

# FIU-IND: REPORTING OBLIGATIONS

## **Financial Intelligence Unit – India (FIU-IND)**

Financial Intelligence Unit- India is the central national agency that is responsible for receiving, analysing, propagating and processing information related to suspect financial transactions to the enforcement agencies and foreign FIUs.

Financial Intelligence Unit- India was set up by the Government of India on 18<sup>th</sup> November 2004 as the central national agency. FIU-IND is also responsible for synchronizing and bolstering efforts of national and international intelligence, investigation and enforcement agencies in pursuing global efforts against money laundering and financing of terrorism.

FIU-IND is an independent body that directly reports to the Economic Intelligence Council (EIC) this council is headed by the finance minister.

## **Functions of FIU-IND**

The main function of FIU-IND is to receive suspicious transaction reports, analyse them and appropriately disseminate valuable financial information to intelligence/ enforcement agencies and authorities. The functions of FIU-IND are:

- (i) Collection of information
- (ii) Analysis of information
- (iii) Sharing of information
- (iv) Act as central Repository
- (v) Research and Analyse

After a report has been made by the FIU-IND, it is sent for assessment to the Public Sector Banks, Public Sector Insurance Companies and Financial Institutions within the purview of the Department of Financial Services and the Regulators i.e. The Reserve Bank of India (RBI) and the Insurance Regulatory and Development Authority of India (IRDAI)

## **Information Necessarily Reported To FIU-IND**

Every reporting entity is required to furnish information about:

- all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency
- all series of cash transactions integrally connected which have been individually valued below rupees ten lakhs or its equivalent in foreign currency where such a series of transactions have taken place within a month
- where monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency

- all transactions involving receipts by non-profit organizations of value more than rupees ten lakh, or its equivalent in foreign currency
- all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions
- all suspicious transactions whether made in cash
- all cross-border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of the fund is in India.
- all purchases and sales by any person of immovable property valued at fifty lakhs rupees or more that are registered by the reporting entity.

### **Reporting Entities**

- (i) A Banking Company- Under the Prevention of Money Laundering Act 2002 a Banking company means a bank or a co-operative bank to which the Banking Regulation Act, 1949 applies.
- (ii) Financial Institution- Defined under clause (c) of section 45 of the Reserve Bank of India Act, 1934.
- (iii) Intermediary- A person who is a stockbroker, Share transfer agent, banker to an issue, trustee to a trust deed and any other intermediary associated with the securities market and registered under section 12 of SEBI Act, 1992.
- (iv) Chit Fund Company- A company managing, conducting or supervising as foreman agent or in any other capacity.
- (v) Co-operative Bank- It is defined in clause(dd) of section 2 of the Deposit Insurance and Credit Guarantee Corporation Act 1961.
- (vi) Housing Finance Institution- It is defined in clause (d) of section 2 of the National Housing Bank Act, 1987.
- (vii) Non -Banking Financial Company- It is defined in clause (f) of section 45-I of the RBI Act, 1934.

### **Expansion Of The Scope- According To Notification**

According to the notification released on May 9, 2023, by the Indian Government, they have further extended the reach of the Prevention Of Money Laundering Act (PMLA) to include all individuals helping in the formation of a company, including directors, secretaries or proxy nominee director. It also includes individuals who provide registered offices, business addresses etc.

### **Anti Money Laundering Reporting Obligations**

A company is required to notify FIU-IND of suspicious activities. Notable ongoing responsibilities are:

*Suggested Suspicious Transaction Report (STR):* This report must be filed within seven days after determining that a transaction (cash or non-cash) or a cord of transactions regardless of how they are connected is suspicious and has to be reported. It has to be reported by the 15<sup>th</sup> of the month following the month in which they were generated. Any cash transactions involving a sum of more than INR 1 million have to be notified.

*Counterfeit Currency Report (CCR):* If fake or stolen Indian currency is used, the principal officer must immediately alert the FIU-IND and the relevant Indian police department.

*Non-Profit Transaction Reports (NTRs):* NTRs are necessary for any purchases made by non-profit organizations involving the receipt of more than INR 1 million. The records of the same need to be retained for at least 10 years after the transaction or business relationship has concluded.

### **FIU-IND Reporting Obligation**

Every reporting entity is required to document and authenticate the records of the client's identity in such a manner and process as described under the Prevention of Money Laundering Act, 2002.

Every reporting company shall at the time of commencement of its business activity Recognize and validate the personal data of the client and the nature of the business, and sometimes where the transaction of an amount is equal to or goes beyond Rs 50,000 by the means of a single transaction or several transactions or any international money transfer transaction shall also provide personal data

The exception to that is when there is any account-based transaction and the customary is of the view that money laundering and terrorist financing risks are effectively managed, in such case it is not essential to conduct the client's prudent investigation by interrupting the normal conduct of business.

### **New Reporting Mechanisms – FINnet 2.0**

It has been designed and implemented by the Financial Intelligence Unit, of the Government of India. It has come up with a new reporting format. This has redefined and eased the process of collection, processing and distribution of data to effectively curb money laundering and terrorist financing activities. This project is of national importance and will further safeguard the financial system.

FINnet 2.0 has three systems to ensure that data is isolated and immune to security threats, they are-

1. FINGate- Collection and pre-processing system
2. FINCore- Processing and analysis system
3. FINex- Dissemination system

Features of new reporting mechanism-

1. Interactive web-based reporting- It is user-friendly, context-sensitive and web-based which is a built-in form for field-level validations.
2. Bulk report preparation application -It will be a replacement for an existing report, it will be more modular, will allow some modules to be offline as well, will have the ability to debug and encrypt and digitally sign the report, there will be a format through which it will generate multiple files including KYC, Transactions and GoS.
3. API-based reporting- through this, the reports will be transmitted to the FIU in near real-time and automated mode, it will be exposed by FINGte and will be configured in the Reporting Entity's system

## **Inference**

The Financial Intelligence Unit of India is aggressively adjusting to the financial crime landscape that is changing at a rapid pace. The government has identified and has taken progressive steps to stop finance-related crimes which include money laundering and the funding of terrorism. FIU-IND mainly works on such matters.

They have employed the latest approach, technology and implements. In order to provide useful intelligence to limit money laundering and the funding of terrorism. The FIU IND aims to optimize and revitalize the process of data collection, processing and dissemination. The ultimate goal is to improve the financial security framework of India. The mission statement is to curb financial crimes like money laundering by providing top-notch financial intelligence.