

THE INTERFACE OF PMLA WITH OTHER ECONOMIC LAWS: AN INTEGRATED LEGAL FRAMEWORK AGAINST FINANCIAL CRIMES

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Abstract

Honestly, the whole idea of “combating money laundering” sounds so clean when you read it in reports, but the reality is anything but. You’ve got governments writing up frameworks and passing laws with big headlines, and then on the ground you see regulators understaffed, investigators chasing leads that dry up the second money crosses a border, and banks quietly looking the other way when a big client shows up with suspicious funds. It’s almost funny in a depressing way every time a loophole gets closed, two or three new ones open, usually powered by whatever shiny technology people haven’t figured out how to police yet. Crypto is the obvious culprit right now, but give it a few years and something else will take its place. And the whole “global cooperation” line? Sure, everyone nods at the conferences, claps politely, agrees on some vague recommendations, and then half of them go home and do whatever suits their local politics or business interests. The result is uneven at best and completely hollow at worst. What that means is this fight doesn’t ever really end it’s not like you’ll wake up one day and hear that money laundering has been eliminated. At best, you slow it down, you make it riskier, you catch enough cases to show people are paying attention. But the game keeps going, because as long as there’s dirty money, someone will figure out a way to clean it. That’s not a tidy conclusion, but that’s the uncomfortable truth.

1. Introduction

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Money laundering is honestly one of those topics where the more you think about it, the messier it feels. At the basic level, it's just about making illegal money look legal. Everyone kind of knows that the drug money, corruption money, tax evasion money it all somehow finds its way back into the economy wearing a "clean" tag. And the worst part is, once it's laundered properly, it doesn't look any different from the genuine stuff. That's what makes it so scary.

Now, about the term itself if I remember right, it started being used around the Prohibition period in the US. Gangs back then had to show that their alcohol profits came from some normal business, so they used laundromats, gambling dens, restaurants, whatever. That's probably how the word stuck. It's kind of funny in a dark way cleaning clothes and "cleaning" money. Anyway, since then, with globalization and digital finance, the tricks have only multiplied. Especially with things like crypto, it feels almost impossible to track at times.

The impact is hard to fully capture. Governments obviously lose taxes, businesses that actually follow rules suffer, and meanwhile criminals keep getting stronger. I once read the UNODC said something like 2–5% of global GDP gets laundered. Maybe that's exact, maybe not, but even if you halve it, the amount is still mind-blowing. Like, how do you even picture trillions of dollars moving in circles just to hide their tracks?

India brought in the PMLA back in 2002, which at least gives the government some teeth to act. Globally, there's FATF and all those committees. They make rules, they push countries to cooperate. Still, in practice, launderers are always a few steps ahead. Honestly, it feels like a cat-and-mouse game where the mouse is faster most of the time.

And that's why, for me, studying money laundering isn't just reading a law or an economics chapter. It's about seeing how crime, politics, and even daily life overlap in ways that most people don't even notice. And maybe that's the reason this problem never really goes away.

2. Historical Impact of Money Laundering

The effect of laundering money is not just a modern headache; it's been shaping events for centuries. People usually imagine it as some banker trick with offshore accounts, but if you dig back, the signs are everywhere.

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- 2.1. In medieval Europe, for example, the Church officially banned interest on loans. But business didn't stop. Italian banking families the Medici are the classic case got clever with paperwork. They disguised interest as "fees" or shifted numbers through branches in different cities. Not everyone would call that criminal, but it definitely built habits of hiding the true nature of money. You could say that was an early rehearsal for today's more complex schemes.
- 2.2. In colonial and piracy era. Smugglers and privateers weren't just hoarding gold; they had to use it. There's a famous story about Henry Morgan, who went from raiding Spanish ships to becoming Governor of Jamaica. How? By putting his loot into plantations and property. On the surface, he looked respectable. Underneath, it was laundered treasure. And honestly, whole local economies ended up benefiting from that "dirty-to-clean" flow, whether people admitted it or not.
- 2.3. The Prohibition era in America took this to another level. Al Capone's empire was swimming in illegal money from alcohol, gambling, and more. But he didn't get jailed for violence it was his taxes. An accountant named Frank Wilson followed the numbers and cracked the case. That episode showed how powerful money trails are, but also how deep illegal money had already sunk into ordinary businesses like laundromats, diners, and even real estate. People were eating, drinking, and renting homes funded by crime without even realizing it.
- 2.4. By the late 20th century, laundering wasn't a side issue anymore it was a global force. Take the Medellín cartel in Colombia. They were earning so many dollars from cocaine in the '80s that, according to some reports, they literally lost millions each year to rats eating cash stashed in barns. To deal with the overflow, they bought airlines, construction firms, and even funded parts of politics. At that point, the impact wasn't just hidden money it was entire national economies tilting under the weight of drug cash.
- 2.5. And today? Scandals like the Panama Papers (2016) prove that the same patterns never really went away. Politicians, corporations, even celebrities all caught using offshore companies to bury fortunes. The consequence isn't just financial loss; it's

