

Summarized Report

on

**Comparative Analysis of Global AML/CFT
Legislations and Exploration of
Best Practices in AML/CFT Compliance Regime**

Funded by

South Asian Federation of Accountants

1. Introduction

The prevention of money laundering (ML) and terrorist financing (TF) risks is paramount for financial institutions, governments and regulatory bodies in an ever-growing interconnected global economy. As gatekeepers of financial integrity, accountants are at the vanguard of this battle, ensuring that financial transactions are transparent and compliant with regulatory standards. Professional accountants serve as anti-money laundering (AML) front liners in day-to-day operations by reporting suspicious activities based on their professional judgment (Ravenda et al., 2019). Given the dynamism of financial crimes and the growing complexity of ML/TF schemes, it is crucial to comprehend AML/CFT (Countering the Financing of Terrorism) legislation and the role of accountants in this context.

The core of ML lies with the illicit origin of the assets and the intention to hide its illegal identity by disguising the link between the crime and the assets using increasingly sophisticated means (Stresses, 2000). These are unlawful and complex crimes, intelligently engineered through manipulation, and are very difficult to detect (Rahman 2014; Adilah et.al, 2023). The magnitude of laundered money is difficult to assess due to its hidden nature and lack of precise data. It is alleged that even multi-national companies also earn illegal profits from illicit activities. As per the United Nations Office on Drugs and Crime, ML may account for 2%–5% of the global Gross Domestic Product yearly (www.unodc.org). Globalization and liberalisation, coupled with technological advancement that has led to market' conjugation, have made detecting ML more challenging for law enforcement agencies, regulatory bodies, and governments. ML has been a cause of major concern for governments of all countries across the globe and has been declared an international threat (Valvi, 2023). If the issue remains unchecked, it may result in the growth of organized crimes in the nation and undermine the public faith in the financial system. ML offences pose a significant threat to individuals, corporate entities, national economies, societies and the world at large (International Monetary Fund Factsheet, 2017).

2. Literature review

Sanusi et al. (2016) document that the major causes of the increasing number of ML operations in Malaysia are uncertainties in the current legislation and a lack of understanding of the relevant legal institutions in the fight against ML. A well-planned and meticulously designed approach is required to unearth the cases, and the extent of ML. Coordination and collaboration are essential when it comes to defending the integrity and the reputation of the global financial system from the hazards of ML and terrorist funding activities. Establishing strong working partnerships between all law enforcement agencies, regulators and the private sector is essential to achieve these goals. A plethora of research has been conducted to address the issue of ML. However, they are based on documentary research of policy documents, statutes, case law, and literature in various geo-political jurisdictions (Rose 2020; Pavlidis, 2023; Valvi, 2023; Ochnio, 2024). There is a complete dearth of studies concerning the identification of factors signalling ML activities and professional attributes required amongst the auditors to effectively combat ML activities. Further, most of the studies emphasized the role of bankers in combating ML. However, there are several media reports that ML cases involved bankers. Whereas auditors are independent third parties, who are often hired by various parties to render non-scientific testimony in a court of law (Tiwari and Debnath, 2017). Further, the adoption or convergence with the international financial reporting standards has brought uniformity in preparing and presenting financial statements. Hence, non-adherence to prescribed standards indicates a compromise with disclosure and transparency requirements, which could indicate involvement in ML activities. Independent auditors' perspective is crucial as they are well-equipped to combat financial crimes.

2.1 A brief overview of the global AML/ CFT landscape

The FATF, established in 1989, is an independent inter-governmental body. It recommends global AML/CFT standards. The comprehensive and consistent framework given in the form of 40 recommendations by FATF is revised frequently, keeping in view the changing global socio-economic milieu. Table 2.1 presents the broad head of these forty recommendations.

R.1	Assessing risks & applying a risk-based approach
R.2	National cooperation and coordination
R.3	Money laundering offence
R.4	Confiscation and provisional measures
R.5	Terrorist financing offence
R.6	Targeted financial sanctions related to terrorism and terrorist financing
R.7	Targeted financial sanctions related to proliferation
R.8	Non-profit organisations
R.9	Financial institution secrecy laws
R.10	Customer due diligence
R.11	Record keeping
R.12	Politically exposed persons
R.13	Correspondent banking
R.14	Money or value transfer services
R.15	New technologies
R.16	Wire transfers
R.17	Reliance on third parties
R.18	Internal controls and foreign branches and subsidiaries
R.19	Higher-risk countries
R.20	Reporting of suspicious transactions
R.21	Tipping-off and confidentiality
R.22	DNFBPs: Customer due diligence
R.23	DNFBPs: Other measures
R.24	Transparency and beneficial ownership of legal persons
R.25	Transparency and beneficial ownership of legal arrangements
R.26	Regulation and supervision of financial institutions
R.27	Powers of supervisors
R.28	Regulation and supervision of DNFBPs
R.29	Financial intelligence units
R.30	Responsibilities of law enforcement and investigative authorities
R.31	Powers of law enforcement and investigative authorities
R.32	Cash couriers
R.33	Statistics
R.34	Guidance and feedback
R.35	Sanctions
R.36	International instruments
R.37	Mutual legal assistance
R.38	Mutual legal assistance: freezing and confiscation
R.39	Extradition
R.40	Other forms of international cooperation

The forty recommendations serve as global standards and should be adhered to by the governments of various countries across the globe while implementing their respective AML/CFT guidelines. The FATF recommendations provide a broad base for framing country-specific AML/CFT guidelines. The failure to follow these recommendations will amount to a declaration of non-compliance by the FATF (2012-2023).

A collaborative approach is adopted amongst the international stakeholders to identify national-level vulnerabilities to ensure the protection of the global financial system (FATF, 2012-2023). Table 2.2 contains the seven broad heads under which the forty FATF recommendations are categorized:

Table 2.2: Broad categories of the FATF recommendations	
A.	AML/CFT policies and coordination
B.	ML and confiscation
C.	Terrorist financing and financing of proliferation
D.	Preventive measures
E.	Transparency and beneficial ownership of legal persons and arrangements
F.	Powers and responsibilities of competent authorities and other institutional measures
G.	International cooperation

Source: Compiled from “FATF (2012-2023), International Standards on Combating money laundering and the Financing of Terrorism & Proliferation”

2.2 Country-wise details of the latest Mutual Evaluation Reports (MERs) /Follow-up Reports (FURs)

The FATF mutual evaluation reports are in-depth reports of countries that analyse the execution and effectiveness of measures to fight ML/TF. The reports are peer reviews where nations evaluate one another and provide recommendations to improve their AML/CFT systems. The evaluation comprises ratings for technical compliance (compliance with the laws, regulations and other legal instruments to combat ML/TF) and effectiveness (evidence that the AML/CFT measures are working and producing the expected outcomes). On the contrary, the FUR examines a country’s progress in meeting the technical compliance criteria of the FATF recommendations being re-rated. Re-ratings are awarded only for those recommendations where sufficient improvement have been made. The FUR showcases a country’s commitment towards addressing the deficiencies highlighted in the MER and enhancing its AML/CFT regulatory framework. Table 2.3 highlights the details of the latest MER/FUR country-wise.

Table 2.3: Country-wise details of the latest MER & FUR		
Country	Latest MER	Latest FUR
Afghanistan	2011	None
Bangladesh	2016	3 rd FUR-2020
India	2010	8 th FUR-2013
Maldives	2011	None
Nepal	2023	None
Pakistan	2019	4 th FUR-2022
Sri Lanka	2015	6 th FUR-2021

It is evident from Table 2.3 that Nepal has the most recent MER in 2023 and has not had any follow-up reports yet. This indicates that Nepal’s AML/CFT framework has been recently

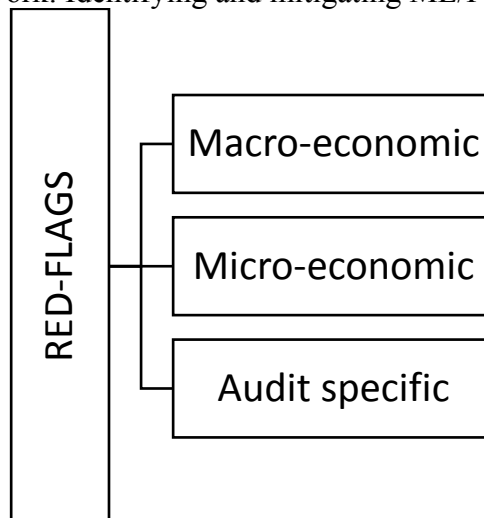
evaluated, and follow-up reports may be expected in the future. The FIU newsletter (issue III, April 2024) highlighted the amendments undertaken under the various acts to further strengthen the AML/CFT compliance regime after the MER 2023. This shows Nepal’s sincere commitment towards building a robust AML/CFT framework. On the contrary, Afghanistan and Maldives have no follow-ups after 2011. Although an in-depth analysis of the AML/CFT legislation shows the conduct of various enactments of laws and amendments, subsequent mutual evaluations and follow-ups would highlight the real status of their compliance with the global standards. Pakistan has relatively recent mutual evaluations and follow-up reports, showing active engagement with the FATF recommendations.

India had the oldest MER in 2010 out of the seven nations. It has had eight follow-up reports, with the last one in 2013. This shows that although it has been actively working on its AML/CFT compliance, there have been no recent mutual evaluations. However, as per a press release by the Press Information Bureau of India, India has achieved an outstanding outcome in the Mutual Evaluation conducted during 2023-24 by the FATF. The MER of India was adopted in the FATF plenary held in Singapore in June 2024 and it placed India in the ‘regular follow-up’ category, a distinction shared by only four other G20 countries (pib.gov.in). The details of the updated status of AML/CFT compliance are awaited as the final report is yet to be published.

2.3 RED-FLAGS: ML/FT risks identification

Based on the extant literature and FATF recommendations, the red flags that may signal ML/FT are identified. They are broadly divided into Macro-economic, Micro-economic, and Audit related indicators (Figure-1). The measuring constructs for each variable are presented in Table 2.4, 2.5 and 2.6 along with details of the inclusion criterion.

Figure-1: Conceptual framework: Identifying and mitigating ML/FT Risk



Source: Compiled by author

Table 2.4: MACRO-ECONOMIC RED FLAGS and ML/FT risks		
Constructs	Details of inclusion criterion	Source
Absence of measures to assess ML/FT risk and the prevalent <i>risk</i> scoping mechanism in the country		Valvi, 2023; FATF (2024)
Non-availability of material information pertaining to the makeup of the economy and	For instance, Trade misinvoicing results in loss of tax revenue to the	Araujo (2010); FATF (2024)

financial sector (for instance, lack of information about the volume of domestic and cross-border trade, extent of the cash-based economy, the size of the informal sector and/or shadow economy etc.)	government (Global Financial Integrity, 2019)	
Missing <i>structural elements</i> (ex., political instability and lack of institutional accountability; absence of integrity and transparency; absence of a capable, independent and efficient judicial system, etc.)	evolutionary game theory suggests that the effectiveness of the fight against money laundering depends on the combination of elements like the appropriate anti-money laundering legislation and the internal readiness of banks and employees to fight this battle.	
Absence of <i>contextual factors</i> (lack of transparency, maturity and sophistication of the criminal justice; ineffective regulatory, supervisory and administrative regime in the country; high level of corruption and inadequate measures to combat corruption etc.)		
Lack of convergent rules for the return of corrupt assets		FATF (2024); Ochnio, 2024
Lack of collaborative approach among the nations	The lack of multilateral approach instead of national or bilateral efforts among the nations is another big hurdle	FATF (2024); Pavlidis, 2023)
Absence of legal protection for employees, officers and directors of financial institutions for tipping off and reporting suspicious transactions		FATF (2024);
Absence of designated supervisors for regulating and monitoring financial institutions' compliance with the AML/CFT requirements		FATF (2024);
Lack of provisions for ensuring transparency and full disclosure about different types of legal persons created in the country (including beneficial ownership etc.)		FATF (2024);
Absence of designated authority for monitoring financial institutions' compliance with the AML/CFT requirements		FATF (2024);
Source: Compiled by author		

Table 2.5: MICRO-ECONOMIC RED FLAGS and ML/FT risks (Individual or organisational)		
Constructs	Details of inclusion criterion	Source
Living beyond means by promoters/ owners	possession of disproportionate assets such as acquisition of real estate, precious metals or precious stones etc. may also signal involvement in ML activity	ACFE, 2024
Political ties of promoters/ owners		FATF (2024);

Disproportionate assets owned by promoters/ owners or related parties		FATF (2024);
Criminal record of promoters/ owners		FATF (2024);
Tax-related offences by promoters/ owners	One of the notable ML predicate offences	Mniwasa (2019)
Engaged in financial transactions pertaining to 'Casinos' above the designated threshold		FATF (2024);
A large amount of cash transactions		FATF (2024)
Lawyers, notaries, other independent legal professionals and accountants carry out transactions for their clients concerning real estate, investments, financial securities, and major business operations such as buying or selling business entities	Their expertise might be misutilised by potential fraudsters to execute, and their engagement in these transactions may increase the ML/TF risks	Financial Intelligence Unit Sri Lanka (2020); FATF (2024);
The existence of complex and unusual large banking transactions		FATF (2024)
Weakness in the internal policies, procedures and controls	Weak ICS increases the plausibility of ML activities	
Absence of independent audit function		
Close ties of organization with bankers	Laundered money is required to pass through one or more banks to pass the test of legitimacy. Sometimes, bankers are invariably used by perpetrators in the highly complex and professional ML industry because of their expertise, knowledge, and respectable social status	He (2006); Rose (2020); FATF (2024);
Development of new products, new business practices, or adoption of new technology by the organization		FATF (2024);
Business terms with high-risk countries		
Lack of adequate protection to whistle-blowers		
Availing money or value transfer services, money or currency changing services and virtual asset services from persons without a license or registration	red flag indicators in crypto transactions (Global Financial Integrity, 2023)	
Source: Compiled by author		

Table 2.6: AUDIT RELATED ML/FT RED FLAGS

Constructs	Details of inclusion criterion	Source
<i>Insufficiency</i> of traditional audit methods	Auditors must be well-versed with different forensic accounting skills to effectively detect and report suspicious transactions	Tiwari and Debnath, 2017; Chetry et al., 2024

Provision of non-audit services to audit clients	FATF (2024) mentions that when independent legal professionals and accountants are engaged in facilitating transactions, ML activities are very difficult to detect. Hence, the provision of non-audit services to clients can also be a red flag for ML activities. Accordingly, the Institute of Chartered Accountants of India (ICAI) has issued directives to its members to report in case they render certain categories of financial transactions on behalf of their clients which are tagged as 'red flag indicators'.	Ministry of Finance (2023)
Evidence of non-adoption risk-based approach by the previous auditor	As per FATF recommendations audit programmes should pay attention to high-risk accounts and should include comprehensive transaction testing.	FATF (2012-2023)
Source: Compiled by author		

3. Objectives of the study

In light of the critical nature of the AML/CFT systems in the contemporary context, the present study aims to address the following objectives:

- i. To conduct an in-depth study and comparative analysis of AML/CFT legislations in SAFA member countries
- ii. To explore and document best practices in AML/CFT compliance regimes in the region.
- iii. To conduct a comprehensive analysis of the roles and responsibilities of accountants in identifying and mitigating ML/TF risks.
- iv. To develop case studies illustrating successful instances of accountants' effective contribution to AML/CFT efforts.
- v. To outline training materials to educate accountants about the latest AML/CFT practices and techniques.

