# CHAPTER ONE

# INTRODUCTION

Money Laundering is happened by launderers worldwide to conceal the proceeds earned from criminal activities. It happens in almost every country in the world, and a single scheme typically involves transferring money through several countries in order to obscure its origins. And the rise of global financial markets makes money laundering easier than ever, making it possible to anonymously deposit proceeds of crime in one country and then have it transferred to any other country for use. Money laundering has a major impact on a country’s economy as a whole, impeding the social, economic, political, and cultural development of a society. Money laundering can weaken individual financial institution, and it is also threats to a country’s overall financial sector reputation. The process of money laundering (ML) is very dynamic and ever evolving. The money launderers are inventing more and more complicated and sophisticated procedures and using new technology for money laundering.

#### 1.1 ORIGIN OF THE REPORT

Internship Program of Mawlana Bhashani Science and Technology University, Santosh, Tangail is mandatory for every student to completing Graduation for BBA. The purposes of the internship program are:

* It will give the students the opportunity to develop their skills in the application of theoretical knowledge in practical work situation.
* It will provide students with an in-depth knowledge of the formal functional activities of the participating organization.
* It will increase a student’s sense of responsibility.
* It will also provide students with the opportunity to develop attitudes conducive to effective interpersonal relationships in an organization.
* It also helps the students to assess their career on chosen sector.

This internship report is submitted after completing three months internship program at Pubali Bank Limited, Akur Takur Branch,Tangail. This report is a project on “Money Laundering Risk and Its Impact.” The Report also includes an overview of Pubali Bank Ltd. Moreover it describes the major responsibilities and observation of mine though the internship period in Pubali Bank Ltd.

#### 1.2 OBJECTIVE OF THE STUDY

###### General Objective:

To analyze the Money Laundering risk and its impact all over the banking sector.

###### Specific Objectives:

The specific objectives of this report are:

1.To make a sound understanding about money laundering and its impacts on economic, social,security and social consequences .

2..To highlight the main risks of money laundering.

3.To illustrate some risk minimization action of money laundering.

4.To suggest some recommendations to minimize the risk.

#### 1.3 SCOPE OF THE STUDY

The scope of the study is mainly based on Pubali Bank Ltd., Akur Takur Branch, Tangail. It also includes the organizational structure, background and objective, functional, departmental and business performance of banking sector of Bangladesh as a whole. The main part covers money laundering risk and impact, minimizing the risk.

#### 1.4 LIMITATIONS OF THE REPORT

While making the report I faced several problems that may be termed as the limitations of the report. The limitations are:

* It was quite difficult to collect some information from various personnel for the job constrain.
* The policy of bank was not supporting for disclosing some information for various reasons, because some information can adversely affect the bank.Some of the relevant papers and documents were strictly prohibited.
* Availability of time on the part of the bank officers was not as per requirement due to heavy workload.
* Because of the limitation of information some assumptions were made. So there may be some personal mistakes in this report.
* The Money Laundering Prevention Act and BFIU circular are the main secondary source of the information but this information was not enough to complete the report and it was not identified clear idea about money laundering risk and its impact.
* Moreover, there is no exact mechanism to detect money laundering when it happened.

#### 1.5 RATIONALITY OF THE REPORT

Banking sector is one of the fastest growing sectors in our country. There are more than 59 banks are operating which includes local and foreign venture. Some new banks are coming in the market. Therefore, the banking industry is very much lucrative and at the same time very competitive too. All banks are offering newer products and facilities to attract the customers and retain them. Appropriate customer selection and retention is vital for bank profitability.

In time of preparing this report I found it have some risky factors of money laundering and its impact although banks are followed rules and regulations about money laundering. Bank has a good recovery rate from money laundering risk .

# CHAPTER TWO

# METHODOLOGY

The study has gone through a systematic procedure from selection of the topic to preparation of the final report. To perform the study, the data sources were to be identified and collected, to be classified, analyzed, interpreted and presented in a systematic manner and key points were to be found out. This study is descriptive. The overall process of methodology has been given as below:

#### 2.1 COLLECTION OF DATA

Both primary and secondary data were used to complete this study. Primary data were collected through direct and face to face interview of the different executives of PBL, Akur Takur Branch. Secondary data were collected through internet.