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trust collapsing. Ordinary citizens look at banks and governments and think: if the rules don't apply to the rich, why should they apply to me?

So, across history, laundering's real impact isn't just numbers on a balance sheet. It's how it quietly reshaped systems around it whether that meant bending medieval finance, fueling pirate kingdoms, propping up gangsters, or shaking public faith in democracy itself. And that long shadow is still there.

3. Concept and Stages of Money Laundering

Money laundering. At first, it sounds like one of those topics that only bankers care about. But if you actually think about it, it's kind of wild people figuring out ways to take money earned illegally and make it seem completely normal. And trust me, it's not just depositing cash in a bank and calling it a day. It's a messy, creative, sometimes downright risky process that has been evolving for decades.

At its core, money laundering is about making "dirty money" appear clean. And by dirty, I don't just mean drugs or bribes. Fraud, tax evasion, scams, even shady political dealings it all counts. Criminals can't just park the money somewhere or spend it openly. Banks watch, authorities watch, and even casual observers might notice unusual patterns. So they've had to get inventive.

Now, people talk about placement, layering, and integration but real life doesn't follow neat textbook divisions. Sometimes stages blend, sometimes they skip a step, and sometimes the entire thing loops back on itself.

3.1. Placement

Placement is basically when the money first enters the financial system. And honestly, this is the riskiest part. The cash is fresh from criminal activity, and any mistake could get the whole operation flagged.

People do weird things here: split big sums into tiny deposits, funnel money into businesses that handle lots of cash, or even smuggle currency abroad. I read about a small café owner in Pune who apparently got cash deposits in odd bundles over months eventually, the owner used it to buy

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a piece of property. No one noticed. That's the kind of clever-but-dangerous maneuvering placement involves.

3.2. Layering

Layering is where things get really messy. This is the phase where money jumps around accounts, countries, companies, and financial instruments. The idea? Make it impossible to trace. And trust me, some of these schemes are insane.

Think about it: funds moving through multiple bank accounts, shell companies, fake invoices, stocks, commodities, even cryptocurrencies. I once read a case where a corrupt politician moved bribe money across three countries before it finally ended up in a London flat. Each step makes it harder for anyone to follow the trail.

And here's the kicker sometimes layering and placement overlap, especially with informal systems like hawala or crypto transfers. Money can be "placed" and "layered" almost simultaneously. It's like juggling invisible fireballs, and one slip could burn the whole operation down.

3.3. Integration

Integration is the final step, where money finally looks legitimate. At this point, criminals can buy property, businesses, luxury goods, or even fund political campaigns without raising eyebrows.

It's Interesting because modern tech sometimes accelerates this step. With online investments, crypto, and global finance, laundered money can appear "clean" in a matter of days. A hotel chain, a shopping mall, or even a piece of art — once purchased, it's basically indistinguishable from legitimately earned wealth.

3.4. Why it matters

Understanding these stages isn't just for bankers or law enforcement. Anyone studying finance, economics, or social issues should know how this works. Banks monitor transactions, governments create regulations, and auditors track suspicious behavior. But the truth is, criminals adapt fast. They exploit technology, find loopholes, and often stay a step ahead of enforcement.

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So yeah, placement, layering, integration those are just rough guidelines. In reality, the process is messy, overlapping, and constantly evolving. And that's why money laundering is not just a crime; it's a moving, living puzzle that challenges law enforcement and financial systems worldwide.