4. Research Methodology

To deliver objectives **i**, **ii**, **iv** and **v**, data was gleaned from a wide array of secondary sources. To meet objective **i**, the FATF recommendations served as the foundation for AML/CFT. Each country's latest MER and FUR were considered to conduct a comprehensive analysis of the AML/CFT laws. The MER/FURs documented deficiencies were considered and the countries' subsequent regulatory modifications were outlined by observing AML/CFT guidelines, laws, news articles, and annual reports of FIUs and accounting bodies. Further, a comparative analysis of certain significant factors was made that emerged while conducting the in-depth analysis of the AML/CFT framework among the SAFA nations. To fulfil objective **ii**, practices specific to each nation were considered and they stemmed from FIU and accounting bodies' annual reports as well as AML/CFT laws, rules and guidance notes. Further, ideas and themes have been derived from a diverse range of sources, including Sri Lankan case studies from AML/CFT guidelines for accountants, CCAB case studies, case Studies from ICPAC's Compliance Committee and Economic Crime and Forensic Accounting Committee and online news articles of the member nations to achieve objective **iv**. Pertaining to objective **v**, the

present study alongside outlined key resources can be used to educate accountants about the latest AML/CFT practices and techniques.

To address objective **iii**, the perspectives of CAs, CMAs, and CSs were integrated through primary data. The data collection employed a structured questionnaire, developed following a comprehensive review of the existing literature. The questionnaire was refined through its subsequent circulation for feedback and review from the SAFA committee on AML, ensuring the content was relevant and methodologically sound. The finalised questionnaire was administered via online platform (Google form) with a formal request to SAFA for its dissemination to the member nations. This approach facilitated broader participation across diverse professional backgrounds and cross-country representation.

4.1 Questionnaire structure

The questionnaire encompassed two primary sections. The first section pertained to the respondent's demographic profile comprising questions on name, gender, age, profession, highest educational qualification, experience, present designation and country of practice.

The second section, comprising 11 questions sought to understand AML/CFT perspectives and practices with both open-ended and close-ended questions.

- Questions 1 and 2 were designed using a seven-point Likert scale. The first question assessed respondents' perceptions regarding seven statements about the role of accountants in managing ML/TF risks, and the second question pertained to skills for enhancing accountants' effectiveness in AML/CFT. For Question 1, the scale was constructed with 1 representing 'strongly disagree' and 7 representing 'strongly agree.' However, for Question 2, the scale was designed with 1 indicating 'extremely important' and 7 indicating 'not at all important.' To ensure consistency in the analysis of Question 2, reverse coding was applied, whereby higher scores correspond to greater importance. This adjustment allows for easier interpretation of the data and ensures that the analysis aligns with the intended meaning of the responses.
- Questions 3,4,6,8,9 and 11 presented multiple response options, allowing respondents to select more than one option where applicable. The questions pertained to the methods for detecting suspicious activities, ML/TF reporting, AML/CFT training, suggestions to improve accountants' role in AML/CFT, successful AML initiatives and best practices for improving collaboration between accountants and other professionals for mitigating ML/TF risk.
- Questions 5,7 and 10 were open-ended to glean qualitative insights focusing on standard formats or methods used for reporting suspicious transactions, specifics of training programs and AML initiatives led by the professionals.

4.2 Sampling and sample size

A total of 104 responses were obtained through Google form from the six SAFA member countries: Bangladesh, India, Maldives, Nepal, Pakistan and Sri Lanka. No responses were received from Afghanistan due to the lack of representative members in the country.

To ensure a high response rate and maintain ethical integrity, the survey included a detailed statement/questions outlining the research objective, assurance of confidentiality of individual information and declaration of the academic nature of the study. The status of responses was regularly updated to the SAFA Secretariat. Accordingly, periodic reminder emails were sent to sustain participant interest and improve response rates.

Normality test was conducted using the Kolmogorov-Smirnov and Shapiro-Wilk tests which revealed p-values below 0.01 for both the role of accountants in managing ML and TF risks

and requisite skills. It unfolded a significant deviation from normal distribution and confirmed the non-normality of the data. Consequently, non-parametric tests were employed to appropriately analyse the dataset.

The reliability of the various elements in the questionnaire was observed by testing key reliability statistics Cronbach's alpha for measuring internal consistency between elements. The result revealed $\alpha = 0.917$, indicating a high level of reliability. This result revealed that the items within the questionnaire consistently measured the intended constructs, thereby supporting the robustness of the instrument used for data collection.

The methodology employed in the study ensured a rigorous and comprehensive approach to derive meaningful insights into the role of accountants in AML/CFT. The structured and varied nature of the questionnaire enabled detailed analysis of both quantitative and qualitative data.

5. Results and discussion

5.1 Comparative analysis of AML/CFT legislations within SAFA member countries

A summary of country-specific legislative/regulatory changes in the AML/CFT regime along with the comparative analysis of AML/CFT Legislations in SAFA member countries is presented below:

Key legislative/regulatory changes in AML/CFT regime

Afghanistan

- Post MER (2011), the Anti-Money Laundering and Proceeds of Crime Law (AML-PC) was enacted in 2014 and amended in 2015. The CFT law was passed by the parliament and approved in 2014.
- The AML-PC (2015) incorporated risk assessment. The country initiated the first National Risk Assessment (NRA). AML-PC established the composition of the National Coordination Commission, criminalised ML and included various provisions like provisional and confiscation measures, overriding of secrecy, identification and verification of natural persons, legal persons and beneficial owners; enhanced due diligence (EDD) and ongoing due diligence measures, record-keeping, politically exposed persons (PEPs), correspondent banking relationships, risk assessment arising out of new technologies, reliance on third parties, internal AML programs, exemption from liability for bona fide parties for suspicious transaction reporting (STR), special monitoring of transactions and measures for high-risk countries, power of supervisory authorities, mutual legal assistance (MLA), other forms of international cooperation and wire transfer rules.
- FinTRACA implemented various AML/CFT measures including enforcement measures like warning letters and license revoking, launched an online hawala portal for the Money Service Provider Companies (MSPCOs) and converted STR from manual to electronic in the central zone of Afghanistan. STR increased by 21.14% from 2021 and 8% from 2020. FinTRACA issued STR guidelines for banks, non-profit organisations (NPOs), life insurance, money service businesses, businesses involved in electronic funds transfer, investment, cash couriers, trusts and company service providers (TCSPs), accountants, lawyers and real estate agents. It publishes annual reports and various statistics.
- AML-PC (2015) defined bearer negotiable instruments (BNIs) as per MER's recommendation. The Customs Department is authorised to collect and request information and restrain cash or BNIs for false declaration. A false declaration is subject

to confiscation and fines. The Regulation Governing the Reporting and Control of Physical Transfers of Currency, BNIs, Gold, other Precious Metals or Precious Stones applies to the transfers for both inbound and outbound persons and through the international airports and land borders of the country.

- The general provisions under the AML-PC (2015) apply to Designated Non-Finance Businesses or Professions (DNFBPs). The confidentiality provisions do not apply to attorneys, notaries and other independent legal professions. In 2023, FinTRACA emphasised the DNFBP sector by conducting surveys in the Balkh and Kabul provinces.
- The Law on Extradition of the Accused, Convicted Individual and Legal Cooperation (2013) regulates extradition and legal cooperation on cases between Afghanistan and other countries. Electronic Money Institutions (EMIs) regulation (2020) defined an EMI and inserted obligations like conducting due diligence measures, periodic internal audit reviews, Know Your Customer (KYC) policies and procedures, training programs and reporting.
- The CFT (2014) included the TF offence, freezing mechanism of funds/property without delay, sanctions for NPOs and their requirement to maintain records. Relevant regulations concerning target financial sanctions (TFS) and proliferation financing (PF) shall be issued by the Afghanistan National Security Council or the office of the Attorney General.

Bangladesh

- The National Strategy for Preventing Money Laundering and Combating Financing of Terrorism (2019-2021) focuses on preventing crime proceeds from integrating into the financial system. Key areas include inhibiting unauthorized movement of funds and trade-based money laundering (TBML), effective judiciary system, modern border control procedures, systematic management and implementation of freezing and confiscation of crime proceeds, transparency in ownership of legal persons and arrangements, corporate governance and strict AML/CFT compliance in reporting entities (REs).
- The Evidence (Amendment) Act 2022 sets out the objective factual circumstances to infer the intent and knowledge required to prove the commission of criminal offences under c.3.8 and c.5.5 (currently c.5.6). It allows the admissibility of digital records and digital signatures in court.
- The Bangladesh Financial Intelligence Unit (BFIU) released Electronic KYC (e-KYC) guidelines (2019), covering digital customer onboarding, identification, verification, KYC profiles, risk profiling, risk assessment, record-keeping, and third-party reliance. The TBML guidelines highlighted the issues of over-invoicing, under-invoicing and multiple invoicing, and emphasized risk-based approaches, customer assessment, bank screening, transaction monitoring, training and reporting suspicious transactions. Non-Bank Financial Institutions (NBFIs) guidelines (2023) mandated the establishment of a central compliance unit, a chief AML compliance officer, branch AML compliance officer and prohibited NBFIs from opening anonymous accounts.
- The 2024-25 budget proposed a 15% tax on black money to combat ML. The government also approved a strategy to freeze/confiscate unreported offshore assets of Bangladeshi nationals in 2022. The Cyber Security Act (CSA) 2023 replaces the Digital Security Act (DSA) 2018 to assure cyber security and counter cybercrimes. The National Cyber Security Agency replaced the Digital Security Agency and will monitor

online communication and counter cybercrimes. Cyberterrorism qualifies as an offence and is subject to a maximum of 14 years imprisonment or a fine of BDT 10 million.

- The lack of requirement for insurance companies to determine if the beneficiary or the beneficial owner of the beneficiary is a PEP was addressed by the latest instructions to insurance companies issued by the BFIU in 2022.

India

- Concerning R.4, the Prevention of Money Laundering (Restoration of Confiscated Property) Rules were published in 2016 and amended in 2019.
- The National Investigation Agency (NIA) has registered 103 cases of TF and the conviction rate in TF cases investigated is 94.11%. The Unlawful Activities (Prevention) Amendment Bill (2019) provided special mechanisms to deal with terrorist activities, designation of terrorist organisations, property seizure approval, NIA investigation and insertion of the International Convention for Suppression of Acts of Nuclear Terrorism in the schedule of treaties.
- The NPO definition was expanded. REs must register an NPO client's information on the National Institute for Transforming India (NITI) Aayog's DARPAN portal. The portal publishes guidance notes for NPOs and donors to combat TF. As per Foreign Contribution Regulation Act (FCRA) amendments 2023, non-government organisations (NGOs) must provide details of movable and immovable assets created using foreign contributions.
- Insurance Regulatory and Development Authority (IRDA) AML/CFT Guidelines (2022) asserted insurers to pay special attention to ML threats arising from the development of new technologies and non-face-to-face business relationships. Master Circular on KYC norms/AML/CFT obligations of banks (2014) extended the roles and responsibilities of the principal officer to ensure overall compliance. As per AML/CFT master guidelines by IRDAI (2022) and the Securities and Exchange Board of India (SEBI) (2024), the internal audit function should be independent, adequately resourced and aligned with the size of the business and operations, organization structure, number of clients and other such factors.
- In 2023, the government brought practising-chartered accountants (CAs), company secretaries (CS), cost and works accountants (CWAs), TCSPs and Virtual Asset Service Providers (VASPs) under the ambit of the Prevention of Money Laundering Act (PMLA) albeit lawyers and legal professionals have not been covered.
- The Companies Act (2013) stipulates central government to make rules to provide the manner of holding and disclosing beneficial ownership (BO) and beneficial interests.
- FIU-IND provided information on numerous operational and strategic analyses and key ML/TF trends, typologies and developments during 2012-2023 concerning diamond-related transactions, prepaid payment instrument (PPI) ecosystem; cash transaction report (CTR), STR, cross border wire transfer report (CBWTR), counterfeit currency report (CCR); online gaming, gambling, cybercrime and virtual digital assets. FIU-IND is in the process of guiding the filing of defensive STRs.
- MLA guidelines in Criminal Matters (2019) considered court concerns for prompt responses concerning the service of documents on persons residing abroad. The guidelines provided for the service of documents on authorities of foreign countries preferably within 10 days of receipt of request for offences committed against women and children.
- The Bharatiya Sakshya Adhinayam (2024) replaced the Indian Evidence Act (1872). It provides electronic oral evidence. The Bhartiya Nyaya Sanhita (2024) that replaced the

Indian Penal Code (IPC) 1860 added terrorism and organised crime (including cybercrime) as offences. Damage to the monetary stability of India by production, smuggling or circulation of counterfeit Indian currency is added to the provision. The Bhartiya Nagarik Suraksha Sanhita (2024) that replaced the CrPC (Criminal Procedure Code) 1973 allows trials, inquiries and proceedings in electronic mode, provides for the seizure of both movable and immovable properties but does not provide a time limit up to which property can be attached.