#### 2.2 SOURCES OF DATA

###### 2.2.1. Primary Sources:

* Face to face conversation with the executives
* Personal observations
* Practical desk work

###### 2.2.2. Secondary Sources:

* Money Laundering Prevention Act-2012
* Official documents
* Internal server and external websites of PBL.
* Newspaper, articles, research works about Money laundering.
* BFIU Circular 19, Dated-17/09/2017

#### 2.3 DATA PROCESSING & ANALYSIS

Qualitative data were used in this study. The qualitative factors that were collected through informal interviews and internet are presented from the point of view of bank. Money Laundering Prevention Act and BFIU Circular were studying deeply and gathering important factors for analyzing the respective issue. Data are presented by descriptive way. The collected data were pointed out and shown as findings. Few recommendations are also made on the basis of findings for improvement of the current situation.

# CHAPTER THREE

# ORGANIZATION PROFILE

#### 3.1 HISTORICAL BACKGROUND OF PBL

The Bank was initially emerged in the Banking scenario of the then East Pakistan as Eastern Mercantile Bank Limited at the initiative of some Bangle entrepreneurs in the year 1959 under Bank Companies Act 1913 for providing credit to the Bangle entrepreneurs who had limited access to the credit in those days from other financial institutions. After independence of Bangladesh in 1972 this Bank was nationalized as per policy of the Government and renamed as Pubali Bank. Subsequently due to changed circumstances this Bank was denationalized in the year 1983 as a private bank and renamed as Pubali Bank Limited. Since inception this Bank has been playing a vital role in socio-economic, industrial and agricultural development as well as in the overall economic development of the country through savings mobilization and investment of funds. At Present, Pubali Bank is the largest private commercial bank having 482 branches and it has the largest real time centralized online banking network.

It provides mass banking services to the customers through its branch network all over the country. During the last 5 years the growth rate of bank's earnings is more than 25% on average.

3.2 CORPORATE INFORMATION

|  |  |
| --- | --- |
| Name of the organization | Pubali Bank Limited |
| Logo |  |
| Type | Private Commercial Bank |
| Founded | 1959 |
| Predecessor | Eastern Mercantile Bank, Pubali Bank |
| Product & services | Retail Products, Consumer Loans, SME, Lease Financing, Trade Finance |
| Number of Branches | 482 |
| Head Offiice | Dilkusha Commercial Area, Dhaka |
| Authorized Capital | Tk. 20,000.00 million |
| Website | www.pubalibangla.com |

**Table: 3.1**

#### 3.3 MANAGEMENT

The management of the bank is vested on a Board of Directors, subject to overall supervision and directions on policy matters by the board that is constituted in terms of Bangladesh Bank (Nationalization) Order 1972. Board of Directors, constituted by 13 (Thirteen) members, has authority to organize, operate and manage its affairs on commercial consideration within the Board Policy of government. There are directors appointed by the government. Other members of the Board including M.D are also government appointed out of that at least three have the experience in the field of Finance, Banking, Trade, Commerce, Industry and Agriculture. The managing director is the chief Executive of Bank.

#### 3.4 STEP BY STEP DEVELOPMENT OF PUBALI BANK

|  |  |
| --- | --- |
| **Year** | **Development Process** |
| **1959** | Establish as the initiative of some Bangalee entrepreneurs in the year 1959 under the Bank Company act 1913 |
| **1959** | First the bank was started transaction as the name of Eastern Mercantile Bank |
| **1972** | Nationalized as per policy of the Government and renamed as Pubali Bank. |
| **1983** | Subsequently due to changed circumstances this Bank was denationalized as a private bank and renamed as Pubali Bank Limited. |
| **1989** | First time serving Foreign Exchange Transaction. |
| **1999** | Establish Land Development Policy. |
| **2000** | Establish Real Estate Development Policy. |
| **2003** | Establish Mix used Development Policy. |
| **2012** | Pubali Bank Limited has inaugurated its 407th branch at Katirhat in Chittagong. |
| **2013** | Providing Internet Banking Facility. |
| **2014** | Pubali Bank Limited has inaugurated its 432th branch at Baneshwar in Rajshahi. |
| **2015** | Pubali Bank Limited is running online banking service in all of its branches by using real time centralized online banking software invented by its own human resources division. |

**Table:3.2**

#### 3.5 ORGANIZATION

Pubali bank limited is a leading private commercial Bank. Which started Pubali bank limited is a reputed private commercial bank established on May 20,1984. Open the branch at 26 dilkusha commercial area (local office) p.s motijheel district dhaka. within very short period of time it has been able to create an image for itself and has earned significant reputation in the country’s banking sector as a bank of vision. Presently it has 482 branches, comprehensive and competitive banking service to its clients.

