

# UNVEILING THE VEIL: UNDERSTANDING MONEY LAUNDERING AND ITS IMPACT ON ORDINARY INDIVIDUALS

**Nandish Joshi**

Phd scholar

Shri Govind Guru University, Godhra

Email id: nandish993@gmail.com

Cell No: 9601761222

**Dr. Apurva C. Pathak**

Principal

Godhra law college

Cell No: 9825334760

## ABSTRACT

Money laundering refers to the illegal process of disguising the origins of money obtained through criminal activities, and one common method used is known as "money muling." A money mule is an individual who receives money into their bank account from a third party, and then transfers it to another person in cash or other currencies, in exchange for a commission. Money mules operate covertly, concealing their identities as funds are transferred globally. Unfortunately, ordinary individuals can fall victim to scams and lose their hard-earned money through this process. India is also witnessing a rise in money laundering cases, and the Government of India has taken measures to combat this issue. This paper explores the various techniques employed in money laundering, including the use of technology. It also highlights early warning signs to recognize and steps to protect oneself from being unwittingly involved in such illegal activities.

**Key words:** Money mulling, money laundering, Laws, frauds, protection

## INTRODUCTION

Money laundering is a sophisticated and intricate practice where the origin and nature of illicit funds are deliberately disguised to make them appear legitimate, allowing for their use, transfer, and negotiation. Shockingly, recent studies indicate that only 1% of the colossal \$2.4 trillion laundered through international financial systems is believed to be confiscated. Thomson Reuters also estimates that financial crime globally costs around \$1.45 trillion, equivalent to 3.5% of the global turnover. Money laundering is a criminal activity aimed at concealing the illegal proceeds of crime by disguising them as lawful earnings. The methods used for money laundering vary in complexity and can involve multiple stages, including placement, layering, and integration, as outlined by Gilmore in 1995. Annually, an estimated \$1.5 trillion to \$2.8 trillion, equivalent to 2% to 5% of the global GDP, is lost due to money laundering. Money laundering can take on various forms and involves reintroducing the proceeds of criminal activity into the legal financial system.

## DEFINITION

### Money muling

Money laundering is a form of money muling, whereby individuals receive funds in their bank accounts from third parties and then transfer them to others in the form of cash or other currencies, often in exchange for a commission. Despite not being directly involved in the crimes that generate the money, money mules are accomplices and help criminal syndicates remain anonymous while moving illicit funds around the world, including proceeds from cybercrime, payment fraud, online fraud, drugs, human trafficking, and other illegal activities (EUROPOL-Public Awareness and Prevention Guides, 2019).

In India, the government took measures to combat the issue of black money by banning 500 and 1,000 rupee notes

in 2016. The Prevention of Money Laundering Act, 2002 ("PMLA") along with the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 ("Rules") are the primary laws enacted to prevent money laundering activities in India. The Directorate of Enforcement in the Department of Revenue, Ministry of Finance is responsible for investigating offenses related to money laundering in India.

### **The Prevention of Money Laundering Act, 2002**

Before moving further, it is important to introduce some aspects of The Prevention of Money Laundering Act, 2002 in India. The Supreme Court is of the view the concept of the offence of money laundering in the Prevention of Money Laundering Act (PMLA) is "very wide" and any activity connected with the proceeds of crime is encompassed within the expression of section 3 of the legislation<sup>1</sup>Section 3 of the PMLA defines the offence of money laundering. Therefore, it further observed that "Any activity connected with the proceeds of crime is well taken over, is encompassed within this expression of section 3. Section 4 talks about 'Punishment for money-laundering'. A person committing an offence of money laundering is liable to be punished for three years' imprisonment which may be extendable to seven years. The offence is also be liable to fine. Section 16 provides power to survey which section 17 explains search and seizure.

Further in PMLA, The definition of "Money-Laundering" is comprehensive enough to cover most of the instances of converting black money into white<sup>2</sup>.

