mechanism is not efficient to address the challenges pertaining to the enforcement of laws, systemic gaps, and advance technologies.[6]

3.1 Legal background of India's AML framework

The foundation for the AML framework in India has been laid down by the Prevention of Money Laundering Act, 2002 (PMLA) due to the international obligations. India's international commitments stem from its membership in organizations such as the Financial Action Task Force (FATF) and other worldwide initiatives to combat money laundering and terrorist funding. The align India's legal framework with these global initiatives, PMLA was enacted, to address growing concerns about illicit gains, financial crimes, especially money laundering.

The PMLA criminalizes money laundering in India by imposing penalties on individuals who conceal or disguise the source of income from illicit operations. The act's main provisions include the seizure of property obtained from illicit proceeds, the attachment of assets implicated in money laundering, and the prosecution of persons and corporations involved in such operations. The PMLA also introduced reporting rules for financial institutions, mandating that banks, financial intermediaries, and other entities should report the transactions of suspicious nature to the "Financial Intelligence Unit-India". The PMLA has been amended multiple times to increase its scope and effectiveness. Significant modifications in 2005, 2009, and 2012 have been made. Efforts were made to broaden the definition of money laundering, increase law enforcement agencies' jurisdiction, and facilitate the confiscation of criminal proceeds. These modifications not only made India's AML regulations more comprehensive, but also brought them in line with the global benchmark set

[5]Sudipta Mohanty & Arpita Das, "Anti-Money Laundering Regulations in the Digital Era: An Indian Perspective", 12 *Financial Law Review* 65 (2023).

[6]Rakesh Kumar and Deepak Agarwal, "Legal and Regulatory Challenges in Strengthening Anti-Money Laundering Laws in India", 18 *Journal of Law and Governance* 102 (2022).

by the FATF's 40 Recommendations.

Further, apart from the PMLA, there are other statutes also which deals with corruption,[7] illegal gains, confiscation of property, absconder, etc. They are more general in nature but complements PMLA subject to the facts being financial in nature. Others statutes are Prevention of Corruption Act, 1984, Whistleblower Protection Act, 2011 Fugitive Economic Offenders Act, 2018 and many more related to tax, customs, trade, etc.

3.2 Regulatory Framework

The regulatory framework pertaining to AML is mainly governed by the RBI (Reserve Bank of India).[8] RBI imposes certain stringent requirements on the financial institutions such as, in the recent past, "Know Your Customer" norms for knowing their customers and also Due Diligence procedures for Customers ("Customer Due Diligence, CDD").[9] The object of introducing such measures are to prevent fraudsters from laundering money using financial institutions as a means. These measures ensures proper identification and verification of the customer's identities, which in-turn helps in monitoring any activity with suspicious transactions.

The identification of the customer is of utmost importance to keep track of paper trail. KYC and CDD norms are essential components of Anti-Money Laundering framework, as it makes it obligatory for the banking and financial institutions to conduct thorough background checks on customers, as a pre-requisite for opening bank account or for certain financial transactions. These norms entails obtaining certain type of information related to customer?s identity, their occupation, and most important; the source of funds. These norms pertaining to KYC are required to be done on a periodical basis, ensuring regular checks; and to do monitoring of the transactions to catch any irregularity which could indicate money laundering.

The RBI has issued various circulars and guidelines requiring banks and

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[7]Madhavan Nair & Vimal Pillai, "Corruption and Money Laundering in India: A Legal and Regulatory Perspective", 60 *International Journal of Law, Crime and Justice* 154 (2022).

[8]Reserve Bank of India, "Know Your Customer (KYC) Guidelines- Anti Money Laundering Standards- Prevention of Money Laundering Act, 2002- Obligations of NBFCs" (July, 2023).

[9]Reserve Bank of India, "Master Direction- Know Your Customer (KYC) Direction" (Feb, 2016).

the financial institutions to take a risk-based approach to KYC and CDD. This strategy demands institutions to analyze the risks of financial crime related with various consumers, goods, and services and allocate resources accordingly. “High-risk clients”, such as “politically exposed individuals” (PEPs), and transactions involving jurisdictions with high risks have more due diligence requirements, including more regular monitoring and reporting.