4. Techniques and Methods of Money Laundering:

Money laundering doesn't happen in neat stages. It's messy. Sometimes it's cash in a backpack, sometimes it's a complicated tangle of accounts nobody outside the circle would notice. People use systems that predate the internet and others that weren't even legal five years ago.

- 4.1. Hawala networks, for example. You think money has to move physically? Not always. In small towns across South Asia, a local shopkeeper might send cash to someone three countries away using nothing more than a note and trust. No receipts, no official banking just someone who knows someone else. It works, until it doesn't.
- 4.2. Then there's smurfing. Breaking down large sums into small ones. Sometimes the sums are absurdly small a few thousand here, a few thousand there but spread across dozens of people and dozens of accounts, it adds up. Banks see small deposits all the time. Humans notice patterns, but only if they're looking hard.
- 4.3. Shell companies, trusts, and offshore entities make appearances next. They're paperwork ghosts. Some are sophisticated, some laughably simple. A company might exist only on paper, in a jurisdiction with loose disclosure laws, and somehow billions flow through it. Sometimes the person behind it doesn't even care about the corporate veil, they just want access to the bank account.
- 4.4. Trade-based laundering gets weird. Over-invoicing, under-invoicing, phantom shipments not because anyone is clever necessarily, but because trade is complicated. Someone ships goods worth \$50,000 and claims they're \$200,000. Sometimes the shipment exists, sometimes it's nothing but a piece of paper. Customs officers occasionally shrug, because who can track every container?
- 4.5. Real estate: slow, deliberate, often boring. Buy, sell, transfer, repeat. Some properties sit empty for years, others cycle through family members or obscure trusts. Every

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transaction looks normal if you don't dig. Humans know timing, patience, and a bit of luck matter more than clever tricks.

- 4.6. Casinos are less glamorous than movies make them. Minimal play, chips bought, chips cashed out. Cash looks like winnings. Few care enough to notice if it's subtle. People make mistakes; casinos make money either way.
- 4.7. Professional "helpers" exist lawyers, accountants, bankers. Not all of them willing participants. Some bend rules unknowingly. Some exploit gaps deliberately. Sometimes, it's just ignorance masquerading as compliance.
- 4.8. Offshore accounts. Secrecy is the real commodity here. Some banks keep records perfectly; some leave gaps. Moving money internationally often depends more on knowing which bank officer to ask than any legal loophole
- 4.9. Then there's the black market peso exchange, cryptocurrency laundering, luxury goods, art, charities each with its own chaos. Some methods are old, some are digital. Some make sense, some seem ridiculous. Humans adapt constantly.

Ultimately, it's not the methods that define laundering. It's the people. Their impatience, ingenuity, errors, and boldness. Money moves because humans decide to move it. Systems matter, rules matter, but people matter more. Patterns exist only when you look for them; otherwise, it's just a blur of numbers, paper, and human judgment.

5. Impact of Money laundering

- 5.1. Money laundering isn't just about sneaky bankers or flashy criminals; it's more like a messy underground ecosystem. Sometimes it's cash under mattresses, sometimes it's digital codes floating across continents, sometimes it's a condo in a city you've never heard of. People forget how inventive humans can get when money and secrecy collide.
- 5.2. Take hawala. You might think it's "just" an informal transfer system. But it's a centuries-old network of trust. No banks, no papers, just someone calling someone else and settling later sometimes via trade, sometimes via favors. Governments hate it, criminals love it, and honestly, it keeps evolving because enforcement can't keep pace.