In case of Anosh Ekka vs Enforcement Directorate on 19 February, 2013, it was highlighted that PMLA specifies a completely different investigation procedure. The investigation is never to be conducted by the police, but rather by an officer of the Directorate of Enforcement or any other officer specially authorized by the Act, and the Act prohibits a police officer from conducting an investigation. Only after the investigation is completed is a report submitted under Section 169 or Section 173 of the Code of Criminal Procedure, upon which cognizance of the offence is taken. In the case of the Prevention of Money Laundering Act, however, the prosecution must file a complaint under Section 44 read with Section 45 of the Act, and only the special court established by the Government can take cognizance of the offence under the Prevention of Money Laundering Act<sup>3</sup>.

**However, in some cases this act has been used indiscriminately.** The bench headed by Chief Justice of India N V Ramana observed that rampant use of Prevention of Money Laundering Act, 2002 will lead to a situation in which the law will lose "relevance". He was of the view that instead it should be used reasonably<sup>4</sup>.

### **Concept of straw man and money mule**

A straw man is an individual whose identity is used by a criminal entity to commit illicit acts (Nelen and Lankhorst, 2008; Shover and Hochstetler, 2002). On the other hand, a money mule is an individual "who allows his or her bank account to be used to launder illegal funds to criminals" (veiligbankieren.nl, 2014). Many times these definitions are used interchangeably.

### **Modus operandi in the execution of money laundering**

Money mules are financial crime enablers. The criminal entity requires the money mule in order to launder money. A money mule is recruited in various ways, including e-mail, online job searches engines, face-to-face recruitment, school, social networks, and so on. After being recruited as a money mule, the mule is asked to provide the criminal organization's contact person with his or her personal account information or ATM card with a pin code. The method by which a money mule is recruited determines how a criminal organization will retain the (illicit) funds. Cashers who withdraw money from mules' accounts are also known as cashers (Mauritz, 2014: Dutch Police Report; Van der Wolf, 2014: Dutch Police Report). Recruiters vanish with the money after the illicit funds are withdrawn. Mules are not compensated and are eventually held liable for the fraudulent charges. Money mules are only used

<sup>1</sup> <https://economictimes.indiatimes.com/news/india/very-concept-of-offence-of-money-laundering-in-pmla-is-very-wide-sc/articleshow/89750677.cms> accessed on 20th March 2022.

<sup>2</sup> <https://www.mondaq.com/india/money-laundering/1136310/anti-money-laundering-laws-in-india-the-prevention-of-money-laundering-act-2002-pmla> accessed on 20th March 2022.

<sup>3</sup> <https://indiankanon.org/docfragment/110589878/?formInput=prevention%20of%20money%20laundering%20act%20%20doctypes%3A%20judgments> accessed on 9<sup>th</sup> April 2022.

<sup>4</sup> <https://indianexpress.com/article/india/supreme-court-cautions-against-indiscriminate-use-of-money-laundering-law-7675152/> accessed on 9<sup>th</sup> April 2022.