4. Challenges in AML policies in India

India has been progressing in putting various efforts towards building a strong Anti-Money Laundering (AML) framework, but despite all the efforts, it faces numerous challenges in effective enforcement and prosecution of money laundering offence.[10] As the government deals with increasing financial crimes, the AML regime faces enforcement challenges, technological limitations, resource restrictions, and geopolitical pressures. These difficulties jeopardize the effectiveness of India’s financial system and its adherence to global standards, endangering both national security and economic stability.

The challenges for the implementation of Anti-Money Laundering laws in India are:

- *Enforcement & Prosecution*
- *Resource Constraints*
- *Technological integration*
- *Global Challenges (International Cooperation & Compliance with global standards)*
- *Corruption and Political Influence*

4.1 Enforcement & Prosecution

One of the most pressing issues confronting India’s AML framework is the efficient implementation of its legislation and the successful prosecution of money laundering cases. While the ?Prevention of Money Laundering Act? (PMLA) of 2002 establishes the legislative framework for addressing financial crimes, executing these rules has proven challenging. Law enforcement authorities in India, for money laundering matters, being “Enforcement Directorate” of India (ED) and for anti-corruption & economic offences being the

[10] Prabhjit Singh & Anurag Prasad, “Challenges in Implementing Anti-Money Laundering Frameworks in Developing Economies: A Case Study of India”, 30 *Journal of Financial Crime* 218 (2023).

"Central Bureau of Investigation" (CBI), face numerous challenges, including the complexities of researching sophisticated laundering schemes, a lack of agency collaboration, and lengthy legal processes.[11]

Tracking illegal money transfers is extremely challenging in India's massive informal sector, which is dominated by cash transactions. Criminals regularly employ shell businesses, property related transactions, and trade-based money laundering methods to conceal illicit funds, hampering authorities' ability to locate and prosecute criminals. Furthermore, law enforcement is frequently hampered by obsolete investigation techniques, legal uncertainties, and the slow speed of the Indian judicial system, all of which contribute to poor conviction rates for money laundering crimes. Prolonged judicial processes, along with the complexities of financial crimes, have resulted in delayed justice, allowing many culprits to avoid serious repercussions.[12]

4.2 Resource Constraints

Another important difficulty in India's AML regime is a lack of resources available to enforcement organizations. Both the ED and the FIU-IND are understaffed, with insufficient people and technology equipment to handle the huge volume of money laundering operations. Given the amount of financial transactions in India and the growing complexity of financial crimes, the current personnel and investigative capability are insufficient to detect and address suspicious activity in a timely manner.

Financial institutions are also facing resource restrictions as they implement stringent "Know Your Customer" and "Customer Due Diligence" policies. Many smaller banks and financial institutions lack the capacity to maintain comprehensive AML compliance programs, resulting in inconsistency in reporting suspicious activity. As a result, high-risk sectors such as real estate, gold trade, and informal financial networks like hawala are frequently under-monitored, making it easier for illegal cash to slip through the cracks.

4.3Technological integration

This is one of the emerging challenge due to the advancement of technological in the recent past. With an increasing digitization of India's economy, incorporating technology into the AML framework brings both potential and new challenges. On the one hand, advances in "Artificial Intelligence" (AI), data

[11]Financial Intelligence Unit- India, "Annual Report FY 2022-2023" (2024).

[12]*Id.*

analytics and machine learning, can help spot suspicious transactions and improve the effectiveness of AML enforcement. On the other hand, cybercriminals and money launderers are increasingly using new technology, such as cryptocurrency and digital payment systems, to hide the trail of illicit assets.[13]

Cryptocurrencies, in addition, have become a major issue for authorities since they operate outside of regular financial institutions, making it more difficult to trace transactions. While India has taken attempts to regulate cryptocurrency use, the country does not have an adequate structure to regulate digital currencies with regard to anti-money laundering legislation. The government's dilemma over whether to legalize or ban cryptocurrency hinders police operations.[14] Furthermore, the banking sector have been hesitant to embrace updated technical methods for detecting and preventing money laundering, leaving gaps in monitoring new and developing dangers.[15]

India's AML framework must respond fast to the difficulties brought by fintech developments, virtual currencies, and electronic payment systems. Without adequate implementation of these technology tools, India risks slipping short in its ability to combat sophisticated money laundering schemes.

4.4 Global Challenges (International Cooperation & Compliance with global standards)

India's integration into the worldwide financial system presents issues that necessitate a high level of international cooperation and conformity with global standards. Being one of the member of the "Financial Action Task Force" (FATF), India has to adhere to international AML norms that require the government to enact strong policies, maintain openness in financial transactions, and collaborate with other countries in cross-border investigations.