Maldives

- The first NRA was completed in 2022. The current National Action Plan on Preventing and Countering Violent Extremism (P/CVE) (2020-2024) aims to prevent violent extremism by collaborating among individuals, communities and institutions through the ‘whole of government’ and ‘whole of society’ approach.
- The Prevention of Money Laundering and Financing of Terrorism Act (PML-FTA) 2014 criminalized ML/TF and expanded confiscation to include proceeds of crime, instrumentalities and property. The Regulation on Management of Confiscated Funds and Properties (2020) covers managing confiscated funds, third-party rights and record keeping. PML-FTA outlined freezing procedures for designated terrorists or organizations under UNSCR 1373. It focuses on monitoring NPOs for money transfers and preventing TF. It prohibits criminal, civil, disciplinary or administrative proceedings for breach of banking or professional secrecy.
- As per PML-FTA, financial institutions must not keep anonymous accounts. The 2015 regulations on ML/TF prevention for money transfer and money-changing businesses, life insurance and family takaful insurance businesses included CDD and record-keeping. PML-FTA incorporated record-keeping. The regulations on the securities sector were published in 2016. PML-FTA mandates REs to identify PEPs, obtain senior management approval and identify wealth sources. The 2020 PEP Guidance paper helps address PEP challenges. PML-FTA includes provisions on cross-border correspondent banking relationships, payable through accounts. It defined money or value transfer service (MVTS) and asserted customer verification (CDD). Administrative sanctions are available for non-compliance as per the 2015 Regulation for money transfer businesses and money-changing businesses. The Maldives Monetary Authority (MMA) monitors MVTS. PML-FTA has no wire transfer definition albeit the aforementioned 2015 regulations have.
- PML-FTA and the 2015 regulations include internal controls and programs, STR, compliance of obligations by foreign subsidiaries and branches. The STR obligations do not extend to lawyers, notaries, accountants, auditors, tax advisors and other independent legal professionals. Reporting obligations have been extended to DNFBPs like dealers in precious metals and stones (DPMS) and dealers in real estate. Specific STR regulations exist for banks and securities institutions. The guidelines for consumer finance institutions and money remittance institutions (2016) included aspects of CDD, STR reporting and other preventive measures. PML-FTA deals with the prohibition against tipping off and specific regulations exist for money transfer and money-changing businesses, life insurance businesses and securities institutions. It defined DNFBPs and prohibited their operation without prior registration by competent authorities; stipulated legal persons to maintain adequate, accurate and current information on BO and control structure. All documents to Registered Businesses would be issued electronically only. The current threshold for cross-border cash declaration is 10,000 US\$ or its equivalent in Maldivian Rufiyaa or foreign currency. PML-FTA provides provisions for MLA and extradition.

- The AML/CFT compliance of REs with requirements of PML-FTA (part two) is supervised by the competent authorities. Regulatory/supervisory authorities for DNFBPs also issue sanctions. The FIU shall inform supervisory authorities of REs non-compliance. PML-FTA authorises FIU to access and review information, analyse and disseminate STRs. The FIU-MMA should prepare and publish annual report. It is an operationally independent unit formally established under the PML-FTA within the MMA. For obtaining Egmont membership, co-sponsors from the Egmont group to the Maldives conducted their final on-site assessment with the FIU in 2023. FIU-MMA signed various MoUs recently with foreign counterparts- Japan Financial Intelligence Center, Australian FIU (AUSTRAC), the Financial Intelligence Centre of Bhutan, FIU-Nepal, FIU-Philippines and FIU-Slovenia. In 2024, a MoU was signed between the Capital Market Development Authority (CMDA) and the Securities and Exchange Commission of Sri Lanka.

Nepal

- Post-MER 2023, the Asset (Money) Laundering Prevention Act (ALPA), 2008 was amended in 2024. As per the amended ALPA, institutional risk assessment must be revised and translated into plans, policies or procedures at least annually and presented to the regulator. Government and REs should conduct risk assessments annually and implement risk-based plans, policies and actions. PF and its preventive/regulatory measures have been added. Hundi, human smuggling, piracy, terrorist activities, foreign terrorist fighters and virtual currency are criminalised. The imprisonment for ML is increased to up to 15 years and for TF, it increased to ‘7 to 20 years’ from between ‘3 to 20 years.’
- The amended ALPA incorporated the maintenance of confidentiality of customer information. The Coordination Committee will oversee the NRA’s execution. The National Coordination Committee is converted into the Coordination Committee. A Directive Committee is set up that mandates directives, policies and reviews at the national level. The National AML/CFT report should be presented in the parliament annually.
- Concerning updated c.4.13(b) - ‘compensating the victims of crime by using confiscated properties’ under R.4, payment of loss and compensation to the victim shall be required.
- The rights of bona fide third parties along with compensation measures are clarified. The Ministry of Home Affairs (MoHA) and the Social Welfare Council (SWC) shall regulate and supervise NPOs. ALPA (amended 2024) clarified customer identification and verification. Presently, both shall be done for conducting transactions for occasional customers. The customers must be identified and verified by the REs within 3 days of establishing a business relationship or conducting the transaction. As required by c.10.20, ALPA clarified reporting of STRs in case of risk of tipping off. ALPA amended the filing of STR ‘immediately’ from the earlier provision of no later than 3 days. The definition of ‘payable through accounts’ has been inserted.
- Draft Information Technology and Cyber Security Bill (2024) was released to regulate the activities of information technology and cyber security. The Tourism Act (1978) and the Land Revenue Act (1978) shall deal with the licensing, regulation and supervision of casinos and real estate respectively with criminal offences, involving certain sectors whose transactions exceed a specified sum or cover more than a specified area.
- Nepal-FIU shall approve an independent auditor for AML/CFT. The AML/CFT Audit shall be conducted for Banks and Financial Institutions (BFIs), brokers, casinos,

cooperatives, insurance companies, merchant banks, real estate businesses and other specified companies. The sharing of BO information is extended to legal persons. The companies must disclose BO information to registration-related bodies like the Office of the Company Registrar (OCR). Non-declaration or false declaration of information is subject to civil confiscation of properties and fines.

- Nepal Rashtra Bank (NRB) Act was amended to include issuance of standards and directives for regulating, monitoring and supervising financial cooperatives. However, such oversight would be at the request of the Department of Cooperatives (DeoC) and for the cooperatives with share capital or annual transactions exceeding NPR 500 million. The NRB Act also prescribes fines (section 99) and punishment under a new section 100A in addition to the existing penalties in the Cooperatives Act. AML/CFT directives for hire purchase companies (2024) specified aspects like CDD, Enhanced CDD, reporting threshold transactions and suspicious transactions via. goAML software.
- Employees from various law enforcement agencies (LEAs), regulatory bodies or other relevant entities can be deployed at the FIU. The FIU shall be able to impose a fine of up to NPR 10 million from NPR 1 million.
- ALPA (amended 2024) has added special investigation techniques under section 19 to be followed by the investigating authority for investigating cases related to ML/TF/PF. The procedures shall include controlled delivery, undercover operations, accessing computer systems or other electronic devices, interception of telecommunications etc. among others. The deficiency in c.31.4 has been addressed by adding the provision for requesting information by all LEAs in ALPA. All LEAs that investigate predicate offences shall be able to investigate ML. Earlier, the Department of Money Laundering Investigation (DMLI) was the sole authority to conduct ML investigations. Sanctions have been added which shall apply to the concerned officials in addition to the Board of Directors by the regulators, as recommended under c.35.2.
- As per amendment in section 3 under the MLA Act, the execution of foreign judicial verdict shall be conducted based on reciprocity. The 2024-25 budget speech of the Nepalese government prioritizes the negotiation and conclusion of extradition treaties based on reciprocity. It shall improve the scope of R.39.
- The auditors have been designated as REs solely for reporting suspicious transactions. ALPA also added the accountants who provide taxation, financial, business consultancies or advisory services in the organisation of contributions for the creation, operation or management of companies (c.22.1(d)(iv) to constitute REs. Equity funds, hire purchase loan providers, investment companies, vehicle selling companies and venture capitals are additional inclusions as REs.

Pakistan

- DNFBPs, legal persons and legal arrangements were assessed for the first time in NRA 2023. A detailed assessment of TF threats and TF sources and channels was also carried out by assessing a total of 87 terrorist organisations.
- In 2023, the financial monitoring unit (FMU) conducted a strategic analysis on hawala/hundi, NPOs, branchless banking sector, frequent foreign remittances -UAE, Afghan nationals/refugees/migrants in Pakistan and proscribed individuals linked with extremist or organised crime. It issued a guidance document on ML/TF risks for hawala/hundi. The overall risk of TF abuse in Pakistan's NPO sector was rated 'High' in NRA 2023. To facilitate prompt STR filing, the FMU devised “Typologies and Red Flags for Financing and Facilitation of Foreign Terrorist Fighters and Returnees in

Southeast Asia” for REs. It issued NRA guidelines for REs on suspicious transactions to improve the STR reporting regime to align with the results of NRA 2023. It introduced a new type of STR, “STR-T” which delves into all elements of the TBML.

- The AML (Forfeited Properties Management) rules, 2021 were developed including elements like establishing a central asset recovery office for asset recovery and managing forfeited properties and disclosing information on properties to other stakeholders for expeditious confiscation and forfeiture of properties.
- The United Nations Office on Drugs and Crime (UNODC) in partnership with the Prosecution Department of Sindh launched a general software-based Case Management and Monitoring System (CMMS) in 2021 under the framework of Pakistan’s Action to Counter Terrorism (PACT) to aid in solving complex cases, tracking court proceedings and monitoring the quality of prosecutions. The Prosecution Department was provided equipments like computers and laptops by the UNODC through the National Counter Terrorism Authority (NACTA) to enhance operational efficiency and effectively prosecute and adjudicate cases of terrorism.
- The year 2023 witnessed the processing of 102 international cooperation requests. The FMU signed MOUs with counterpart FIUs of Japan, Indonesia and South Africa which marks a total of 18 MOUs.

Sri Lanka

- The 2nd National AML/CFT Policy (2023-2028) was developed based on NRA (2021-2022) results. The overall ML/TF risk level was assessed as medium.
- Tax crimes are not yet considered unlawful under PMLA. However, in 2017, the Inland Revenue Act was amended to introduce tax evasion as an offence with strong and dissuasive penalties.
- The regulations on the Prevention of Terrorism (Proscription of Extremist Organisations) 2019 prescribe imprisonment of not exceeding 20 years for persons contravening regulation 3 of the law.
- All international and national-level foreign-funded NGOs must re-register under the National Secretariat for NGOs. NGOs not registered or registered with other institutions like the District Secretariat, or the Divisional Secretariat must be monitored and reported. A circular issued by the FIU in 2019 asserted the conduct of enhanced CDD measures while entering a relationship with an NGO/NPO or charity to ensure that their accounts are used for lawful intentions and transactions that align with the stated objectives and purposes.
- Concerning R.10, the CDD Rules 2008 for the insurance sector was replaced by the Insurers CDD Rules (2019). These rules included the requirements of appropriate risk management systems for identifying beneficial owners and senior management approval for the continuity of business relations. As per FIU circular 02/2023, the real estate sector should adhere to CDD measures under the Designated Non-Finance Business (DNFB) CDD Rules (2018) and Financial Transactions Reporting Act (FTRA 2006-section 2). As per the FIU circular 04/2022, the service of authenticating the details for customer identification would be carried out through the Department of Immigration and Emigration.
- To bring unregistered or unlicensed MVTs providers under the formal system, the MVTs Providers Rules (2024) have been issued under the Payment and Settlement Systems Act (2005) and the regulatory and supervisory authority is the Central Bank of Sri Lanka (CBSL).

- Guidelines were issued by the FIU for financial institutions recommending them to install a strong closed-circuit television (CCTV) system that is completely functional on both the interior and exterior of the business premises where the conduct of CDD takes place as part of internal controls, policies and procedures for efficient ML/TF risk control and mitigation. The guideline was amended wherein the information captured in the CCTV system should be maintained for a minimum of 90 days from earlier 180 days (R.11). Guidelines on STR reporting by DNFBPs were published by FIU in 2019. The STR should be carried out through the goAML system. AML/CFT guidelines were issued for attorneys-at-law and notaries (2023), accountants and TCSPs (2020). As per a 2024 FIU circular, the REs must submit cash and EFT transaction details to the FIU if they exceed Rupees 1 million through the goAML system from the earlier limit of Rs.5,00,000.
- The Anti-Corruption Act (2023) authorised the Commission to Investigate Allegations of Bribery or Corruption (CIABOC) to disclose relevant information to any investigation with any local law enforcement or other Government authority. The FIU signed an MOU with the CIABOC to exchange information on investigations and prosecutions of money laundering, bribery, corruption and other related offences. Presently, the FIU entered into MOUs with 45 foreign counterparts for sharing information for intelligence purposes.

Secondly, a comparative analysis of the AML/CFT regime of the nations has been made for certain important points that surfaced while conducting an in-depth analysis of the legislations.

Key Findings on Comparative Analysis of AML/CFT Legislations in SAFA Member Countries

National Risk Assessment - Pakistan conducted the highest NRAs and underwent the first assessment of DNFBPs, legal persons and legal arrangements in NRA 2023. It depicts that it has kept the risk assessments up-to-date. Bangladesh and Sri Lanka underwent two NRAs albeit Bangladesh must update its previous NRA of 2015. Recent NRAs were conducted in Sri Lanka (2021-22) and Maldives (2022). Nepal's latest MER was published in 2023 and the first NRA was conducted in 2020. Hence, its NRA is expected to be updated later. Afghanistan, India and Maldives must publish their NRA reports at the earliest to showcase their strong commitment towards assessing ML/TF threats and vulnerabilities.

National policies/strategies – Nepal developed the most recent national strategy followed by Sri Lanka. Maldives is the sole country to have an action plan (2020-2024) for preventing and countering 'violent extremism'. Bangladesh updated the previous National AML/CFT strategy (2015-2017) into the latest strategy for 2019-2021. Pakistan should update its strategy for 2018 while Afghanistan and India must develop national AML/CFT policies for compliance with R.2 (c.2.1).