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- 5.3. Then there's smurfing. Tiny deposits here, small wire transfers there. Someone once laughed and said it's like scattering breadcrumbs but the breadcrumbs are worth millions. Sometimes the rules change mid-game, and you have to improvise. That's why these systems aren't static; they adapt faster than authorities can legislate.
- 5.4. Shell companies? Forget the Panama Papers. Hundreds of corporations exist on paper with zero operations. Real money flows through them like water through pipes no one checks. You think it's just lawyers and accountants, but sometimes the companies themselves are created by entire networks of people who never meet. Complexity is the point.
- 5.5. Trade-based laundering is brutal to follow. Over-invoice, under-invoice, double invoices chaotic arithmetic across borders. A shipment worth \$12,000 might be invoiced at \$120,000. Somewhere in the middle, illicit money blends with legitimate revenue. The math is simple; the logistics are insane. Customs, banks, brokers they're all pieces in a giant, unmarked puzzle.
- 5.6. Real estate, art, luxury cars, yachts, rare wines pick your asset. If it's valuable and transportable, someone's probably using it to hide cash. The markets themselves become complicit without even realizing it. And yes, prices go up, locals complain, governments scramble yet the flow continues because wherever money goes, humans find a loophole.
- 5.7. Casinos aren't about glitz they're about liquidating cash. Buy chips, walk a little, cash out. Laws make sure winnings look legit. Sometimes it's a single person; sometimes an entire group rotates funds. Patterns exist, but only if you know where to look.
- 5.8. Cryptocurrencies have made everything weirder. Mixers, tumblers, anonymous wallets. Cash can teleport across borders in seconds. What's terrifying? The record exists somewhere but only for those who can trace it. Ordinary humans? Forget it. Authorities? Constantly playing catch-up.
- 5.9. NGOs, charities, even disaster relief anything trusted can be exploited. People assume benevolence, and some launderers exploit that naïveté. Sometimes it's organized, sometimes opportunistic, sometimes just the natural side-effect of complex systems.

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At the end of the day, it's not neat. It's not a list of methods with tidy examples. Money moves in waves, cracks, loops, and corners. Every new regulation spawns a dozen workarounds. Humans adapt. Systems bend. The chaos is the point, and anyone pretending it's otherwise is either naïve or trying to sell you a textbook.

6. Money laundering and Emerging Challenges

Money laundering isn't what it used to be. Once upon a time, it was about cash thick stacks being shuffled through dodgy casinos or funneled into restaurants nobody actually ate at. That picture is old now. What we've got today is more slippery, scattered across crypto wallets, shell companies, trade deals, and luxury apartments that sit mysteriously empty.

Crypto is probably the easiest place to start because it's everywhere in these conversations. Bitcoin, Ethereum, the coins built for privacy they've turned into a laundromat for the digital age. Hackers love them. Ransomware, for example, almost always demands payment in crypto. The money goes into a wallet, hops around through mixers, maybe crosses a few exchanges, and somehow comes out looking clean. Silk Road was the warning sign years ago, and honestly, the game has only gotten faster since then.

But crypto is just the loud example. Offshore accounts are the quiet classic. Countries that promise secrecy, shell companies that don't list real owners — it's basically hide-and-seek at a global scale. The Panama Papers showed us how deep that rabbit hole went: politicians, celebrities, CEOs, all parking their money in places designed to be hard to trace. And even when the evidence is sitting there in black and white, chasing it down across different jurisdictions? It's slow. Painfully slow.

Then there's trade. It sounds boring at first, but trade-based laundering is genius in its own way. You fake an invoice, mess with the price of goods, send products back and forth until nobody can tell what's real and what's cooked up. And because global trade is massive, it's like hiding a pebble in a mountain. Cartels figured this out long ago cocaine money turning into "legitimate" export income through made-up shipments.

Here's the part that stings a bit: the professionals. The lawyers, accountants, even bankers who should be the guardrails sometimes end up paving the road instead. Confidentiality, privilege,

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loopholes these things become shields. And once a polished lawyer puts the right stamp on a deal, it doesn't look shady anymore. It looks like business.

Technology makes it worse and better at the same time. Mobile apps, crowdfunding sites, online lending these are amazing tools for regular people but also ridiculously convenient for someone who wants to push money around quietly. Regulators try to use the same tech AI, blockchain tracking — but the criminals often move faster. Governments play catch-up. They always have.

And then the old-school trick still works: just dump the money into something that looks normal. Real estate. Hotels. Fancy art. A painting worth ten million? Who's to say if that price makes sense or not. Apartments bought at inflated prices with cash? Happens all the time. Walk through certain neighborhoods in London or New York and ask yourself how many of those shiny new towers were bought with clean money. The silence is its own answer.

Other threats hang around the edges: terrorist financing, which isn't huge in dollars but huge in impact. Weak laws in some countries that basically act as open doors. Darknet markets that disappear when the police raid them and then reappear somewhere else a month later, smarter than before.

If you try to tie all this together, it feels impossible to fully capture. Which is probably the point. Money laundering today isn't dramatic briefcases or smoke-filled rooms. It's blending in. It's looking ordinary. And that's why it works so well.