However, international collaboration[16] in anti-money laundering enforcement remains a challenging issue for India. Despite being a member of the "*Egmont Group of Financial Intelligence Units*" and having bilateral agreement for joint legal assistance with several countries, India has difficulty

[13] Pankaj Rajput & Shreya Khanna, "The Role of Technology in Enhancing AML Mechanisms in Emerging Markets", 14 *Journal of Economics & Financial Studies* 88 (2023).

[14] PRS Legislative Research- Institute for Policy Research Studies, "Committee Report Summary- Virtual Currencies in India" (July, 2019).

[15] Sandeep Deshmukh, "The Impact of Cryptocurrencies on India's Anti-Money Laundering Framework", 42 *Journal of Financial Crime* 167 (2021).

[16] Asian Development Bank, "Enhancing Anti-Money Laundering Efforts in Asia-Pacific: A Roadmap for Regional Cooperation" (2022).

obtaining timely and comprehensive information from jurisdictions with weaker anti-money laundering frameworks or political barriers. Investigations into transnational money laundering cases, which frequently include numerous nations, can be slow and time-consuming due to disparities in legal systems, regulatory frameworks, and privacy regulations.[17]

Compliance with FATF standards poses additional challenges for India. Although the country has made strides toward aligning its legal structure with FATF recommendations, the 2021 FATF Mutual Evaluation Report identified vulnerabilities in India's enforcement and regulatory system. For example, there are ongoing worries regarding the efficiency of India's oversight of non-financial industries such as real estate, and lack of transparency in beneficial ownership information for businesses. Failure to fully comply with FATF rules may cause reputational harm and limit India's access to global financial markets, potentially leading to punitive sanctions.

4.5 Corruption and Political Influence

Corruption and political influence are two of the most pernicious threats to AML enforcement in India. While India has established several regulatory agencies and legislative frameworks to prevent money laundering, their efficiency is frequently hampered by corruption in law enforcement, financial institutions, and even the judiciary. Corruption enables criminals to exploit loopholes, elude regulatory scrutiny, and avoid prosecution.[18]

The AML enforcement becomes difficult due to political involvement in high profile cases. Investigation of these cases, against PEPs (politically exposed persons) such as politicians, industrialists, bureaucrats are often, stalled due to politics. Better due diligence is required in such situation to improve AML regime.[19] Corruption impacts lawful conduct of investigation as the powerful people interfere with the investigation to move forward.

To cater such problems, focus should be towards strengthening law enforcement by giving it more autonomy, ensuring proper supervision and having better transparency in judicial process. Efforts should be made to minimize political interference in order to have effective and impartial AML

[17] *Infra* note 27.

[18] Transparency International, Corruption Perception Index- 2021: India, available at: https://www.transparency.org/en/cpi/2021/index/nzl (last visited on December 10, 2024).

[19] Nandini Rao, "Political Influence and AML Enforcement in India: The Case of Politically Exposed Persons", 39 *South Asia Journal of Political Studies* 134 (2021).

framework.

5. Comparative Analysis with Other Developing Countries

The offence of money laundering being global in nature, impacts all economies, but takes a greater toll on the developing countries due to weak financial & regulatory system. So, a comparative analysis of the AML regime of similar nations having nascent financial system, inadequate regulatory and law enforcement mechanism, would provide a better insight on this issue for India.[20]

Developing countries like South Africa, Brazil and Mexico also faces the issue of money laundering. They also have been subjected to financial crimes such as corruption, drug-trafficking, illegal trading, etc., over a long period of time. Here, we are doing a comparison of AML framework of these developing countries, with that of India in order to better understand the nuances of crime and legal mechanism involved therein. These countries usually encounters problems of same nature due to certain factors which are found common amongst all developing nations. All of these nations, have similar financial system, which is relatively new as compared to the developed nations. Here, by analyzing measures adopted by these nations, we aim to gather some takeaways which could be beneficial for India, in order to combat with similar problem of money laundering activities. Also, we can see the various shortcomings, which can be avoided while addressing such issues in the future.