STR filing - Bangladesh, Nepal and Pakistan emphasize immediate or prompt reporting without specifying a precise timeframe. Sri Lanka requires reporting within 2 working days. Afghanistan and Maldives require reporting within 3 days of forming suspicion while India allows up to 7 days for reporting. Each country has a designated FIU to which STRs must be furnished and specific legislation/guidelines governing STR reporting. Overall, all 7 South-Asian countries emphasize the importance of prompt reporting of suspicious transactions for curbing ML/TF, though the specific timeframes and procedural details vary.

Regulatory provisions for DNFBPs – The inclusion of DNFBPs in Nepal and Sri Lanka is completely in line with R.22. Casinos are included in 3 countries viz., India, Nepal and Sri Lanka while lawyers, notaries and other legal professionals are not yet covered by India.

Afghanistan considers rahnamai mamelaat (transaction guide) as a DNFBP. India is the sole country to bring virtual digital asset service providers into the DNFBP framework. On the contrary, Nepal sought to prohibit VASPs. It amended the National Penal Code 2017 and criminalised virtual currency in 2024. Only two nations have specifically mentioned auditors as DNFBP: Maldives (auditors and tax advisors) and Nepal (registered auditors).

The general provisions of R.22 are outlined in the respective country-specific laws but no explicit requirements of R.15 and R.17 are mentioned in the PML-FTA of the Maldives and that of R.12 and R.15 in AMLA 2020 of Pakistan. The requirements of R.22 are supported by AML/CFT guidelines in India, Nepal, Pakistan and Sri Lanka. The sectoral guidelines in these countries have not comprehensively covered the requirements of R.22 and lack uniformity to a certain extent. For example - The guidelines for accountants in India cover the requirements of R.10, 11, and 12 but not R.15 and 17, VDASP guidelines include R.15 but not R.12 requirements while real estate guidelines cover R.10,11,12,17 but not R.15. In Pakistan, R.15 obligations are not applicable for lawyers. R.15 requirements have not been legally incorporated sufficiently. For Bangladesh, despite guidelines on DNFBPs being found to be published on the website of Bangladesh Bank under the regulations and guidelines section, details of the provisions under it could not be traced due to its non-accessibility.

Concerning R.23, the general provisions apply to DNFBPs under country-specific laws. However, the existence of separate STR and AML/CFT directives differs country-wise. Separate STR guidelines for REs exist in Afghanistan, Bangladesh, Nepal and Pakistan; and Sri Lanka has STR guidelines issued specifically for all DNFBPs. Auditors have been designated as RE for the sole purpose of reporting STR. The obligation for auditors to report suspicious transactions is explicitly mentioned in FIU guidelines of Sri Lanka. Auditors of Pakistan are not required to detect or seek illegal activities as per the International Standard on Auditing (ISAs). Although the practising firm should consider its obligations to report activities to the regulators like Federal Investigation Agency (FIA), Federal Board of Revenue (FBR) etc, no reporting obligation to FMU exists as audit and assurance services are not specified services. AML/CFT directives or guidelines have been issued in India, Nepal, Pakistan and Sri Lanka. Sri Lanka is the sole country to issue AML/CFT directives for all the DNFBPs. Red flags have been stated in all jurisdictions barring Maldives. Sector-specific indicators for some DNFBPs have been highlighted in Afghanistan, Nepal, Pakistan and Sri Lanka. Specific red flags for the accounting sector have been issued by Afghanistan, India, Nepal, Pakistan and Sri Lanka; with Sri Lanka listing them comparatively in a comprehensive manner along with case studies. Details about red flags for accountants are unknown in India due to their confidentiality and accessibility only by the members in practice.

Concerning R.28, the assignment of self-regulatory bodies (SRBs) for DNFBPs is overall done largely in the six jurisdictions barring Maldives. The assignment of AML/CFT supervision differs too. For instance, in Nepal, Pakistan and Maldives the SRBs/competent authorities have considerable powers to supervise or monitor DNFBPs in AML/CFT compliance. In India, the FIU has asserted such a role in the case of accountants. The FIUs in Bangladesh and Sri Lanka undertake AML/CFT supervision. Afghanistan has no monitoring or supervision mechanisms for DNFBPs. Regarding sanctions, they are similar to a large extent in the case of administrative sanctions while monetary penalties differ from country to country.

Beneficial ownership of legal persons - The incorporation of BO requirements for legal persons is explicitly mentioned in India, Maldives, Nepal, Pakistan and Sri Lanka. Nevertheless, in Afghanistan, although REs must maintain information on the identity of beneficial owners, there is no specific mention of the extension of BO requirements for legal persons. In Bangladesh, the absence of requirements of registration for certain companies,

supervision and oversight by the Registrar of Joint Stock Companies and Firms (RJSC) makes it difficult to collect BO information.

International cooperation - The level of international cooperation is considerably better in India, Sri Lanka, Nepal and Pakistan as compared to Afghanistan and Maldives. The global affiliations of the various accounting bodies of the SAFA nations are highlighted. Their extensive network underscores the region's commitment to maintaining high standards of accounting and financial reporting. By leveraging these established relationships, countries can enhance AML/CFT efforts.

5.2 Best practices in AML/CFT compliance regime

A brief account of the best practices is presented below:

Key findings

5.2.1 Afghanistan

Table 5.1: Best Practices in AML/CFT Compliance Regime of Afghanistan

Best Practice	Category
As per CFT (2014), the Afghanistan National Security Council or the office of the Attorney General should issue relevant regulations concerning <i>target financial sanctions on proliferation financing</i> .	R.7
CFT (2014) prescribes <i>penalties for NPOs</i> in the form of a minimum fine of AFN 50000 and not exceeding AFN 500000, a temporary ban for not more than 6 months and dissolution of the organisation.	R.8
As per AML-PC (2015), the supervisory authority should develop and implement financial, <i>fit and proper tests</i> while approving those who own, control, and participate directly or indirectly in establishing, managing or operating the business of REs including their <i>beneficial owners</i> .	R.26
In 2023, FinTRACA received <i>feedback</i> on 25 cases that were disseminated to LEAs.	R.29, 30
An <i>online hawala portal</i> was launched for <i>MSPCOs</i> to report LCTRs to FinTRACA. FinTRACA successfully converted MSPCO suspicious transaction reporting from manual to electronic system (Annual Report FinTRACA, 2023).	R.14,15, 20,29
FinTRACA coordinated the High-Level Coordination Commission meeting in 2023 to <i>coordinate the efforts of the LEAs and other relevant government agencies</i> for curbing financial crimes, including ML/TF and supervise the application of the AML/CFT regime in the country (mail.fintraca.gov.af).	R.30
The FinTRACA publishes <i>annual reports, statistics</i> regarding the receipt of STRs and LCTRs, cash and BNI, dissemination, domestic requests and enforcements such as written warnings, revocation or suspension of business licenses and fines on its website and annual reports.	R.20,29, 33
The FinTRACA launched a new online reporting portal in 2023 to enable the collection of <i>electronic exchange and hawala transactions simultaneously</i> across different interfaces and enable companies to submit their hawala LCTRs to FinTRACA. This development helps relevant government authorities and the MSP or Foreign exchange Dealer sector carry out extensive transaction analysis in compliance with AML/CFT rules and prevent ML/TF risks (Annual Report FinTRACA, 2023).	R.15,20, 29
A <i>surveillance tool 'FinTRACA Watch-List'</i> was established to facilitate REs to implement EDD measures and identify high-risk subjects with irregularities and potential risks for ML and other predicate offences. The database was set up under legal powers designated to FinTRACA per Articles 32 and 24 of the AML-PC (2015). The list of high-risk subjects is regularly released by FinTRACA to REs (Annual Report FinTRACA, 2023).	R.10,29
The FinTRACA organises <i>capacity-building programs</i> for effective AML/CFT compliance. In 2023, numerous training programs were delivered on AML/CFT laws and regulations, filing STRs/ LCTRs, implementation of international sanctions lists, understanding the red flags and indicators of ML/TF, the importance of FinTRACA Watch-List, introducing the new hawala reporting portal and electronic reporting of suspicious transactions (Annual Report FinTRACA, 2023).	R.3,5,20, 29

5.2.2 Bangladesh

Table 5.2: Best Practices in AML/CFT Compliance Regime of Bangladesh

Best Practice	Category
To counter ML, the budget (2024-25) has proposed a 15% <i>tax on black money</i> . The step has been taken to integrate undisclosed income into the mainstream economy and enhance the flow of money into the banking system.	R.3
BFIU published TBML guidelines, updated in 2021.	R.1,3,10,20,32
In 2023, the BFIU released <i>guidelines for Non-Bank Financial Institutions (NBFIs)</i> to address ML/TF issues. These guidelines require NBFIs to develop separate regulations.	R.10,18,20,26
DSA 2018 was substituted by CSA 2023 to assure cyber security and detect, prevent, suppress, or prosecute crimes committed through digital or electronic means. <i>Cyberterrorism</i> currently qualifies as an offence and is subject to a maximum sentence of 14 years in prison or a fine of BDT 10 million (\$90,900).	R.5,15,35
Two <i>training sessions</i> have been conducted on preventing <i>TBML</i> in 2024 by the Association of Anti-Money Laundering Compliance Officers of Banks in Bangladesh (AACOBB). The sessions introduced trade products, TBML trends and typologies, preventive measures, controls and best practices; and solving case studies.	R.3,32
The BFIU issued <i>guidance notes for the prevention of TF and proliferation of weapons of mass destruction</i> .	R.5,6,7

5.2.3 India

Table 5.3: Best Practices in AML/CFT Compliance Regime of India

Best Practice	Category
The <i>NGO Darpan portal</i> maintained by NITI Aayog enables NGOs/voluntary organisations to enrol centrally and obtain an NGO - Darpan Unique ID. Foreign contributions cannot be transferred to another person or organisation until they are registered to accept such contributions. NGOs must furnish details of movable and immovable assets created using foreign contributions on an annual basis. A guidance note for NPOs and donors to combat the financing of terrorism was published on the website of NGO Darpan in 2023. It also highlighted the red flags of the sector (Guidance Note, 2023).	R.8
<i>VASPs, CAs, CSs, CWAs and TCSPs</i> are brought under the ambit of PMLA. <i>AML/CFT Guidelines</i> for VASPs and professionals with certificates of practice from the ICAI, ICSI and ICMAI were issued by the FIU.	R.15, 22, 23, 34
As per the master circulars issued by the IRDAI and the SEBI, the <i>internal audit function</i> should be independent, adequately resourced and aligned with the size of the business and operations, organization structure, number of clients and other such factors.	R.18
FPAC (FIU-India Initiative for Partnership in AML/CFT) was launched in 2022 in PPP (<i>public-private partnership</i>) mode to enhance collaboration between FIU-IND and other stakeholders in the AML/CFT arena by facilitating information exchange on best practices, emerging trends or technologies, and discussions on the filing, collection and dissemination of financial intelligence. (FPAC, 2022).	R.2,15,20,29
The Alliance of Reporting Entities in India for AML/CFT (ARIFAC) is a first-of-its-kind, <i>private-private partnership among REs</i> across several sectors like banks, non-banking financial companies, payment aggregators, prepaid payment instrument providers, National Payments Corporation of India (NPCI) and VASPs. Its objective is to provide an information-sharing platform for FIU-IND, develop knowledge products, undertake training, and create awareness and standardization in certifications in the AML/CFT arena (ARIFAC, 2023).	R.2, 29

The <i>Strategic Analysis Lab (SAL)</i> established as part of the FINNET2.0 project in 2021 conducted more than 35 studies such as CTR, STR, CBWTR, and CCR trend analysis; research analysis and typology reports like risks associated with online gaming and gambling in India, cybercrime and its data analysis and the study of virtual digital assets.	R.15,29
FIU-IND <i>Personal Hearing Policy</i> was established to streamline the adjudicatory functions of the Director, FIU-IND under PMLA. FIU-IND initiated a project FINNET (Financial Intelligence Network) to adopt industry best practices and appropriate technology to collect, analyze and disseminate valuable financial information for combating money laundering and related crimes. FINNET2.0 was established by incorporating artificial intelligence and machine learning tools to check ML/TF crimes. A unified communication cell has also been established to enhance support for FINNET 2.0 users. <i>Learning Management System - 'Prajnavardhanam', an FIU Learning Hub</i> was established in 2021.	R.29,15

5.2.4 Maldives

Table 5.4: Best Practices in AML/CFT Compliance Regime of Maldives	
Best Practice	Category
The current National Action Plan on Preventing and Countering Violent Extremism 2020-2024 aims to operationalise the 2017 National Strategy on Preventing and Countering Violent Extremism (P/CVE). It is the sole SAFA nation to establish an explicit policy on <i>violent extremism</i> .	R.2
PML-FTA (2014) delves into adequate <i>monitoring of NPOs</i> by the Ministry of Home Affairs. The ministry shall prescribe rules for preventing their misuse for TF.	R.8
In 2022, the Ministry of Economic Development and Trade announced that all <i>documents</i> issued by the Ministry to Registered Businesses <i>would be issued electronically</i> instead of the previously used manual system of maintaining information on BO and control of legal persons.	R.24,15
The regulation on <i>cross-border cash declaration</i> amended in 2021 prescribed a <i>threshold</i> of 10,000 US\$ or its equivalent in Maldivian Rufiyaa or foreign currency.	R.32
MMA signed various <i>MoUs</i> in recent years with its foreign counterparts: Japan Financial Intelligence Center, Australian FIU (AUSTRAC), the Financial Intelligence Centre of Bhutan, FIU-Nepal, FIU-Philippines and FIU-Slovenia. In 2024, the CMDA and the Securities and Exchange Commission of Sri Lanka signed an MoU.	R.40
Maldives uses the <i>Personal Identification Secure Comparison and Evaluation System (PISCES)</i> to provide <i>traveller screening and screening list capability</i> . The Maldives installed it at its main international airport and the Male seaport. The Maldivian Police Service interrogated Maldivian citizens flying to Turkey to slow down the number of Maldivians travelling to Iraq and Syria to join terrorist organisations (Country Reports on Terrorism, 2016).	R.5,6,10
The FIU-MMA issued <i>guidance on implementing preventive measures against proliferation and proliferation financing</i> in 2017 (PF Guidance, 2017).	R.5,6
FIU-MMA launched a non-comprehensive <i>PEP database</i> to aid REs in the maintenance of their own exhaustive PEP list (FIU-MMA Annual Report, 2020).	R.12
The PML-FTA (2014) includes <i>auditors and tax advisors as DNFBPs</i> besides independent accountants.	R.22