**Head Office**

**G.M Office**

**Area Office**

**Regional Office**

**Branch**

**Figure: 3.1**

#### 3.6 BANK’S VISION

Provide customer centric lifelong banking service.

#### 3.7 BANK’S MISION

1. High quality financial services with the help of the latest technology.

2. Fast and accurate customer service.

3. Balanced growth strategy.

4. High standard business ethics.

5. Steady return on shareholders' equity.

6. Innovative banking at a competitive price.

7. Attract and retain quality human resource.

#### 3.8 CORE VALUES

* Place customer interest and satisfaction as first priority and provide customized banking products and services.
* Value addition to the stakeholders through attaining excellence in banking operations.
* Maintain high ethical standard and transparency in dealings.
* Be a compliant institution through adhering to all regulatory requirements.
* Contribute significantly for the betterment of the society.
* Ensure higher degree of motivation and dignified working environment for our human capital and respect optimal work-life balance.
* Committed to protect the environment and go green.

#### 3.9 SLOGAN OF PUBALI BANK LIMITED

“Oitijjer poth beye orthonoitik aogrogoti”

#### 3.10 BANKS SERVICE

Pubali Bank Provides the following services to the various types of its customers. The Bank always try to add more and more services to satisfy the upcoming needs.

###### Deposit Services;

• Savings Bank Account

• Fixed Deposit Account

• Short Term Deposit Account

• Current Account

• Pension Account

• Foreign Currency Account

###### Miscellaneous Services;

• Electric Bill

• Gas Bill

• Phone Bill

• Cheque Clearing

• Instrument Collection

• Locker Services

• ATM Services

###### New Services Scheme;

 Financing IT Sector

 Financing of Industries

 Ready Cash

 Windows for SMEs

 Loan to Travel Agencies

 Loan to Diagnostic Centers

 Escrow Account

 Gift Cheque

 Medical Equipment Loan

#### 3.11 ORGANIZATIONAL HIERARCHY OF PBL

The one Chairman, one Vice Chairman & twelve members of Board of Directors are responsible for the strategic planning and overall policy guidelines of the Bank. Further there is an executive committee of the Board to dispose of urgent business proposals.

Besides, there is an Audit Committee in the board to oversee compliance of major regulatory and operational issues.

The Managing Director & CEO, Additional Managing Director, Deputy Managing Director and Head of Divisions are responsible for achieving business goals and overseeing the day to day operation.

The Managing Director & CEO are assisted by a Senior Management Group consisting of Deputy Managing Director and Head of Divisions who supervise operation of various Divisions centrally and co-ordinates operation of branches.

Key issues are managed by a Management Committee headed by the Managing Director& CEO. This facilitates rapid decisions. There is an Asset Liability Committee comprising member of the Senior Executives headed by Managing Director & CEO to look into all operational functions and Risk Management of the Bank.

|  |
| --- |
| **Chairman** |
|  |
| **Vice Chairman** |
|  |
| **Board Of Directors** |
|  |
| **Managing Director & CEO** |
|  |
| **Additional Managing Director** |
|  |
| **Deputy Managing Director** |
|  |
| **General Manager** |
|  |
| **Deputy General Manager** |
|  |
| **Assistant General Manager** |
|  |
| **Senior Principal Officer** |
|  |
| **Principal Officer** |
|  |
| **Senior Officer** |
|  |
| **Officer** |
|  |
| **Junior Officer** |
|  |
| **Trainee Assistant Officer** |

**Figure:3.2**

#### 3.12 SWOT ANALYSIS OF PBL

Strengths;