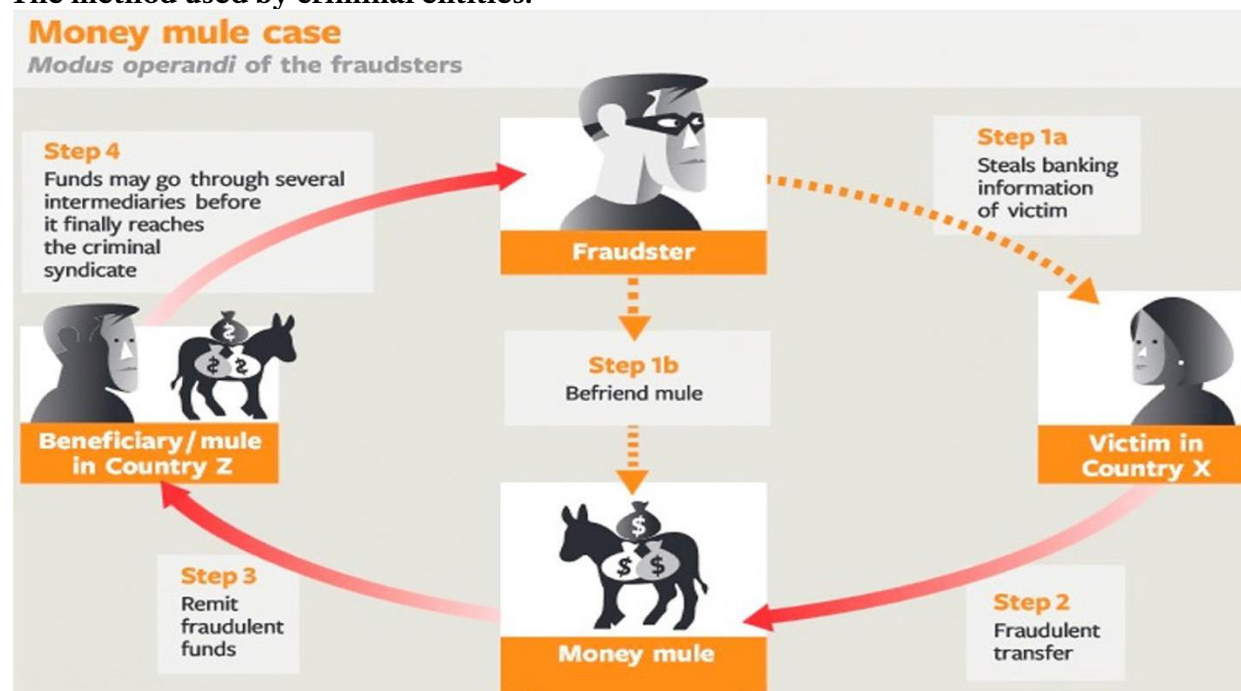
for these transactions because they have an ATM card and a pin code. Natural persons deposit large sums of foreign currency in cash into their foreign currency accounts held by various banks as time deposits. It is almost impossible to determine the source of the funds. Depositors are typically young people who are unemployed in the majority of cases. Money mulling is also in rise in India, police arrested money mules in Mumbai, Delhi and Hyderabad in 20105 and many more arrests are on. In India, many of the zero balance savings accounts have also been made easy targets by cybercriminals since the announcement of Jan Dhan Yojana. RBI has warned that a number of newly opened accounts under the PMJDY could be especially vulnerable.<sup>5</sup>

Money mules may transfer illegally obtained funds electronically through bank accounts, physical currency, or by assisting in the movement of funds through various other means.

In some cases, the mules are members of an OCG, but more often, they are looking for a job on the internet and are recruited for what they believe is a legal job. In the latter case, even when caught by an LEA, the mules cannot provide any information on the scheme's organizers because they are not aware of the real beneficiary of the financial flows. However, the interviews with the LEA and prosecutors indicated the possibility that they did not rule out knowing participation by mules. Some jurisdictions indicated that the use of money mules is increasing.

According to Dunham (2006), money mules operate under the assumption that they are performing a legitimate job. In The Netherlands the adolescents have also been primary targets for money mule recruitment by (cyber) criminal networks (NVB, 2011). Adults have increasingly been recruited as money mules (Mauritz, 2014: Dutch Police Report; van der Wolf, 2014: Dutch Police Report) in recent years. The method used by criminal entities:

### The method used by criminal entities:



### Money mule case

- face-to face recruitment: physical recruitment;
- online job scams: recruitment through online job search engines (i.e., Marktplaats.nl, www.monsteboard.nl, etc.);
- social networks: Facebook, WhatsApp (instant messaging), Blackberry Ping (instant messaging); and

<sup>5</sup> <https://economictimes.indiatimes.com/jobs/money-mules-on-the-rise-as-e-fraud-thrives-in-india/articleshow/5584246.cms> accessed on 20th February 2022.