5.2.5 Nepal

Table 5.5: Best Practices in AML/CFT Compliance Regime of Nepal	
Best Practice	Category
The amended ALPA (2024) incorporated various measures and practices to strengthen the AML/CFT framework. It provides that the <i>institutional risk assessment</i> must be revised and translated into plans, policies or procedures at least annually and presented to the regulator.	R1

The <i>National AML/CFT report</i> should be presented in the parliament annually according to section 44H of ALPA.	R.2
The country <i>criminalised</i> hundi, human smuggling, piracy, terrorist activities, foreign terrorist fighters and virtual currency.	R.3, 5, 15
Nepal considers <i>registered auditors as DNFBP</i> besides accountants (MER, 2023). Nepal-FIU shall approve an <i>independent auditor</i> for AML/CFT. The AML/CFT Audit shall be conducted for Banks and Financial Institutions (BFIs), brokers, casinos, cooperatives, insurance companies, merchant banks, real estate businesses and other specified companies. The <i>auditors are designated as REs for the sole purpose of reporting suspicious transactions</i> . It added the accountants who provide taxation, financial, business consultancies or advisory services in the organisation of contributions for the creation, operation or management of companies (c.22.1(d)(iv) to constitute REs. Equity funds, hire purchase loan providers, investment companies, vehicle selling companies and venture capitals are <i>additional inclusions as REs</i> .	R.18, 20, 22, 23, 29
The Tourism Act has incorporated the licensing, regulation, and supervision of <i>casinos</i> with criminal offences. The Land Revenue Act shall deal with the licensing, regulation and supervision of <i>real estate</i> with criminal offences, involving a certain sector whose transactions exceed a specified sum or cover more than a specified area.	R.22
The NRB Act was amended to include the issuance of standards and directives for regulation, monitoring and supervision of <i>financial cooperatives</i> . The NRB also introduced the <i>AML/CFT directives for hire purchase companies</i> in 2024 specifying aspects like CDD, enhanced CDD, reporting threshold transactions and suspicious transactions via <i>goAML software</i> .	R.10,20, 26
As per ALPA (2024), employees from various LEAs, regulatory bodies or other relevant entities can be deployed at the FIU.	R.2,29
The <i>sharing of BO information</i> has been <i>extended to legal persons</i> . In case of non-declaration or false declaration of information, there shall be civil confiscation of properties and a levy of fines (FIU-Nepal Newsletter, 2024). The amendment shall enable service providers like accountants too to access such information.	R.24

5.2.6 Pakistan

Table 5.6: Best Practices in AML/CFT Compliance Regime of Pakistan	
Best Practice	Category
In 2023, the FMU conducted a <i>strategic analysis</i> and issued a <i>guidance</i> document on ML/TF risks for hawala/hundi, frequent foreign remittances, branchless banking sector, NPOs and proscribed individuals linked with extremist or organised crime.	R.2, 3, 8, 29
AML (<i>Forfeited Properties Management</i>) rules, 2021 were developed including elements like establishing a central asset recovery office and disclosing information on properties to other stakeholders for expeditious confiscation and forfeiture of properties.	R.4
A detailed <i>assessment of TF threats</i> was carried out in the 2023 NRA. A total of 87 terrorist organisations were assessed.	R.5
The FMU issued NRA <i>guidelines for REs on suspicious transactions</i> to improve the STR reporting regime to align NRA 2023 results. A new type of STR was introduced, “STR-T” which delves into all elements of TBML.	R.20
The requirements of R.23 are supported by the <i>AML/CFT guide for accountants</i> developed by the ICAP in 2018. The guide stated the red flags to be considered by the practising firms and provided details of the red flags by categorising them into country or geographic risk, client risk, product, service or delivery method risk and other risk factors. STR forms are attached along with filing guidance notes and red flag indicators.	R.23
The year 2023 witnessed the processing of 102 <i>international cooperation</i> requests. The FMU signed MOUs with counterpart FIUs of Japan, Indonesia and South Africa which marks a total of 18 MOUs.	R.40

<p><i>Risk-based supervision</i> was conducted for accountants, DPMS and real estate; and commenced for lawyers. Certain details of such supervision can be set as an example for other nations:</p> <p>A. Offsite supervision of lawyers is based on 3 categories of lawyers, to be covered in 2 phases:</p>		R.28
Category	Lawyers	Phases
Category I	Lawyers registered as intermediaries under the Intermediaries Registration Regulations (2017) issued in pursuance of the Companies Act, 2017(section455)	Phase I (population determination survey) is completed for these two categories of lawyers
Category II	Lawyers providing services to AMCs (Asset Management Companies)	
Category III	Other lawyers	Phase II (offsite monitoring questionnaire) is ongoing for this category of lawyer
<p>For ICAP/ICMAP-supervised accountants, the supervision comprised identifying and analysing ML/TF risk at the sector and reporting firm levels. Offsite monitoring was completed. ICAP and ICMAP, respectively, completed onsite inspections for 19 and 8 firms. Both supervisors conducted thematic inspections covering medium—and low-risk-rated firms (FUR, 2022).</p>		

5.2.7 Sri Lanka

Table 5.7: Best Practices in AML/CFT Compliance Regime of Sri Lanka

Best Practice	Category
The country developed the 2 nd <i>National AML/CFT Policy</i> (2023-2028) based on 2021-22 NRA results thus, updating the previous policy of 2015-2020. The overall risk level of ML and TF was assessed as medium.	R.2
In 2017, the Inland Revenue Act was amended to <i>introduce tax evasion as an offence</i> with strong and dissuasive penalties.	R.3
All international and national-level foreign-funded <i>NGOs</i> must re-register under the National Secretariat for NGOs. NGOs not registered, or registered with other institutions like the District Secretariat or the Divisional Secretariat must be monitored and reported. Enhanced CDD measures must be conducted while entering into a relationship with an NGO/NPO or charity.	R.8,10
Sri Lanka is the sole country among the seven to issue <i>AML/CFT directives for all the DNFBSs</i> . Concerning auditors, service providers must be aware that an auditor has an obligation under the FTRA to submit an STR in case of suspicion of ML/TF transaction (s) during the audit. Out of the specific red flags for the accounting sector issued by Afghanistan, India, Nepal, Pakistan and Sri Lanka; the country listing them comparatively in a comprehensive manner alongside case studies as examples of ML/TF through accountants is Sri Lanka (Guidelines, 2020).	R.20, 23
The comprehensive disclosure of cash and EFT transactions and STR have now been upgraded to an online reporting system (<i>goAML system</i>) at GoAML Home (fiufin.cbsl.lk) .	R.20,29
The FIU issued guidelines for financial institutions recommending them to install a strong <i>CCTV system</i> in business premises. Conducting CDD here is part of internal controls, policies and procedures for efficient ML/TF risk control and mitigation.	R.18
The FIU collected a total of Rs.17 million <i>administrative penalties</i> from September 2023-April 2024 (Rs.14 million from 27 September-31 December 2023 and Rs.3 million from 1 January -30 April 2024) for compliance lapses to the FTRA provisions and CDD rules.	R.35

The new Anti-Corruption Act (2023) authorised the CIABOC to disclose relevant information to any investigation by any local law enforcement or other government authority. FIU signed an <i>MOU with the CIABOC</i> and entered into MOUs with 45 foreign counterparts to share intelligence information.	R.40
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5.3 Roles and responsibilities of accountants in identifying and mitigating ML/TF risks

The comprehensive analysis of the role of accountants in ML/TF risks within the AML/CFT framework highlights the essential skills, reporting procedures, successful initiatives, best practices and valuable recommendations to bolster the AML/CFT regime in the region.

Key findings have been delineated as follows:

5.3.1 Demographic description

Table 5.8 showcases the demographic characteristics of the respondents incorporating their profession, gender, age, experience, highest educational qualification and country. The CAs were a majority reflecting their significant role in AML/CFT activities. The gender distribution was notably skewed with males constituting 84.6%. The mean age of 44.6 years with a standard deviation of 12.6 years, indicates the predominance of mid-career professionals. The mean professional experience was 19.4 years with a standard deviation of 12.1 years, signifying diverse insights gleaned from both experienced professionals and newer entrants. A substantial 51% of the respondents held a Master’s degree, revealing high academic qualifications. The highest responses came from India, Sri Lanka and Nepal. The diverse demographic profile provided a comprehensive understanding of accountants’ role in mitigating ML/TF across varying contexts.

Variable	Particulars	N = 104 (100%)	Mean	SD
<i>Respondent Group</i>	CA	72(69.2%)	-	-
	CMA	13(12.5%)	-	-
	CS	3(2.9%)	-	-
	Other	16(15.4%)	-	-
<i>Gender</i>	Male	88 (84.6%)	-	-
	Female	16 (15.4%)	-	-
<i>Age (in years)</i>	-	-	44.6	12.6
<i>Experience</i>	-	-	19.4	12.1
<i>Highest Educational Qualification</i>	Bachelor	40(38.5%)	-	-
	Masters	53(51%)	-	-
	Doctoral	1(1%)	-	-
	Other	10(9.6%)	-	-
<i>Countries</i>	India	29(27.9%)	-	-
	Sri Lanka	28(26.9%)	-	-
	Nepal	24(23.1%)	-	-
	Pakistan	17(16.3%)	-	-
	Bangladesh	5(4.8%)	-	-
	Maldives	1(1.0%)	-	-

Source: Author’s computation

5.3.2 Role of accountants in managing ML/TF risks

Table 5.9 presents a summary of accountants' role in ML/TF risk management. The responses regarding the same were gleaned by posing seven statements on a scale of 1 to 7, 1 being 'strongly disagree' and 7 being 'strongly agree'.

Statements	Mean	SD
Statement I: Accountants should avoid activities that classify them as 'reporting entities' to minimize legal liability.	4.27	2.226
Statement II: Not using a risk-based approach (e.g., failing to use a risk assessment checklist) increases ML/TF risk.	5.20	1.982
Statement III: Accountants must be knowledgeable about FATF recommendations.	5.75	1.569
Statement IV: Familiarity with International Conventions and Resolutions (e.g., the Vienna, Palermo, Merida, and Terrorist Financing Conventions) is essential for accountants.	5.12	1.697
Statement V: Accountants should be well-versed in AML compliance laws and stay updated with current AML/CFT policies.	5.68	1.609
Statement VI: Having AML certification and specializing in anti-money laundering is crucial for accountants.	5.08	1.676
Statement VII: Accountants must implement KYC (Client Due Diligence) procedures to mitigate ML/TF risks.	5.59	1.605

Source: Author's computation

Table 5.9 revealed that Statement III received the highest mean score ($\bar{x} = 5.75$, $SD=1.569$), reflecting a strong consensus on the importance of being well-informed about global AML/CFT standards. Statement I with a mean of 4.27, suggests that avoiding activities that classify accountants as 'reporting entities' to minimize legal liability is not a very popular option amongst accountants. The overall results unveiled a consensus among respondents on the crucial role of accountants in managing ML/TF risk, particularly concerning the knowledge of FATF recommendations, AML laws, staying updated with AML/CFT policies and implementing KYC/CDD procedures.

Further, a Mann-Whitney U test was conducted to examine the differences in the level of agreement between male and female respondents on the role of accountants in managing ML/TF risks.

Statements	Gender	Mean Rank	Z value	P value
Statement I: Accountants should avoid activities that classify them as 'reporting entities' to minimize legal liability.	Male	54.18	-1.353	0.176
	Female	43.25		
Statement II: Not using a risk-based approach (e.g., failing to use a risk assessment checklist) increases ML/TF risk.	Male	52.75	-0.205	0.838
	Female	51.13		
Statement III: Accountants must be knowledgeable about FATF recommendations.	Male	53.59	-0.913	0.361
	Female	46.50		
Statement IV: Familiarity with International Conventions and Resolutions (e.g., the Vienna, Palermo, Merida, and Terrorist Financing Conventions) is essential for accountants.	Male	54.42	-1.56	0.119
	Female	41.94		

Statement V: Accountants should be well-versed in AML compliance laws and stay updated with current AML/CFT policies.	Male	53.02	-0.43	0.667
	Female	49.66		
Statement VI: Having AML certification and specialising in anti-money laundering is crucial for accountants.	Male	53.82	-1.067	0.286
	Female	45.25		
Statement VII: Accountants must implement KYC (Client Due Diligence) procedures to mitigate ML/TF risks.	Male	53.44	-0.775	0.439
	Female	47.34		

Source: Author's computation

The results in Table 5.10 reveal no statistically significant gender differences in perceptions of accountants' roles in managing ML/TF risks across all seven statements (p -values > 0.05). This lack of significant differences suggests a consensus among male and female accountants regarding the importance of these seven statements indicative of accountants' roles in ML/TF risk management.

Further, the Kruskal Wallis test was conducted to explore the differences in ratings of accountants' role in ML/TF risk management across diverse professional groups. Table 5.11 highlights the test results.

Table 5.11: Differences in ML/TF risk management ratings using the Kruskal-Wallis's test across Professions		
Statements	Chi-Square (χ^2)	P value
Statement I: Accountants should avoid activities that classify them as 'reporting entities' to minimize legal liability.	1.023	.796
Statement II: Not using a risk-based approach (e.g., failing to use a risk assessment checklist) increases ML/TF risk.	8.150	.043
Statement III: Accountants must be knowledgeable about FATF recommendations.	7.270	.064
Statement IV: Familiarity with International Conventions and Resolutions (e.g., the Vienna, Palermo, Merida, and Terrorist Financing Conventions) is essential for accountants.	3.791	.285
Statement V: Accountants should be well-versed in AML compliance laws and stay updated with current AML/CFT policies.	3.302	.347
Statement VI: Having AML certification and specializing in anti-money laundering is crucial for accountants.	2.640	.451
Statement VII: Accountants must implement KYC (Client Due Diligence) procedures to mitigate ML/TF risks.	6.824	.078

Source: Author's computation

The result of the Kruskal Wallis test reflected in Table 5.11 shows a significant difference in perceptions for statement II ($p < 0.05$). This advocated that opinion varies across professional groups concerning the importance of risk-based approaches in mitigating ML/TF risks. In contrast, those in operational roles or with less AML/CFT focus may not prioritize these frameworks as highly, leading to the observed variation in perceptions. Albeit these differences, there is general agreement across professional groups on most other aspects of accountants' roles in managing ML/TF risks.