1. Company Reputation

2. As a large bank, it has qualified and experienced manpower.

3. Branch location is suitable for business.

4. Bank’s assets position is quite satisfactory and now there is no fund crisis.

5. Investors.

6. A large number of branch.

7. Customer can use any bank’s ATM by their PBL card.

###### Weaknesses;

1. Advertising and Promotions

2. Huge operating cost.

3. Lack of motivation for the workers.

4. Low salary structure for the employees.

5. Not 3rd generation bank.

6. In some cases management-employee relation is not good.

###### Opportunities;

1. Expansion of new investment areas.

2. Use of ATM and POS in disbursement process.

3. Scope for automation will open a big door of opportunity.

4. In case of fund crisis PBL can get gov’t support.

###### Threats;

1. Newly developed privatized and foreign banks.

2. National specialized banks

3. Multinational Banks.

4. Upcoming Banks.

5. Loan recovery systems are very weak.

**3**.13 DEPARTMENTS & DIVISIONS OF PBL

Banking services of Pubali Bank Limited are operated through three main divisions. These are as follows:

* Loan & Advanced
* General Banking
* Cash

###### Loan & Advanced Deparment

It includes;-

* Loan Disbursement
* Loan Recovery
* Work in Capital

###### General Banking

It includes-

* Accounts
* Pay Order Issue
* Customer and
* Clearing

###### Cash Department

* Deposit Collection
* Cash Payment
* Cheque Receive

#### 3.14 PRODUCTS & SERVICES OF PBL

 Retail Banking;

 Savings Deposits (SB)

 Current Deposits (CD)

Special Notice Deposits (SND)

 Pubali Pension Scheme (PPS)

 Pubali Sanchaya Prakalpa (PSP)

 Demand Draft (DD)

 Payment Order (PO)

 Fixed Deposit (FDR)

 Dwigun Sanchaya Prakalpa

 Deposit Pension Scheme (DPS)

 Corporate Banking;

 Secured Overdraft (OD)

 Cash Credit (CC)

 Demand Loan (DL)

 Personal Loans;

 Car Loan

 Flat Purchase Loan

 Household Durable Loan

 Medical Equipment Loan

 Lease Financing;

 Capital Machinery

 Medical Equipment

 General Equipment

 SME Financing;

 PBL Subarna

 PBL Karma Uddog

 PBL Sujan

 PBL Prochesta

 Trade Financing;

 Export LC

 Import LC

 EDF LC

 Loan Against Trust Receipt

 Foreign Bill Purchase (FBP)

 Islamic Banking;

 Mudraba Savings Account

 Mudraba Short Notice Deposit

 Mudraba Term Deposit

# CHAPTER FOUR

# MONEY LAUNDERING DETAILS

#### 4.1 MONEY LAUNDERING

Money laundering is the illegal process of concealing the origins of money obtained illegally by passing it through a complex sequence of banking transfers or commercial transactions. The overall scheme of this process returns the money to the launderer in an obscure and indirect way. The money from the criminal activity is considered dirty, and the process "launders" it to make it look clean. [Money laundering](https://www.investopedia.com/terms/w/white-collar-crime.asp) is itself a crime.

‘Money laundering’ means –

i. knowingly moving, converting, or transferring proceeds of crime or property involved in an offence for the following purposes:-

(1) concealing or disguising the illicit nature, source, location, ownership or control of the proceeds of crime; or

(2) assisting any person involved in the commission of the predicate offence to evade the legal consequences of such offence;

ii. smuggling money or property earned through legal or illegal means to a foreign country;

iii. knowingly transferring or remitting the proceeds of crime to a foreign country or remitting or bringing them into Bangladesh from a foreign country with the intention of hiding or disguising its illegal source; or

iv. concluding or attempting to conclude financial transactions in such a manner so as to reporting requirement under this Act may be avoided;

v. converting or moving or transferring property with the intention to instigate or assist for committing a predicate offence;

vi. acquiring, possessing or using any property, knowing that such property is the proceeds of a predicate offence;

vii. performing such activities so as to the illegal source of the proceeds of crime may be concealed or disguised;

viii. participating in, associating with, conspiring, attempting, abetting, instigating or counselling to commit any offences.

4.2 STAGES OF MONEY LAUNDERING

Traditionally it has been accepted that the money laundering process comprises three stages:

Placement – Placement is the first stage of the money laundering process, in which illegal funds or assets are brought first into the financial system directly or indirectly.

Layering - Layering is the second stage of the money laundering process, in which illegal funds or assets are moved, dispersed and disguised to conceal their origin. Funds can be hidden in the financial system through a web of complicated transactions.

Integration - Integration is the third stage of the money laundering process, in which the illegal funds or assets are successfully cleansed and appeared legitimate in the financial system.