<sup>6</sup> <https://www.financialexpress.com/money/preventing-money-mule-fraud-using-artificial-intelligence/2267421/> 20th February 2022.

- romance scams: internet romance and lover boy scams.

### Methods used to recruit money mules.

In The Netherlands, according to several authors following methods have been found in previous research (Stalenberg, 2011; Mauritz, 2014: Dutch Police Report; van der Wolf, 2014: Dutch Police Report) most widespread recruitment methods are:

- face-to face recruitment;
- online job scams;
- social media networks; and
- romance scams.

**Face-to-face recruitment:** In this, the individual is recruited physically (Stalenberg, 2011; Mauritz, 2014: Dutch Police Report; van der Wolf, 2014: Dutch Police Report). It can happen anywhere, like schools, parks, sports club events, and soccer clubs (Leukfeldt, 2014; Stalenberg, 2011).

Leukfeldt's statement depicts how face-to-face recruitment works, as well as its power in recruiting individuals as money mules. Individuals are recruited through recruiters and within their social networks (Leukfeldt, 2014, 2014: Dutch Police Report; van der Wolf, 2014: Dutch Police Report). According to the authors, establishing social relationships is the first necessary feature for crime to succeed. In this case, money laundering through mules and access to suppliers and clients is required. Access to suppliers and clients is not required for this study; however, the recruitment of money mules is necessary for cybercriminals to gain access to mules.

Recruiters search their social networks for people who are suitable for co-offending. Recruiters and mules looking for individuals within their networks is an essential aspect of social opportunity structure. According to Kleemans and de Poot (2008), organized crime is more complex than street crime, and as a result, finding suitable individuals to commit a crime is critical. As a result, the authors contend that an individual's social networks may determine who and when an individual has access to crime.

**Online job scams:** The use of scams via online job search engines is a second method for money mule recruitment. The main idea behind this recruitment method is to recruit people looking for work through online job search engines like Marktplaats.nl and/or Monsterboard.nl. The first method involves the criminal entity posting an advertisement online looking for employees with job titles such as "account manager," "client manager," "financial manager," and "private financial receiver" (Herley and Florencio, 2009, Stalenberg, 2011). The second method is by being proactive; the criminal entity contacts an individual and informs them that they have reviewed their resume online and would like to offer them work (Aston et al., 2009).

**Social media networks:** Using social media networks to find money mules is another option. Individuals are asked to make money using Facebook, WhatsApp, and Blackberry Ping (Leukfeldt, 2014; Mauritz, 2014; Stalenberg, 2011). If a person says yes, recruiters will ask him or her for his or her ATM card and pin code. After that, the individual is promised monetary compensation for lending out his or her bank card with a pin code. As previously stated, the recruiter frequently deceives the mule, and the mule receives no compensation.

**Romance scams:** Another method recruiters use to find money mules is to use romance scams. Romance scams have been linked to various illegal activities (Rege, 2009). Since the mid-1990s, e-love networks have proliferated and generated billions of euros (ibid). However, "this successful global industry is a frequent target of cybercrime, posing serious problems for matchmaking services and daters around the world" (ibid). These scams can take place either online through an E-love network followed by e-mails or physically through what is known as a "lover boy" scam in the Netherlands (Van San and Bovenkerk, 2013; Poelmans et al., 2011).

**"Cyber" crime and impersonation:** Money obtained illegally (via cigarette smuggling in foreign countries) is transferred through "hacked" accounts to accounts of "money mules" and then to the accounts of the smugglers in Serbia. Individuals use fictitious names and raise funds for various causes (e.g., money for a sick child). These people use personal accounts opened in their names on that occasion. Numerous donors make frequent cash deposits – payment orders are issued in false names, and the transaction purpose is names something like "payment for medical treatment of a child." The funds are immediately withdrawn in cash.



**Phishing flow chart:** Phishing has evolved into one of the most effective methods for criminal entities to steal money from unsuspecting victims (Broadhurst and Grabosky, 2013; Chang, 2012; Chawski, 2006). According to Stalenberg (2011), In phishing, the perpetrator poses as a legitimate person or company to obtain the victim's personal information.