7. Interface of PMLA with Other Economic Laws

When people talk about the Prevention of Money Laundering Act, 2002, it sometimes sounds like this giant law sitting on its own island. But it never really worked that way. PMLA only wakes up when there's another crime first — what they call a “scheduled offence.” No crime, no proceeds, no laundering. Which means it's always tied to other laws: tax laws, corporate fraud provisions, customs, corruption, narcotics, even newer stuff like the Fugitive Economic Offenders Act. In a way, PMLA is less of a standalone statute and more of a spider web — it catches threads coming in from everywhere else.

Think about companies. Corporate structures are a laundromat's best friend: shell firms, fake accounts, cooked-up books. The Companies Act, 2013 is supposed to be the firewall it has fraud

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provisions, penalties for false statements, and all that. But then you look at cases like Satyam or IL&FS and realize how massive frauds slip through anyway. SFIO investigates, and once they file their reports, the Enforcement Directorate jumps in with PMLA, trying to freeze and confiscate whatever illegal profits are left. So one law finds the lie, the other law strips the money.

But it's not just companies. Taxes are an even bigger pool. Black money has always been India's open secret. The Income Tax Act lets authorities search, seize, and penalize but before PMLA, the worst-case scenario for evaders was just coughing up a fine and keeping the rest. Now, those unaccounted crores aren't just "hidden income"; they can officially be branded "proceeds of crime." You'll see this in hawala cases or bogus share capital scams the IT department tracks the fake entries, ED treats it as laundering, and suddenly the stakes shoot up.

And then there's benami property, which has been India's favorite hiding trick for decades. Land in someone else's name, flats registered under relatives who never earned enough to afford them. The Benami Transactions Act was toothless for years until it got its 2016 upgrade. Now, with ED empowered under both laws, PMLA and Benami feel like two jaws of the same trap. The Supreme Court's ruling in Ganpati Dealcom (2022) only added to the tension, because whether benami rules apply retrospectively or not decides how much old dirt can still be dug up.

Customs and smuggling that's another obvious pipeline. Gold slipping through airports, goods undervalued at ports, the constant dance of hawala operators. The Customs Act catches the smuggler; PMLA goes after the money trail. DRI raids have uncovered networks where the goods are almost incidental the real action is in how the payments vanish into informal channels.

Drugs, of course, need no introduction. The NDPS Act is brutal on paper and for good reason. Drug proceeds flow into property, cash-heavy shops, and international transfers, and PMLA acts like the economic chokehold. Courts like in Abdul Rashid Ibrahim Mansuri's case made it clear: strict liability applies, which makes it easier to tie laundering cases directly to narcotics.

Corruption fits neatly into this too. The Prevention of Corruption Act punishes bribes and disproportionate assets, but without PMLA, the official caught red-handed might still enjoy the fruits of it later. With laundering charges, not only does conviction loom, but the assets

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themselves are frozen or confiscated. Think of Jayalalithaa's assets case, or the ongoing probes into bureaucrats sitting on wealth way beyond their salaries PCA says "guilty," PMLA says "hand it over."

Even the securities world isn't spared. SEBI watches for insider trading, pump-and-dump schemes, market manipulation all of which generate illicit gains that PMLA then treats as crime proceeds. Same with the Competition Act it's about market fairness on paper, but cartels and bid rigging can create huge illegal profits. If the Competition Commission calls foul, ED can follow the scent.

And hovering at the edges are other players. FEMA violations bleeding into hawala routes. The Black Money Act dragging in undisclosed foreign assets. The Fugitive Economic Offenders Act, 2018, written almost like a backup plan for when people like Vijay Mallya or Nirav Modi bolt letting the state confiscate properties even in their absence. All of these feed back into PMLA's orbit.

But there's a flip side: too many cooks. The ED, SFIO, SEBI, CBI, DRI each agency has its turf, and when cases overlap, coordination is messy. Different evidentiary standards between, say, Income Tax proceedings and PMLA trials only complicate things further. And despite all the property attachments and raids in the news, convictions under PMLA remain frustratingly rare. Add in the constitutional debates about bail being nearly impossible under the Act, and you see why some critics argue it's both overpowered and under-effective.