#### 4.3 WHY MONEY LAUNDERING IS DONE

First, money represents the lifeblood of the organization/person that engages in criminal conduct for financial gain because it covers operating expenses and pays for an extravagant lifestyle. To spend money in these ways, criminals must make the money they derived illegally appear legitimate.

 Second, a trail of money from an offense to criminals can become incriminating evidence. Criminals must obscure or hide the source of their wealth or alternatively disguise ownership or control to ensure that illicit proceeds are not used to prosecute them.

 Third, the proceeds from crime often becomes the target of investigation and seizure. To shield ill-gotten gains from suspicion and protect them from seizure, criminals must conceal their existence or, alternatively, make them look legitimate.

4.4 SOURCES OF MONEY LAUNDERING

The common sources of money laundering are

1.Trafficking of  drug, arms, human beings.

2.Terrorism.

3.Tax evasion.

4.Organised Crime like kidnapping, contract killing, gambling, prostitution, bank frauds, money paid to gangsters/ criminals for safety of business (protection money), Money earned through adulterated products, corruption.

5.Slush funds or Black funds – Secret reserve of money by Corporates for bribery to politicians  or donation to political parties.

6.Capitation fee – illegal fees sought by educational institutions.

7.Money lenders who charge extremely high interest also called as loan sharks.

# CHAPTER FIVE

# RISK & ITS IMPACT

#### 5.1 MONEY LAUNDERING RISK

“Risk is the effect of uncertainty of objectives.” It is the combination of the probability of an event and its consequences. In simple words, risk can be seen as a combination of the chance that something may happen and the degree of damage or loss that may result from such an occurrence. In the context of money laundering(ML), risk means:

At the national level: threats and vulnerabilities presented by ML that put at risk the integrity of our country’s financial system.

At the bank level: threats and vulnerabilities that put the reporting entity at risk of dire consequence like financial penalty, reputation loss, legal harassment and even the risk of license cancellation for being used to facilitate ML.

#### 5.2 SOURCES OF MONEY LAUNDERING RISK

* Customers
* Products & services
* Business practices/delivery methods or channels
* Country/jurisdiction
* Failure to report STRs/SARs
* Inappropriate customer verification
* Inappropriate record keeping
* Lack of AML program

#### 5.3 TYPES OF RISK

There are some risk types

* Business risk
* Regulatory risk
* Reputational risk
* Operational risk
* Banking concentration risk

###### 5.3.1 Business Risk

Our bank must consider the risk posed by any element or any combination of the elements listed below:

* Customers
* Products and Services
* Business Practices / Delivery Methods or Channels
* Countries it does business in/with (jurisdictions)

Under these four groups, individual risks to a bank can be determined. While not an exhaustive list, some of these individual risks may include:

* Customers:

followings are some indicators (but not limited to) to identify ML risk arises from customers.

* A new customer
* A new customer who wants to carry out a large transaction
* A customer or a group of customers making lots of transactions to the same individual or group
* A customer who has a business which involves large amounts of cash
* A customer whose identification is difficult to check
* A Non- resident customer
* A Corporate customer whose ownership structure is unusual and excessively complex
* Customers that are politically exposed persons (PEPS) or influential persons (IPs) or head of international organizations and their family members and elose associates
* Customers submits account documentation showing an unclear ownership structure
* Customer opens account in the name of his/her family member who intends to credit large amount of deposits not consistent with the known sources of legitimate family income

###### Products and services:

* Private banking i.e. prioritized or privileged banking
* Credit card
* IMG_256Anonymous transaction
* Non face to face business relationship or transaction
* Payment received from unknown or unrelated third parties
* Any new product & service developed
* Service to walk-in customers
* Mobile banking

###### Business Practice/Delivery Methods or Channels:

* Direct to the customer
* Online/internet
* Phone/Fax
* Email
* Third-party agent or broker

###### Country/Jurisdiction:

* Any country which is unidentified by credible sources as having significant level of corruption and criminal activity
* Any country subject to economic or trade sanctions
* Any country known to be a tax haven and unidentified by credible sources as providing funding or support for terrorist activities or that have designated terrorist organization operating within their country •
* Any country unidentified by FATF or FSRBS as not having adequate AML system
* Any country identified as destination of illicit financial flow

###### 5.3.2 Regulatory Risk:

This Risk is associated with not meeting the requirements of the Money laundering Prevention Act, 2012, (including all amendments) and instructions issued by BFIU. Examples of some of these risks are:

* Customer/beneficial owner identification and verification not done properly
* Failure to keep record properly
* Failure to scrutinize staffs properly
* Failure to train staff adequately
* Not having an AML program
* Failure to report suspicious transactions or activities
* Not submitting required report to BFIU regularly
* Not having an AML Officer
* Failure of doing Enhanced Due Diligence (EDD) for high risk customers (i.e., PEPS, IPS)
* Not complying with any order for freezing or suspension of transaction issued by BFIU or BB
* Not submitting accurate information or statement requested by BFIU or BB

###### 5.3.3 Reputational Risk

* The potential that Adverse Publicity regarding a bank’s business practices, (whether accurate or not), will cause a Loss of Confidence in the Integrity of the Institution 
* Reputational Risk : a major threat to banks as Confidence of Depositors, Creditors and General Market place to be maintained 
* Banks vulnerable to Reputational Risk as they can easily become a vehicle for or a victim of customers’ illegal activities

###### 5.3.4 Operational Risk

* Risk of Direct or Indirect Loss resulting from Inadequate or Failed Internal Processes, People, Systems or from external events 
* Weaknesses in implementation of banks’ programmes, ineffective control procedures and failure to practise due diligence

###### 5.3.5 Banking Concentration Risk

* Mostly applies on the Assets side of the balance sheet: Information systems to identify credit concentrations; setting prudential limits to restrict banks’ exposures to single borrowers or groups of related borrowers 
* On liabilities side: Risk of Early and Sudden withdrawal of funds by large depositors- damages to liquidity

#### 5.4 IMPACT OF MONEY LAUNDERING RISK

An impact refers to the seriousness of the damage (or otherwise) which could occur should the event (risk) happen.

In assessing the possible impact or consequences, the assessment can be made from several viewpoints. It does not cover everything and it is not prescriptive. Impact of an ML risk could, depending on individual bank and its business circumstances, be rated or looked at from the point of view of:

* How it may affect the business (if through not dealing with risks properly the bank suffers a financial loss from either a crime or through fines from BFIU or regulator)
* The risk that a particular transaction may result in the loss of life or property through a terrorist act
* The risk that a particular transaction may result in funds being used for any of the following 28 predicate offenses:
* corruption and bribery,
* counterfeiting currency,
* counterfeiting deeds and documents,
* extortion,
* fraud,
* forgery,
* illegal trading of firearms,
* illegal trade in narcotic drugs or psychotropic substances or substances causing intoxication,
* illegal trade in stolen and other goods,
* kidnapping or illegal retrain or hostage taking.
* Murder or serious physical injury.
* trafficking of women and children,
* black marketing.
* smuggling of domestic and foreign currency.
* Theft or robbery or piracy or hijacking of aireraft.
* human trafficking, xvii. Dowry,
* Customs and excise duty related offences,
* Tax related offences,
* infringement of Intellectual property rights,
* Terrorism and terrorist financing.
* adulteration or production of goods through infringement of titles,
* Environmental offence,
* Sexual exploitation,
* Insider trading and Market Manipulation,
* Organized crime,
* Racketeering and
* any other offence declared as predicate offence by BFIU, with an approval of the Government, by notification in official gazzete.
* The risk that a particular transaction may cause suffering due to the financing of illegal drugs
* Reputational risk – how it may affect the bank if it is found to have (unknowingly) aided an illegal act, which may mean government sanctions and/or being shunned by the community of customers
* How it may affect the wider community of customers if it is found to have aided an illegal act; the community may get a bad reputation as well as the business.
* Three levels of impact are shown in Table, but the bank can have as many as it is believed to be necessary

|  |  |
| --- | --- |
| Consequence | Impact of an money laundering risk |
| Major | • Huge consequences - major damage or effect. Serious  terrorist act or large-scale money laundering.  • Catastrophic/major impact on the bank.  • Potential loss in excess of BDT 1 Million.  •Serious regulatory implications(Revocation of license, imprisonment)/sanctions.  • Potential/actual damage to reputation.  • Major corporate governance failure. |
| Moderate | •Moderate level of money laundering impact.  • Significant impact on the bank.  • Potential loss in excess of BDT 1,00,000  •Possibility of fines/penalties from regulators - Medium  financial loss with some potential for recovery  • Medium level of reputation risk  • Exposure due to control weakness |
| Minor | • Minor or negligible consequences or effects.  • Potential or actual loss less than BDT 1,00,000  • Low impact on business or reputation  • Exposure on regulatory sanctions low  • Customer service issues are within expected levels  • Impact on local business unit level |

Table: 5.1

Bhanu Wijayaratne shows some impact of money laundering risk on his paper named "Money laundering, its impact and consequences." These are-

* Increased crime and corruption
* Unstable economies
* Weakened financial institutions
* Social impact/unfair competition
* Compromised economy and private sector
* Threat to territorial integrity and sovereignty of national governments.