5.3.4 Skills for enhancing accountants' effectiveness in AML/CFT

Table 5.12 presents an analysis of key skills perceived as essential for general accountants working in the AML/CFT domain. The table outlines the mean values, standard deviations and rankings of various skills that provide insights into the competencies that are considered most crucial for enhancing accountants' effectiveness in these fields.

Skills	Mean	SD	Rank
Ability to trace Trade misinvoicing	5.54	1.683	9
Analytical, Logical, and Critical thinking skills	5.82	1.739	4
Unstructured Problem-solving skills	5.40	1.610	12
Ability to critically analyse financial statements	6.02	1.757	1
Skills to evaluate the effectiveness of internal control systems	5.97	1.721	2
Professional scepticism and sound judgment	5.91	1.719	3
Fraud investigation skills	5.66	1.580	6
Business / Assets valuation skills	5.34	1.605	13
Assets tracing skills	5.45	1.551	10
Loss quantification skills	5.21	1.629	15
Court testifying expertise	4.62	1.490	17
Evidence-gathering and compilation skills	5.41	1.676	11
Advanced computer skills	5.63	1.631	7
Text analysis skills	5.32	1.603	14
Proficiency in programming languages	4.32	1.742	20
Ethical Hacking	4.42	1.711	19
Recovery of digital data	4.59	1.687	18
Digit analysis skill	5.06	1.513	16
Interpersonal skills	5.79	1.581	5
Interview and Interrogative skills	5.58	1.525	8

Source: Author's computation

The results in Table 5.12 reveal that the “ability to critically analyse financial statements” is the most important skill for accountants ($\bar{x} = 6.02$, $SD=1.76$). Scrutiny of complex financial data makes this skill indispensable. In contrast, “proficiency in programming languages” ($\bar{x} = 4.32$, $SD = 1.74$) and “ethical hacking” ($\bar{x} = 4.42$, $SD = 1.71$) are ranked among the lowest skills as accountants in the AML/CFT domain may not be directly involved in such technical tasks that are often handled by IT specialists. The finding reveals the respondents prioritized traditional financial analysis, internal control evaluation, and critical thinking over technical proficiencies like programming in the AML/CFT domain.

Further, exploratory factor analysis was employed to identify key factors and the percentage of variance accounted by the factors was analysed. Preliminary tests confirmed good factorability of the data set with Kaiser-Meyer-Olkin (KMO) = 0.933 and Bartlett's test of sphericity being significant (sig = 0.000). The factor analysis reveals that 2 factors explained 78.13% of the total variance. Table 5.13 shows the result of the factor analysis using the principal component extraction method with varimax rotation converging in 25 iterations.

Skills	Factor 1	Factor 2	Percentage of variance (%)
Ability to trace Trade misinvoicing	0.795		63.536
Analytical, Logical, and Critical thinking skills	0.916		
Unstructured Problem-solving skills	0.841		
Ability to critically analyse financial statements	0.928		
Skills to evaluate the effectiveness of internal control systems	0.951		
Professional scepticism and sound judgment	0.959		

Fraud investigation skills	0.865		
Business / Assets valuation skills	0.775		
Assets tracing skills	0.768		
Loss quantification skills	0.751		
Evidence-gathering and compilation skills	0.796		
Advanced computer skills	0.815		
Text analysis skills	0.813		
Interpersonal skills	0.827		
Interview and Interrogative skills	0.768		
Court testifying expertise		0.707	14.567
Proficiency in programming languages		0.919	
Ethical Hacking		0.914	
Recovery of digital data		0.919	
Digit analysis skill		0.656	

Source: Author's computation

The skills identified under these two factors can be broadly clubbed under the following heads:

- i. *Forensic Investigation and Analytical Competencies*: This factor accounted for 63.536% of the total variance which represents a broad set of analytical and investigative skills critical to the field. Skills like high analytical thinking and critical problem-solving are crucial for identifying potentially fraudulent activities or irregularities
- ii. *Advanced Digital and Expert Testimony Competencies*: The second most important factor accounted for 14.567% of the total variance which highlights the technical competencies necessary for forensic accounting and digital investigations. This factor reveals the growing need for accountants to possess advanced digital and forensic capabilities to combat sophisticated ML schemes involving digital platforms and technologies.

The result of factor analysis emphasizes the dual importance of both analytical skills and technical expertise in the AML field, highlighting the necessity for a multidisciplinary skill set for professionals in this sector to efficiently and effectively combat ML/TF risks.

Further, the Jonckheere-Terpstra Test was conducted to determine whether the skill ratings for enhancing accountants' effectiveness in AML/CFT varied with the level of experience of respondents. Table 5.14 highlights the test findings.

Skills	Std. J-T Statistic	P value
Ability to trace Trade misinvoicing	0.958	0.338
Analytical, Logical, and Critical thinking skills	0.996	0.319
Unstructured Problem-solving skills	1.043	0.297
Ability to critically analyse financial statements	0.01	0.992
Skills to evaluate the effectiveness of internal control systems	0.294	0.769
Professional scepticism and sound judgment	2.528	0.011
Fraud investigation skills	1.296	0.195
Business / Assets valuation skills	-0.006	0.995
Assets tracing skills	1.392	0.164
Loss quantification skills	1.355	0.176
Court testifying expertise	-0.21	0.834

Evidence-gathering and compilation skills	0.579	0.562
Advanced computer skills	1.348	0.178
Text analysis skills	0.308	0.758
Proficiency in programming languages	-0.261	0.794
Ethical Hacking	-2.199	0.028
Recovery of digital data	-1.745	0.081
Digit analysis skill	-0.808	0.419
Interpersonal skills	-0.11	0.913
Interview and Interrogative skills	0.575	0.565

Source: Author's computation

The Jonckheere-Terpstra Test results in Table 5.14 explore the relationship between professional experience and the perceived importance of various skills for accountants in ML/TF. Significant differences in perceptions across experience levels are noted for two specific skills; professional skepticism and sound judgment ($p = 0.011$) and ethical hacking ($p = 0.028$). For the remaining skills, no significant differences were observed, revealing their consistent perception across various levels of professional experience.

5.3.5 Methods for uncovering suspicious activities in ML/TF

Effective detection of suspicious activities is crucial for accountants working in the AML/CFT system. Table 5.15 explores the perspectives of respondents on the most commonly used techniques for detecting suspicious activities. In the study, respondents were provided eight options, allowing for the selection of multiple methods if applicable. Seven specific methods for detection were prescribed alongside an "others" option to capture additional approaches.

Methods/Procedures (M)	N	Percentage (%)
M1. Transaction Monitoring Systems: Automated tools and software that analyse transactions for unusual patterns.	62	59.6
M2. Manual Reviews: Periodic reviews of transactions and account activities by staff.	77	74
M3. Customer Due Diligence: Verifying the identity and assessing the risk of customers.	68	65.4
M4. Enhanced Due Diligence: Additional scrutiny for high-risk customers and transactions.	61	58.7
M5. Suspicious Activity Reports (SARs)/Suspicious Transaction Reports (STRs): Filing reports with authorities when suspicious activities are identified.	58	55.8
M6. Use of Red Flags: Following specific indicators or red flags for suspicious behaviour.	56	53.8
M7. Internal Whistleblowing Mechanisms: Encouraging employees to report suspicious activities internally.	66	63.5

Note: The total percentage is more than 100 because of multiple responses.

Source: Author's computation

Table 5.15 presents the findings on the perspectives of respondents regarding methods for detecting suspicious activities related to ML/TF. The most frequently utilized detection method, with 74% of respondents indicating its utility, is 'Manual Reviews', which involves periodic examination of transactions and account activities by staff. This high percentage advocates a strong reliance on human oversight for identifying suspicious activities. In contrast,

the lowest use of ‘Use of Red Flags’ (53.8%) could be attributed to the varying rate of issuance and comprehensiveness of red flags among countries. Presently, specific red flags for the accounting sector have been issued by Afghanistan, India, Nepal, Pakistan and Sri Lanka; with merely Sri Lanka listing them comparatively in a comprehensive manner alongside case studies as examples of ML/TF through accountants. The results recommend a strong preference for manual and procedural approaches, with technology playing a supplementary role in the detection of suspicious activities.

In addition to the preidentified detection methods for ML/TF, respondents were invited to provide additional insights through the "others" option. The comments are categorized into the following themes.

a. Legal Compliance and Client Identification

Respondents highlighted the importance of both recognizing “blacklisted citizens” and leveraging “industry data, local VIP contacts, and sales agents’ knowledge” to identify suspicious activities. This shows that a thorough understanding of the accountant’s client’s background combined with legal compliance plays a crucial role in detecting ML/TF risks.

b. Use of External Data, Technology, and Whistleblower Protection

Respondents mentioned using “Specified Financial Transactions (SFT) reports generated on the Income Tax Portal” and “negative news” as resources for detecting suspicious activities. Negative news could be ascribed to the importance of media reports for detecting potential ML/TF risks. Additionally, the call for a “Whistleblower protection policy” underlines the importance of fostering an environment where employees can report suspicious activities without fear of retaliation. The reliance on technology and external data, combined with internal safeguards, is seen as essential for effective risk mitigation.

A combination of legal compliance, better access to information, the use of technology, and internal safeguards such as whistleblower protection is crucial to improving the effectiveness of the AML/CFT framework.

5.3.6 Reporting ML/TF risks

The critical AML/CFT arena engenders the accurate and timely reporting of ML/TF risks. Diverse procedures like direct reporting to authorities or automated reporting systems are used for reporting suspicious transactions. Reporting suspicious transactions facilitates diligent oversight and discretion in deciding what to report (Hall, 1995). The survey specified six reporting procedures along with an ‘others’ option wherein multiple options could be opted by respondents as applicable. Table 5.16 illustrates the utilization of the reporting procedures by accountants.

Table 5.16: Standard formats or procedures for reporting suspicious transactions

Formats/Procedures (P)	N	Percentage (%)
P1. Standard Reporting Forms: Using standardized forms provided by regulatory bodies.	66	63.5
P2. Internal Reporting Protocols: Following internal procedures and formats for documenting and reporting.	53	51
P3. Direct Reporting to Authorities: Submitting reports directly to regulatory or law enforcement agencies.	38	36.5
P4. Automated Reporting Systems: Utilizing software that integrates with reporting requirements.	30	28.8
P5. Regular Reporting: Reporting on a scheduled basis, such as quarterly or annually.	41	39.4

P6. Ad-Hoc Reporting: Reporting as incidents arise without a set schedule	41	39.4
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Note: The total percentage is more than 100 because of multiple responses.

Source: Author's computation

Table 5.16 presents an insightful overview of the diverse suspicious transaction reporting formats or procedures used by respondents to combat ML/TF risks. The highest utilised reporting format is the 'Standard reporting forms' provided by the regulatory bodies with 63.5% of respondents indicating its usage, signifying high priority among the professionals for standardized documentation and regulatory compliance. For instance, Sri Lanka has a prescribed format of STR attached under Schedule V of the 2017 Suspicious Transactions (Format) Regulations in Appendix II (STR Regulations, 2017). REs of Bangladesh have the option for manual submission of STR/SAR as per the BFIU-prescribed format of the reporting forms (STR guidance, 2019).

Two of the procedures, viz., 'Regular reporting' and 'Ad-hoc reporting' earned equal responses, indicating 39.4% usage thus, pinpointing their complementary roles. While regular reporting promotes systematic monitoring and ongoing vigilance, ad-hoc reporting allows the flexibility to address emergent and unforeseen risks as they arise. Both procedures emphasise the crucial role of balancing structured routine assessments with the ability to manage dynamism in the AML/CFT system, thereby, facilitating comprehensive risk management. Further, the least employed reporting procedure is the 'Automated reporting system' with 28.8% of respondents reflecting its usage. Its low usage could be attributed to limited access to technology or training, complexity and a preference for manual methods. Despite the gradual adoption of systems like goAML (e.g. its implementation by Pakistan in 2019 and the discontinuation of manual STR reporting since 1 January 2020), the aforementioned factors contribute to its low adoption rate, thus, signifying a potential area for improvement.

In addition to the specified formats for reporting suspicious transactions, respondents were invited to provide additional insights through the "others" option. This enabled bringing out additional ML/TF risk reporting procedures. The comments are categorized into the following themes.

a. Alternative reporting procedure

A respondent outlined the usage of AIF (Additional Information File without Transaction(s)) for reporting. As AIF is initiated when the FIU requires more specifics while examining STR/SAR (GoAML report, 2024), it enhances accountants' ability to furnish more accurate and detailed reporting, thereby improving the effectiveness of AML/CFT compliance and risk management.

b. Formal investigation, verification and guidelines-based reporting

The theme encompasses reporting *"based on whistle-blower reports or where incidents are already identified and the entities have been either commissioned by their Board of Directors or regulators or law enforcement agencies to undergo the formal investigation and based on that carrying out the verification/ review and presenting the findings in the form of a formal report. In the case of financial institutions, assessing the effectiveness of the AML/CFT program is based on the guidelines or directions issued by the Central Bank"*. Such procedures aid accountants in ML/TF risk reporting by ensuring rigorous review and verification of incidents, guided by formal investigations as well as Central Bank guidelines.

These additional insights provided by professionals outline the necessity for adaptive and comprehensive procedures of ML/TF risk reporting. The AIF facilitates detailed and accurate

reporting while the use of formal investigation, verification and guidelines-based reporting aids rigorous verification and review, thus strengthening the effectiveness of accountants in AML/CFT efforts.

The study further encompassed an optional open-ended question regarding additional details of the standard procedures used by respondents for reporting suspicious transactions. Several key themes have emerged from the responses as demarcated below:

I. Reporting to the top management and regulatory agencies

In this regard, a respondent notes that *"Generally the same is done through written representations to the people charged with governance or the Board of Directors,"* accentuating the role of senior management in overseeing these processes. Another comment adds that *"Management reporting to the Regulator"* is a key step when suspicious activity is identified. This theme stresses the hierarchical nature of the reporting process, where higher-level authorities are informed when red flags surface, ensuring that accountability is maintained at the governance level.