**Malware flow chart:** Another important method cybercriminal use to obtain personal information from victims is malware, which describes any malicious software used to commit internet fraud (Broadhurst and Grabosky, 2013; McGuire, 2012).

## WHAT ARE THE WARNING SIGNS?

The following characteristics are not always indicative of a money mule solicitation, but they are frequently used in such solicitations:

- Money mule advertisements or offers may mimic a legitimate company's website and use a similar Web address to make the scam appear legitimate.
- When done via e-mail, the writing is frequently awkward, with poor sentence structure and grammatical and spelling errors. Instead of an organization-based domain, the e-mail address associated with the offer uses a Web-based service (Gmail, Yahoo!, Windows Live Hotmail, etc.).

## HOW TO PROTECT YOURSELF?

Be extremely wary of unsolicited e-mails or approaches via social media offering easy money.

the contact details (address, landline phone number, e-mail address, and website) of any company that makes you a job offer to ensure they are correct

Be careful about the job offers from people or companies in other countries, as it will be more challenging to determine their legitimacy.

- Unless you trust, do not share your bank account or any other personal details with someone.

## WHAT TO DO?

- If you have received e-mails of this type, do not respond to them and do not click on any links they contain.
- Stop transferring money at the earliest; notify your bank if you are participating in a money mule scheme.

## CONCLUSION

A money mule is someone who unknowingly or willingly transfers illegally acquired money on behalf of a criminal or money launderer, and this act is considered a crime punishable by law enforcement. With the increasing involvement of teenagers and youth in money laundering-related crimes worldwide, facilitated by unemployment and internet usage, criminals prey on vulnerable individuals who may be facing financial challenges. It is important to be vigilant and not fall victim to becoming a money mule, as it is illegal and can have serious consequences. Combatting money laundering is an ongoing process, as criminals constantly adapt their methods to achieve their illegal objectives. Addressing this issue requires a combined effort from government agencies, financial institutions, and the general public to effectively tackle this problem.

## REFERENCES

- [1] Dunham, K. (2006), "Money mules: an investigative view", Information Systems Security, Vol. 15 No. 1, pp. 6-10.
- [2] Gilmore, W. (1995), Dirty Money: The Evolution of Money Laundering Counter Measures, Council of Europe Publications, France.
- [3] Herley, C. and Florencio, D. (2009), "Automatic tracking of user data and reputation checking" Leukfeldt, R.E. (2014), "Phishing for suitable targets in Netherlands: routine activity theory and phishing victimization", Cyberpsychology Behavior and Social Networking, Vol. 17 No. 8, pp. 551-555.
- [4] McGuire, M.R. (2012), Technology, Crime and Justice, Routledge, New York, NY. Mauritz (2014), Dutch Police Report.
- [5] Nelen, H. and Lankhorst, F. (2008), "Facilitating organized crime: the role of lawyers and notaries".
- [6] Poelmans, J., Elzinga, P., Dedene, G., Viaene, S. and Kuznetsov, S.O. (2011), "A concept discovery approach for

- fighting human trafficking and forced prostitution”, in Andrews, S., Polovina, S.,
- [7] Rege, A. (2009), “What’s love got to do with it? Exploring online dating scams and identity fraud”, *International Journal of Cyber Criminology*, Vol. 3 No. 2, pp. 494-512.
- [8] Stalenberg, F. (2011), “Find out How You Can Start Making 6487 a Month at Home!”, *Een analyze opkatvangers*. Vrije University, Amsterdam.
- [9] Van der Wolf, B. (2014), *Dutch Police Report*.
- [10] Van San, M. and Bovenkerk, F. (2013), “Secret seducers”, *Crime, Law and Social Change*, Vol. 60 No. 1, pp. 67-80. [veiligbankieren.nl](http://veiligbankieren.nl) (2014)