# CHAPTER SIX

# EFFECTIVE MEASURES TO MINIMIZE RISK & ITS IMPACT

#### 6.1 GENERAL EFFECTIVE MEASURES

* Setting transaction limits for high risk product
* Having a management approval process for higher risk products
* Process to place customers in different risk categories and apply different identification and verification methods
* Not accepting customers who wish to transact with a high risk country
* Developing and carrying out the monitoring process

Transaction monitoring process include-

* Transaction type
* Frequency
* Unusually large amounts
* Transaction with unusually patterns
* Huge transaction in the account but no balance
* Transaction without reasonable purpose
* Geographical origin
* Changes in account signatories
* Keeping necessary records properly
* Customer information
* Transaction
* Internal and external suspicion reports
* Report from CCC/CAMLCO
* Training and compliance monitoring
* Information about the effectiveness of training
* Review risk plan and AML program effectively
* Do internal audit frequently
* Putting in place systems and controls
* Reporting to BFIU regularly
* Ensuring basic training for the employee about money laundering
* Increasing awareness of senior management, customer and mass people about ML.
* Using internet carefully.

#### 6.2 LEGAL EFFECTIVE MEASURES

* Applying strategies, policies and procedures properly
* Updating National ML Risk Assessment Report regularly and introducing Risk Based Approach of monitoring and supervision of all reporting organizations.
* Deterring corruption induced money laundering considering corruption as a high risk.
* Modernization of Border Control Mechanism and depriving perpetrators from use of proceeds of crime to prevent smuggling of gold and drugs, human trafficking, other transnational organized crimes considering the risk thereon.
* Tackling illicit financial flows (IFF) by preventing the creation of proceeds of crime, curbing domestic and cross-border tax evasion and addressing trade based money laundering.
* Discouraging illicit fund transfer by increasing pace of stolen assets recovery initiatives and or recovering the evaded tax.
* Enhancing the capacity of BFIU in identifying and analyzing emerging ML cases including ML&TF risks arising from the use of new technologies.
* Enhancing compliance of all reporting agencies with special focus on new reporting agencies like NGOs/NPOs and DNFBPs.
* Expanding investigative capacity and improving the quality of investigation and prosecution of ML cases to deter the criminals.
* All of the punishment will follow strictly for minimizing risk
* Following legal or fair recruitment procedures to minimize ML risk

Human Resource Division follows the following measures (at least one from bellow):

* Reference check
* Background check
* Screening through or clearance from Law Enforcement Agency
* Personal interviewing
* Personal guarantee etc.

# CHAPTER SEVEN

# CONCLUSIONS & RECOMMENDATIONS

#### 7.1 CONCLUSIONS

The report has been prepared to give an idea of the money laundering risk and its impact. Money laundering creates various types of risk. At the present time, money laundering is a threat to the banking sector. Money laundering risk is a big problem in the banking sector of our country. The impact of money laundering risk is more on the economy and society. Money laundering risk can take giant shape if proper effective measures are not taken. It is important to take proper steps to minimize the money laundering risk and its impact. Various effective measures are described in this report. Bangladesh banking sector needs to know the impact of money laundering risk and try to find out major risks for taking effective measures against these risks and impacts. If effective measures are taken timely, the risk of money laundering can be minimized.

#### 7.2 RECOMMENDATIONS

* Try to develop a strongly protected website.
* All the required papers must be taken and attested properly.
* Unethical banking should be prevented.
* The bank should assign specific officers in the branch for monitoring and maintaining money laundering risk.
* The bank should be avoided the practice of Opening the account of non-face to face customer .
* Sources of money should be checked properly with correct and complete information of the depositor.
* Transaction of customers should be monitored and identify low risk or high risk customers.
* Duties and responsibilities of each officer should be mentioned in the office order and each officer should be aware of their duties.

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