5.1 Brazil

A country like Brazil has a struggle with "organised crime" and corruption over a period of time, making it a prime target for money laundering operations. The country's broad economy, including an informal sector and strong international commerce links, makes it a prime target. The government has made significant efforts to enhance its anti-money laundering system, but major obstacles remain in enforcement and interagency collaboration. Law No. 9,613 of 1998 establishes the "Council for Financial Activities Control" (COAF), a financial intelligence unit, but political meddling and corruption within courts and law enforcement agencies hinder Brazil's efficiency in countering money laundering.[21] .

Brazil faces challenges in anti-money laundering efforts due to the prevalence of organized crime, particularly drug trafficking networks exploiting the country's banking system. Brazil's criminal networks are larger and more

[20] Arijit Chakrabarti & Biswajit Sen, "Impact of International AML Standards on Developing Economies: A Focus on India and Brazil", 11 *Global Policy Review* 178 (2022).

[21] Brazil's Financial Intelligence Unit, "Annual Report" (2021).

complicated, making law enforcement more difficult. Brazil has struggled to implement technical tools and risk-based techniques, while India has effectively integrated them into its AML framework. However, Brazil's collaboration with international organizations like the FATF and GAFILAT (Group of Latin American Financial Intelligence Units) has enhanced its anti-money laundering capabilities, leading to the adoption of important recommendations and the establishment of a strong legislative foundation with the Prevention of Money Laundering Act.[22]

5.2 South Africa

In South Africa, they are battling high risk jurisdictions and informal economies in the AML framework. Major financial hub in South Africa is heavily influenced by its exposure to high-risk jurisdictions nearby and having a large informal economy. South Africa, similar to India, finds it challenging to integrate the existing formal and informal financial systems to prevent money laundering. Moreover, the unique geopolitical context of South Africa, especially its proximity to political instable regions, put forwards specific challenges for its AML system.

South Africa's Financial Intelligence Centre Act (FICA) 2001 mandates financial institutions to report suspicious transactions and impose KYC and CDD norms. However, implementation has been uneven, especially in industries like real estate and casinos. South Africa's main concern is the proliferation of "trade-based money laundering" (TBML), which involves manipulating business invoices and customs papers to launder illegal proceeds. This is a concern in other developing nations, like India, where TBML is aided by international commercial transactions and cross-border activity difficulties. South Africa's reliance on foreign commerce and position as a gateway to African markets make it particularly vulnerable to TBML scams. Compared to India, South Africa struggles with the regulation of politically exposed individuals due to high levels of political corruption and state control. South Africa's cooperation with international organizations like the FATF and the *Eastern and Southern Africa Anti-Money Laundering Group* (ESAAMLG) has strengthened its AML framework.[23]

5.3 Mexico

Mexico is highly impacted by the informal financial system and most striking

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[22]Daniel A. Braga Netto, "Brazil's Evolving Anti-Money Laundering Regime: Addressing Gaps and Enhancing Enforcement", 53 *The International Lawyer* 83 (2020).

[23]Financial Action Task Force, "Anti-Money Laundering and Counter-Terrorist Financing Measures- South Africa: Fourth Round Mutual Evaluation Report" (2021).

drug cartel. The money laundering scenario in Mexico is closely related to the powerful drug cartels running in the country. These drug cartels, in the process to hide the illegal origin of funds, have been using the financial system to launder proceeds from such illicit activities. These cartels take advantage of the informal financial system, as it becomes difficult for the authority to trace the origin of funds and thereby complicates the steps to monitor and regulate financial transactions. Similar to India and Brazil, the informal economy is a big hurdle to prevent money laundering in Mexico. However, Mexico's geographical closeness to the United States, as well as its significance as a key transit nation for narcotics bound for the American market, set it as a distinctive case globally in the fight against money laundering.

The Mexican government's anti-money laundering (AML) system, based on the *Ley Federal parala Prevencine Identificacinde Operaciones con Recursos de ProcedenciaIl "cita"* (Federal Law on the Prevention and Identification of Operations Using Illicit Resources) [LFPIORPI], 2013, faces challenges in tracking money laundering linked to drugs due to cartels' vast financial networks and unofficial financial channels. Mexico has improved its AML efforts through collaboration with the US and other nations through the "Egmont Group of Financial Intelligence Units." India has also benefited from its international alliances, particularly its participation in the Asia/Pacific Group on Money Laundering (APG) and the Financial Action Task Force (FATF). However, corruption in the judiciary and law enforcement hinders prosecution of money laundering cases, and concerns about the independence and resources of the Financial Crimes Unit (FIU). The Government of Mexico has established the Financial Intelligence Unit (UIF), a more autonomous and well-resourced unit, but faces difficulties in keeping up with the growing complexity of financial crimes.[24]