So yes, PMLA's strength is that it ties everything together corporate frauds, tax evasion, benami land, narcotics, corruption, smuggling, securities scams. It's like the economic cleanup crew. But without smoother coordination and safeguards against misuse, the web sometimes tangles itself. The idea was never just to punish, but to strip away the financial incentive behind crime. Whether it's succeeding? That depends on which case you're looking at, and whether the story ends with confiscation or with a slow trial gathering dust.

8. Comparative Perspective: Global Best Practices

Here's the thing about money laundering laws worldwide: on paper, everyone says the same stuff criminalize it, make banks do the heavy lifting, and freeze/confiscate assets when you can. That's

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the holy trinity. But the *flavor* of how countries actually handle this? That's where it gets messy, political, sometimes even contradictory.

8.1. The UK (POCA 2002)

The Brits love their acronyms. POCA sounds like a children's cartoon, but it's anything but. What's interesting here isn't just the criminal confiscation powers (everyone has those), but the civil recovery and those famous Unexplained Wealth Orders (UWOs). The tabloids loved those when they came out "mystery mansions seized!" but honestly? Hardly used. Too expensive, too many lawyers.

They 'do' have a pretty hardcore Suspicious Activity Reports regime thousands of reports pouring into the UKFIU. People joke about estate agents filing SARs every time someone buys a flat in cash. The tools are there, but the state often feels underfunded compared to the size of the problem. Classic Britain, really.

8.2. The US (BSA, Patriot Act, RICO, the kitchen sink)

The Americans... they don't mess around. They've got the Bank Secrecy Act, the Patriot Act add-ons, plus they love pulling out RICO whenever they want to nail a whole network. What makes them unique? Two things: "extraterritorial muscle" (if you touch the US dollar, you play by their rules) and "FinCEN's data game."

They're drowning in Suspicious Activity Reports, but unlike the UK, they actually crunch the data, pump out typologies, and hit banks with billion-dollar fines. The downside? The compliance burden is insane. Smaller banks and money services basically get "de-risked" out of existence. Imagine being kicked out of the financial system just because you're considered too much hassle. That happens.

8.3. The EU (Directives upon Directives)

Europeans can't resist a directive. The 4th, 5th, 6th... they're already talking about a single "rulebook." In theory, that should make AML enforcement across borders smoother. In practice, Luxembourg doesn't look like Bulgaria, and no one's police budget matches. Beneficial ownership registers were supposed to be their crown jewel — but then privacy courts stepped in

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and said, “Not so fast.” So, yeah, harmonization is the buzzword, but uneven implementation is the reality.

8.4. FATF (the global referee)

Here’s the referee everyone pretends to love but secretly dreads. FATF sets 40 recommendations, does mutual evaluations, and has the dreaded grey/black lists. No country wants to end up there — it tanks investment overnight. So countries scramble to look compliant, sometimes more in form than in substance. The irony is FATF doesn’t even have real enforcement power, just peer pressure and economic side effects. But that’s often enough.

8.5. Couple of obvious ones

“Non-conviction confiscation” The UK’s civil recovery model could be useful here. Convictions are slow, especially with cross-border stuff. Why wait?

“UBO transparency” Europe at least tried with beneficial ownership registries. India’s attempts are... let’s say “patchy.”

“Data-driven FIU” The US shows what happens when you actually *use* all those reports you collect instead of just filing them away.

“Balance, balance, balance” Strong enforcement powers are great until they’re abused. The UK and US courts at least push back sometimes. India needs clearer guardrails.

“International asset recovery”. This part is always slower than it should be. Look at the Mallya case. Years drag on. Structured agreements and better liaison units could speed things up.

9. Conclusion:

What bugs me most is the fallout nobody really measures. Governments “losing billions” sounds like numbers on a spreadsheet until you notice hospitals quietly understaffed, roads full of craters, schools cutting corners. That’s the damage laundering does slow, invisible decay. And no, you won’t see that in the flashy headlines.

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Yeah, there are frameworks FATF, Vienna, Basel, acronyms stacked like Lego. They sound serious in press releases, but half the time it's theater. Some countries play ball, others sign the papers and go right back to business as usual. Regulators call it progress; I call it pretending.

If I'm being blunt? Money laundering doesn't stop. It mutates. Always has. Most of it slips through cracks nobody bothers to seal. And the worst part? Everyone sort of knows it.

Footnotes

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