II. Mandated reporting

A comment states, *"As per required by law and regulatory body"*, which highlights the mandatory nature of reporting under legal obligations. *"Using the Format issued by the Regulator and same is incorporated to Internally Developed ERP"* signifies that organizations follow prescribed legal procedures to ensure AML/CFT regulatory compliance. Such reporting aids accountants in reinforcing structured formats and maintaining AML/CFT compliance.

III. Enterprise Risk Management Procedures

"All STR/SAR incidents are reported internally on the SAR tool, followed by an internal review involving the Money Laundering Reporting Officer (MLRO) or Deputy MLRO". This comment suggests that accountants play a crucial role in ML/TF risk management by utilising robust internal frameworks that allow for comprehensive monitoring and reporting. Additionally, *"Risk Registers as prescribed by Enterprise Risk Management Manual"* are used as part of internal risk management practices, which align with enterprise-level risk monitoring frameworks.

IV. Informal communication network

Responses like *"Informal discussions are carried out and gather hints to report"*, and *"No separate format used"* suggest that, in some cases, organizations may rely on less formalized approaches to identify suspicious activities. This can be an effective way to supplement (not substitute) the formal structure for bringing efficiency in the reporting of ML/TF risks by accountants.

V. Absence of standardization

Comments like *"There are no standard formats which exist for the accountants to report AML/CFT"* or *"No such standard formats or procedures used"* highlight gaps in the establishment of uniform reporting protocols, especially for accountants and other non-banking sectors, which could lead to inconsistencies in the reporting process.

VI. Incident-driven reporting

Several respondents view reporting as often driven by specific incidents rather than a standardized routine. E.g. *"Reporting to authorities as and when suspicious and significant unusual transaction comes to notice"* underscores the reactive nature of the process, while

another comment mentions, "Emails" as a method of communication when suspicious transactions arise and another highlights the use of "Risk Registers". These responses suggest that incident-driven reporting may be the norm in certain organizations, where the detection of anomalies triggers the reporting process.

The analysis of these responses reveals a diverse range of practices in reporting suspicious transactions, pinpointing valuable insights for accountants' role in ML/TF risk management.

5.3.7 AML/CFT training

To comprehend the varied ways in which accountants receive AML/CFT training, respondents were requested to select multiple options that best describe their training experiences alongside an 'others' option to understand additional training modes if undertaken. The question aims to capture the scope of AML/CFT training, stressing the numerous pathways through which professionals enhance their knowledge and skills in this critical arena. The data presented in Table 5.17 reveals the varied approaches to AML/CFT training among respondents.

Table 5.17: Prevalence of AML/CFT training modes among respondents		
Mode of AML/CFT training	N	Percentage (%)
Yes, Formal Training: Completed a structured training program with specific duration and topics.	24	23.1
Yes, Informal Training: Received training through workshops, seminars, or on-the-job learning.	34	32.7
No Training: Have not received any AML/CFT training.	45	43.3
Training in Progress: Currently undergoing training with ongoing sessions.	6	5.8
Self-Study: Engaged in self-study or online courses related to AML/CFT.	39	37.5

Note: The total percentage is more than 100 because of multiple responses.

Source: Author's computation

As indicated by Table 5.17, notably, 43.3% of respondents specified they had not received any training. It reflects a prominent gap that emphasizes the pressing need for mandatory training programs to ensure all professionals are equipped with the necessary skills and knowledge. The least reported training mode is 'training in progress', at 5.8%, indicating that ongoing training initiatives are relatively infrequent. The SRB of accountants should organize and facilitate more AML/CFT training programs for its members through ongoing employee training programs or by encouraging participation in relevant courses offered by the SRB (Omar et.al., 2015). The findings underline the critical need for more structured and comprehensive training opportunities to bolster the efficacy of AML/CFT systems.

The study further incorporated an optional open-ended question to provide additional details about the training programs, topics undertaken and training duration. The insights from respondents are categorised into the following key themes:

➤ **Types of Training**

Formal training programs: Examples include "training conducted by the SAFA AML CFT committee and NRB of Nepal", a "five-day Account and Financial Management System Training" and "basic training and workshop from the Securities and Exchange Commission of Pakistan". Further, "annual training sessions are provided to update on the relevant AML/CFT regulations and organizations' internal AML/CFT policies, procedures, systems and controls". These structured programs provide a comprehensive and standardized foundation, ensuring that accountants are well-informed to handle complex AML/CFT cases.

Informal and on-the-job training: Examples include “*on-the-job exposure especially dealing with lending institutes for export bill processing*” and experiences from “*working as a Compliance and Risk Officer for a large department in a private bank*”. Such training augments practical skills and real-world application, crucial for instantaneous and active responses to AML/CFT scenarios.

Online and self-study: E.g. “*1-day online training about AML/CFT*”, “*online session by the Regulatory Authority*” and “*e-learning and online courses to adhere to AML laws and regulations and create awareness of the responsibilities and roles in preventing Money Laundering*”. A relevant response on e-learning modules is cited below:

“It is effective if the respective regulators and FATF arrange to make available e-learning modules. Such should be made available in a non-technical manner (easy to understand). This may include videos, tick-tock presentations, case studies and role-playing. Such can be used to educate staff members of other entities. FATF’s policy of releasing their training modules ONLY to government institutions on request has to be revisited. The ML/TF can be managed only by educating the general mass”.

➤ **Content of training**

Comprehensive coverage of AML/CFT topics: Topics cited by respondents include “*money laundering cases, layering*”, “*AML-CFT regimes*”, “*blacklisted customers*”, “*reporting about fraud and illegal transactions*”, “*initial briefing*”, the role of compliance officers, Association of Certified Anti-Money Laundering Specialists (*ACAMS*) topics on *CDD, EDD, transaction monitoring, STR submission and red flag indicators*. The wide-ranging content ensures that accountants are well-versed in various facets of AML/CFT, equipping them to identify and mitigate financial crimes efficaciously.

Case studies and practical application: The call for a training program designed for the study of the case of a particular organization and understanding how it is financially performing aligns training with practical scenarios. This approach lets accountants apply theoretical knowledge to real-world situations, enhancing the relevance and impact of their training.

Regular and specialised certification courses: E.g. annual certificate courses in CDD and being a Certified Banking Compliance Professional. Such certifications establish a commitment to continuous education and ensure that accountants possess advanced AML/CFT knowledge and skills.

➤ **Training duration and frequency**

Short-term courses: E.g. “*1-day online training about AML/CFT*”, “*3 days training*”, “*five-day Account and Financial Management System Training*”. Such courses facilitate quick and focused learning experiences, ideal for covering specific AML/CFT topics in a short period.

Regular and Periodic Training: A respondent cited “*Workshops/training sessions arranged by the regulator on a periodic basis*”. Training regularly keeps accountants posted on current AML/CFT developments, ensuring ongoing proficiency and compliance.

These insights emphasize a robust, multifaceted training framework that significantly develops the proficiency and effectiveness of accountants in AML/CFT efforts.

5.3.8 Successful AML initiatives led or participated in by accountants

Respondents were invited to select multiple options from six specific initiatives ranging from policy implementation to cross-departmental projects thus, determining their level of

involvement alongside an ‘others’ option to capture additional insights. Table 5.18 summarises the level of engagement of respondents in each AML initiative.

Table 5.18: Successful AML initiatives led or participated by accountants		
Successful AML initiatives	N	Percentage (%)
A1. Implementation of New Policies: Developing and implementing new AML policies and procedures.	48	46.2
A2. Successful Investigations: Leading investigations that resulted in identifying and mitigating ML/TF risks.	30	28.8
A3. System Enhancements: Upgrading or improving AML monitoring systems.	38	36.5
A4. Training Programs: Developing and delivering training programs that improved AML/CFT practices.	48	46.2
A5. Regulatory Compliance: Ensuring compliance with new or updated AML/CFT regulations.	66	63.5
A6. Cross-Departmental Projects: Working on initiatives that involved multiple departments or external partners.	31	29.8

Note: The total percentage is more than 100 because of multiple responses.

Source: Author’s computation

Table 5.18 showcases that the highest initiative undertaken by 63.5% of respondents is “Regulatory compliance”, placing a significant emphasis on adhering to AML/CFT rules, staying abreast of regulatory changes and upholding legal compliance for effective ML/TF risk management. The lowest utilised AML initiatives are “Successful initiatives” and “cross-departmental projects” garnering response rates of 28.8% and 29.8% respectively. This reflects potential gaps in collaborative and investigative efforts. Implementing targeted investigative training and fostering stronger inter-departmental cooperation and coordination could enhance these areas, ensuring a more comprehensive approach to AML/CFT efforts.

In addition to the preidentified AML initiatives, respondents were provided with “others” option to share additional insights. The responses yielded certain themes, which are delineated below.

A. Quality of leadership in entities

A respondent cited: *"The AML procedures are not activated in each audit assignment. We make an assessment of the involvement of executive and non-executive leadership in the state of the entity."* It showcases the importance of evaluating the engagement in both executive and non-executive leadership in AML procedures. Ensuring active leadership is paramount to accountants for effective implementation and oversight of AML initiatives in organisations.

B. Accountants’ engagement in combating ML/FT risks

A respondent *"has helped in disseminating knowledge on ML/TF matters at industry level via Compliance officers’ association in all banks in the country. Have served in the executive committee for more than 10 years, served in subcommittees such as Training, Publications, Social etc."* It reflects the pivotal role of leadership, active participation and industry-wide cooperation and collaboration that aid accountants in significantly strengthening the AML/CFT regime of a country.

Further, an optional open-ended question was incorporated into the study to gain additional insights into certain examples and outcomes of AML initiatives led by accountants. Several emergent themes from the responses have been demarcated below that may act as guidelines supporting accountants in ML/TF risk management.

a. Development and implementation of AML/CFT Policies

Accountants formulate the AML-CFT Policy, develop the STR Reporting framework and guidelines, and implement the Automated Transaction Monitoring System and reporting through goAML software in the production environment. The four most relevant responses in this regard are quoted below:

"Development, implementation and execution of new AML/CFT policies, which were more comprehensive, detailed and provided clear guidelines to employees that lead to a better understanding of the AML/CFT regulations and internal systems".

"Implementation, execution and monitoring of new AML/CFT systems, improving the overall time to perform the AML/CFT procedures."

"Implementation of new policies that all payments and receipts should be made via banking channel and minimise the use of cash for payment to any vendor or supplier and keep track of all the receipts so that these can be produced in any authority in case of any inquiry".

"Blacklist any suppliers who refuse to sign off on the company code/rules".

Such initiatives exude the efficacy of accountants in AML/CFT systems, enable tracing of suspicious transactions and illicit ML/TF activities, and promote accountability and transparency.

b. Training and diffusion of knowledge

In this regard, examples cited by respondents include - *"webinars by ICAP"*, *"comprehensive AML/CFT training, with examples, to provide clear instructions to employees engaged in providing AML/CFT services that resulted in enhanced understanding of the requirements of the law"*. Further respondents *"conducted sessions with practising members and educated them"*, and educated relatives about using official channels of the government while engaging in money transfers to and from abroad. Regular training and diffusion of knowledge are fundamental in arming accountants and stakeholders with the essential skills to combat ML/TF thereby, strengthening the AML/CFT regulatory compliance.

c. Leadership and investigation

Two relevant responses in this regard have been quoted below:

"Provided the leadership in developing a fully-fledged CDD process to the organization".

"As a team lead, more recently I have carried out the investigation of the misappropriation of funds of National Highway Authority for Hyderabad-Sukkur Motorway (M-6) which was commissioned by the State Bank of Pakistan which broadened our team's understanding relating to AML/CFT regime in Pakistan (laws and regulations), along with guidelines and reporting requirements by FMU".

These insights reflect the crucial role of accountants in conducting CDD and investigation to assess client risk profiles and detect illicit ML/TF activities. It is the accountants who leverage their expertise to identify suspicious activities and ensure adherence to AML/CFT regulations.

d. Cross-departmental collaboration and industry-level engagement

"Extensive discussions with senior bank officers' teams regarding AML issues and compliance especially regarding export bills" and engaging in "public hearings and social audits approach" aid accountants in collaborating across departments or management levels and

engaging with industry stakeholders through public hearings or social audits henceforth, sharing and understanding perspectives, aligning strategies and undertaking a cohesive approach that enhances the AML/CFT regime. A response reflecting industry-level engagement is quoted as below:

“Actively contributed to developing a format to be used at the industry level for Risk Profiling of customers in relation to ML/TF Risk as high, medium and low. For the development of this format, customer information is gathered covering areas such as the industry, occupation, anticipated transaction volumes, whether the customer is a PEP, high net worth customer, organisation structure (ultimate beneficial owner, cash insensitive business, the channel usage (over the counter or use of alternate channels)”.

The stated themes collectively assert the multifaceted role of accountants in leading successful AML initiatives. By developing policies, providing training, conducting investigations, collaborating across departments, ensuring regulatory compliance and raising awareness, accountants significantly enhance the effectiveness of the AML/CFT regime.

5.3.9 Best practices for improving collaboration between accountants and other professionals in the fight against ML/TF

To address ML/TF risks, countries should develop and refine best practices for inhibiting ML/TF abuse (FATF, 2023). The study invited respondents to recommend best practices for fostering collaboration among accountants and other professionals in the fight against ML/TF. Six predetermined best practices were incorporated wherein multiple options could be selected by respondents. Table 5.19 showcases the best practices employed by respondents.

Table 5.19: Best practices for improving collaboration between accountants and other professionals in the fight against ML/TF		
Best Practices (P)	N	Percentage (%)
P1. Regular Meetings: Scheduling regular meetings to discuss AML/CFT issues and updates.	52	50
P2. Shared Platforms: Using shared databases or communication platforms for information exchange.	67	64.4
P3. Joint Training Sessions: Conducting joint training sessions with law enforcement and regulatory bodies.	67	64.4
P4. Clear Communication Channels: Establishing clear and open communication channels for reporting and feedback.	67	64.4
P5. Collaborative Research: Engaging in collaborative research and analysis of AML/CFT trends and issues.	54	51.9
P6. Formal Agreements: Creating formal agreements or MOUs to outline roles and responsibilities.	43	41.3

Note: The total percentage is more than 100 because of multiple responses.