5.4 Common Challenges & Learning for India

India can enhance its AML framework by learning from the money laundering experiences of South Africa, Mexico, and Brazil, despite their unique political, economic, and criminal networks challenges, as they share similarities. The learnings are:

- *Strengthen Enforcement Capabilities*
- *Addressing Informal Economies*

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[24]Javier Trevi'o, "Money Laundering in Mexico: An Institutional and Legal Framework Analysis", 12 *Journal of Money Laundering Control* 205 (2009).

- *Enhancing International Cooperation*
- *Combatting Corruption and Political Interference*

a) *Strengthen Enforcement Capabilities:* Effective AML regulatory enforcement is one of the main issues facing all four of these nations. Law enforcement agencies in poor nations frequently find it difficult to look into and prosecute money laundering cases because of a variety of factors, including a lack of resources, corruption, and the complexity of financial crimes.[25] By increasing interagency collaboration, investing in law enforcement officer training, and implementing cutting-edge technology to identify and look into financial crimes, India can benefit from what Brazil and Mexico have learned.

b) *Addressing Informal Economies:*The informal economy is a key issue for AML operations in underdeveloped nations, as it permits money launderers to shift cash outside the gaze of regulatory authorities. The challenges with informal finance in South Africa and Mexico serve as a reminder of how crucial it is to incorporate these activities into the official financial system. India's push for digital payments and the demonetization attempt in 2016 were steps in this direction, but more needs to be done to bring the informal sector under regulatory scrutiny.[26]

c) *Enhancing International Cooperation*: The nature of money laundering "is transnational, and successful AML regime" necessitate close international cooperation. All four countries have benefited from their participation in international organizations such as the FATF and regional agencies, but more may be done to strengthen information sharing and collaborative investigations. India should continue to deepen its foreign partnerships and seek deeper collaboration with countries facing similar issues, such as Brazil and Mexico.[27]

d) *Combatting Corruption and Political Interference*: Corruption is a significant barrier to effective AML enforcement in underdeveloped nations. Brazil, South Africa, and Mexico have all struggled with high

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[25]Gurjot Bhatia, "Recent Developments in India's Anti-Money Laundering Laws: Challenges and Opportunities", 58 *Indian Journal of International Law* 118 (2022).

[26] IMF: Legal Department, "Review of The Fund's Anti-Money Laundering and Combating The Financing of Terrorism Strategy: IMF Policy Papers", 052 (Dec, 2024).

[27]Organisation for Economic Co-operation and Development, "The Role of International Cooperation in Combatting Money Laundering: A Policy Framework for Developing Countries" (2023).

levels of corruption, undermining the credibility of their anti-money laundering efforts. While India has made substantial headway in combating corruption, particularly via the development of organizations such as the Central Vigilance Commission (CVC) and the Lokpal, more must be done to ensure that AML enforcement is not influenced by political considerations.

By learning from the experiences of other developing nations and implementing best practices, India can continue to strengthen its AML framework and create a more robust financial system capable of withstanding the growing threat of money laundering.

6. Conclusion

The AML regime of India plays a significant role in battling economic offences. It also becomes essential in achieving the SGD 16 by attempting to eradicate corruption. But, the AML regime, gets affected in the implementation process because of the emerging complex financial crimes. There are many hindrances which are faced by agencies, and more specifically enforcement agency. Their investigation gets effected due to lack of proper resources, skilled persons, advanced technology and updated tools of investigation. Furthermore, India is being subjected to more challenges at international front as there is lack of cooperation and collaboration resulting in the weak regulatory system and dearth of partnership at global level. These issues aggravates more due to the involvement of political interference and systemic corruption, resulting in lack of public trust in the system. Therefore, India requires strong efforts towards addressing these issues and work in making strong AML structure. It would be possible if we prioritize investment in the right direction such as modern infrastructure, innovative technology, strong and transparent judicial framework. Also, we need to develop strong cooperation with nations internationally, to move ahead in eradication money laundering. For the sustainable development of the nation, we need autonomous and politically neutral law enforcement agencies, to better combat with money laundering offences and thereby promoting peace and justice.