Source: Author’s computation

Table 5.19 reveals that the most frequently utilised practices, each reported by 64.4% of respondents include ‘Shared Platforms’, ‘Joint Training Sessions’, and ‘Clear Communication Channels’. Their high adoption rate underlines the crucial roles of efficient information exchange, regular conduct of joint training sessions, establishing clear and open communication lines and engaging in MoUs or formal agreements to foster collaboration. On the contrary, ‘Formal agreements’ are revealed to be the least utilised practice, employed by 41.3% of respondents. A study by Durner and Cotter, (2018) also revealed that although formal

means of coordination involving agreements and treaties are constructive, informal lines of communication often act as a boon for administering time-sensitive matters.

The findings overall insinuate the crucial role of shared platforms, joint training, clear communication channels and collaborative research in fostering collaboration among accountants and professionals combating ML/TF risks.

5.3.10 Suggestions for improving accountants’ role in AML/CFT efforts

The survey invited respondents to select multiple options from six specific suggestions alongside an ‘others’ option aimed at enhancing accountants’ role in AML/CFT. Table 5.20 reflects the respondents’ preferences for suggestions for improving accountants’ roles.

Table 5.20: Suggestions for improving accountants’ role in AML/CFT efforts		
Suggestions (S)	N	Percentage (%)
S1. Enhanced Training: Providing more comprehensive and regular training for accountants.	83	79.8
S2. Improved Tools: Implementing advanced software and tools for detecting suspicious activities.	65	62.5
S3. Clearer Guidelines: Establishing more detailed and clear guidelines for accountants.	66	63.5
S4. Stronger Collaboration: Encouraging better communication and collaboration with law enforcement and regulators.	60	57.7
S5. Increased Awareness: Raising awareness about AML/CFT responsibilities and risks.	74	71.2
S6. Regular Audits: Conducting frequent internal audits to ensure compliance and effectiveness.	51	49

Note: The total percentage is more than 100 because of multiple responses.

Source: Author’s computation

The data in Table 5.20 reveals the most significant preference for ‘Enhanced training’, with 79.8% of respondents advocating for it. More AML/CFT training courses must be conducted by outlining the responsibilities of accountants as one of the DNFBPs (Omar et. al., 2015). While the least preferred suggestion is to conduct ‘Regular audits’ with a 49% response rate. This addresses the potential gap in ensuring regulatory adherence and ongoing vigilance to detect ML/TF activities.

The overall findings and suggestions reflect a comprehensive and multifaceted approach to strengthening the role of accountants in the AML/CFT compliance regime combining skills, detection and reporting procedures for suspicious transactions, training and awareness, successful AML initiatives and best practices for creating an active, effective and a resilient AML/CFT framework in the region.

5.4 Case studies illustrating successful instances of accountants’ effective contribution to AML/CFT efforts

A summary of the case studies is presented below:

Case study: Uncovering Terrorist Financing: Role of Vigilant Accounting Practices – It illustrates how an accounting firm ‘KA’ was frequently requested by client ‘X’ to wire money to and from various bank accounts and also make cash deposits in different financial institutions without rationale, later revealing TF connections (AML/CFT Guidelines, 2020). Red flags were

frequent money transfers, making cash deposits without rationale and unusual transaction sizes. Proactive measures included appointing a dedicated compliance officer to oversee AML/CFT measures, client interaction to understand the transaction's nature and purpose and the client's reluctance to provide a reasonable explanation for the transactions. The transactions were identified as suspicious and were reported to the FIU. The timely identification and reporting by the firm played a pivotal role in uncovering and disrupting the TF network. The case underscored the importance of vigilance and thorough due diligence in preventing financial crimes.

Case study: Unveiling Illicit Wealth: The Role of Customer Due Diligence in Detecting Drug Trafficking Link - Accounting firm 'X' was contacted by client 'Y' for investment and tax planning advice on the best utilisation of property purchase. Funds to purchase the properties were provided in cash and the given cash quantity was substantial. The car sale business did not match his apparent level of wealth (AML/CFT Guidelines, 2020). Albeit Y's claim on receiving from an inheritance, Y's solicitor was unable to provide a copy of the probate documents and no information existed on the deceased individual relating to the inheritance (www.ccab.org.uk). The case later revealed connections with a drug trafficking business. The identified red flags involved substantial cash payments for property purchase, the discrepancy between the car sale business earnings and Y's apparent wealth, the inability to generate probate documents and the absence of information on the deceased individual relating to the inheritance. Actions taken were the conduct of CDD, inquiry to understand the source of funds for the property purchase and verify the identity of the overseas relative. Activities were identified as suspicious and STR was filed to the FIU. The case highlights the role of CDD, the need to verify the legitimacy of large cash transactions and the role of accountants in identifying and reporting suspicious activities to the FIU.

Case study: Thwarting a Stock Broking Scam- Accountants' Role in Uncovering Fraud – The case showcases the critical role of accountants in inhibiting a significant financial fraud where Mr Z attempted to defraud investors of \$836.5 million (<https://assamtribune.com>). The accountant implemented robust internal controls, leveraged advanced technologies like data analytics and forensic accounting tools and established a whistleblower policy. Red flags included irregular returns, increased investor complaints, unrealistic promises of high returns and rapid expansion of branch offices. The proactive measures led to the early detection and reporting of suspicious activities to the FIU, resulting in the arrest of Mr. Z and his parents.

Case study: Unmasking an Export Trade Fraud – The case demonstrates how thorough due diligence and regular monitoring by the accounting firm 'Z & Associates' uncovered significant export trade fraud by 'XY Group'. Albeit the extensive use of Letters of Credit (LOC) by XY Group from Bank PQ, there was no repatriation of their export proceeds, raising red flags about the legitimacy of transactions. It was revealed that funds totalling around \$83 million were diverted for personal gain and overseas asset acquisition (www.thedailystar.net). The firm's course of actions like challenging the business rationale behind transactions, continuous monitoring of funds and filing an STR were crucial in detecting fraudulent activities. The case outlines the importance of understanding the client's business and transaction patterns, filing STRs, continuous monitoring of transactions and client activities and awareness of high-risk jurisdictions stated by FATF in preventing ML/TF risks.

Case study: Exposing Trade-Based Money Laundering: Auditors' Role in Detecting Fraud – It insinuates the vital role of auditors in unmasking trade-based money laundering of about \$561.18 million by two companies dealing in solar panels that revealed discrepancies in 705

Goods Declarations (<https://arynews.tv>). Red flags included high-value transactions without business rationale, significant differences in the value of goods declared (solar panels) and market value, and a mismatch between business claims and actual transactions. The findings were documented by auditors and were reported to the relevant authorities, resulting in legal proceedings against the companies. The case necessitates rigorous auditing, due diligence in high-risk industries, and enhanced collaboration among financial institutions, auditors, and regulators to effectively detect and prevent ML and financial fraud.

Case study: A tax fraud case: The Hidden Cost of Fake Companies – A massive tax fraud committed by a fake company ‘AR & Sons’ worth \$1.07 billion was uncovered. The company existed merely on paper and was registered with a benami individual. The documents of ‘AR & Sons’ indicated the existence of their aluminium and copper business albeit the given addresses do not conform to the indicated business operations (<https://arynews.tv>). Red flags involved the absence of physical presence of the company, fictitious registration of the company and significant mismatch in the nature of business activities claimed. Further, the beneficial owner could not be established and the funds’ sources were untraceable. The proactive measures included undertaking CDD measures, inquiring about beneficial owner(s) of the company and sources of funds, cross-verifying business activities claimed by the companies and actual transactions, tracing the flow of money and identifying patterns indicative of tax fraud and identifying the company’s activities as suspicious and reporting them to the FIU. The case pinpoints the significance of CDD, establishment of true beneficial ownership, cross-verification of business activities and timely reporting of suspicious activities to the relevant authorities.

Nevertheless, here are some of the *unethical actions to be avoided by the accountant* that could lead to defrauding investors:

- *Manipulating financial records* to present a healthy financial status of the entity including falsifying income statements or balance sheets to attract more investors.
- *Creating multiple fake accounts* to divert funds and show non-existent transactions which could aid in ML and make fraudulent activities less detectable.
- Aiding in ML through complex financial transactions, *making the illicit funds appear legitimate* by routing money through various accounts and investments.
- *Assisting in evading taxes* by manipulating the entity’s income/expenses to increase its apparent profitability as well as reduce its tax liabilities.

Such actions demonstrate how financial expertise could be misused for fraudulent purposes.

5.5 Latest AML/CFT practices and techniques

The present study can be used as a base to educate accountants about the latest AML/CFT practices and techniques. The introduction and literature review presents a brief overview of the global AML/ CFT landscape including key red flags and prevailing benchmarks for ML/FT risk identification. The comprehensive and comparative analysis of AML/CFT legislation in SAFA member countries outlines the crucial importance of country-specific knowledge for professionals working in the field to effectively combat the ML/TF risks. The best practices in AML/CFT compliance regime can be examined and replicated by accountants in their respective countries by analysing the feasibility of the same. The roles and responsibilities of accountants in identifying and mitigating ML/TF risks provide invaluable insights based on the opinions and experiences of accountants, summarise the effectiveness of various skills and

techniques and outline the necessary training requirements. The case studies illustrating successful AML/CFT initiatives by accountants may serve as guidelines by giving practical exposure and hands-on training to accountants.

5.5.1 Training materials for accountants

A wide array of sources can serve as training materials to educate accountants about the current AML/CFT practices and techniques. Some of the key resources are outlined as follows:

Table 5.21: Key resources to educate accountants on the latest AML/CFT practices

SL. No.	Resources
I.	<i>FATF recommendations and guidance paper</i> – The FATF recommendations offer a comprehensive framework for accountants to combat ML/TF by offering guidance on crucial aspects like assessing risks and applying a risk-based approach, CDD, STR reporting and DNFBP regulation and supervision. Further, the explicit recommendations for accountants pertain to R.23 and R.28 thereby, enhancing their capabilities in detecting suspicious activities and preventing ML/TF risks. The FATF has an explicit guidance paper for undertaking a risk-based approach by the accounting profession that delineates the policies and procedures for applying a risk-based approach while accentuating the critical roles of implementing CDD measures and identifying and verifying beneficial ownership requirements.
II.	<i>Country-specific AML/CFT laws, regulations and guidelines</i> – These can serve as critical training resources for accountants as they design AML/CFT frameworks tailored to the national-level regulatory requirements and extent of ML/TF threats and vulnerabilities. Adherence to local rules and guidelines enables accountants to usher their capabilities in detecting and mitigating ML/TF activities within their jurisdictions. The country-wise laws, regulations and guidelines have been incorporated in Chapter 2.
III.	<i>ML/TF case studies through accountants</i> – These illustrate both real-world and hypothetical scenarios of financial crimes and depict step-by-step procedures followed by accountants to identify red flags, detect suspicious activities and finally file STRs with the competent authorities. Case studies under Chapter 5 can enhance the understanding of the practical application of AML/CFT laws. Further, Sri Lankan case studies from AML/CFT guidelines for accountants, CCAB case studies, case studies from ICPAC's Compliance Committee and Economic Crime and Forensic Accounting Committee can also serve as training guides for accountants.
IV.	<i>AML initiatives and best practices</i> – The AML initiatives inserted in Chapter 4 (Section 4.4.7) can act as a facilitator to understand the impact of AML/CFT measures undertaken by accountants. Best practices inserted in Chapter 3 provide an overview of country-specific AML/CFT practices which can serve as model approaches for other countries and be replicated as per local ML/TF risk levels and regulatory compliance requirements. Best practices under Section 4.4.8 (Chapter 4) have covered the perspectives of professionals regarding the significance of both specified and additional AML practices, enabling a better understanding and implementation of effective measures for AML/CFT compliance.
V.	<i>Country-specific training materials</i> - The website of SAFA hosts a quick link to the ICAI digital learning hub at https://learning.icaai.org/category/safa--mramou/ which hosts several e-learning modules through certification courses, study materials, webinars and so on. An explicit section for ‘training materials’ exists on the FIU website of Sri Lanka https://fiusrilanka.gov.lk/training.html wherein the latest AML/CFT compliance obligations for accountants have covered a wide range of ML/TF elements starting with the case studies of ML/TF using accountants, DNFBPs, the role of accountants under the FTRA (2006), AML/CFT requirements to protect institutions from ML/TF risks and penalties for non-compliance (AML/CFT Guidelines, 2020). The outreach and awareness sessions under the ‘AML supervision’ section on the ICAP website may also serve as training guides to accountants.

Overall, resources viz., *FATF recommendations and guidance paper, country-specific AML/CFT laws, regulations and guidelines, ML/TF case studies through accountants, AML*

initiatives and best practices, SAFA and country-specific training materials should be leveraged to build an efficient, effective and resilient AML/CFT compliance regime in the region.

6. Conclusion

The ever-evolving intricacies and sophistication of ML pose significant challenges for law enforcement, regulatory bodies and governments worldwide, necessitating a robust AML/CFT system aligned with global standards like the FATF recommendations. The varying degrees of compliance documented through MER/FURs across countries highlight the critical role of continuous evaluation and amendment of AML/CFT regulations to fight emerging threats. The study revealed the substantial strides made by the SAFA member nations in addressing AML/CFT deficiencies highlighted by MER/FURs. E.g. Nepal's sincere commitment towards building a robust AML/CFT framework is reflected by the amendments undertaken in 2024 post-MER 2023 (FIU Newsletter, 2024). Nonetheless, there is scope for improving AML/CFT efforts. E.g. Afghanistan, India and Maldives must publish their NRA reports at the earliest to showcase their strong commitment towards assessing ML/TF threats and vulnerabilities. Pakistan should update its national AML/CFT strategy for 2018 while Afghanistan and India must develop national AML/CFT policies for compliance with R.2 (c.2.1). Further, identifying red flags is vital for accountants in ML/TF risk detection. Indicators for suspicious activities must be listed by countries comprehensively along with case studies, similar to Sri Lanka. International cooperation is considerably better in India, Sri Lanka, Nepal and Pakistan. The extensive global affiliations of the various accounting bodies of the SAFA nations underscore the region's commitment to maintaining high standards of accounting and financial reporting. By leveraging these established relationships, countries can enhance AML/CFT efforts. Best practices insinuate the crucial role of shared platforms, joint training, clear communication channels and collaborative research in fostering collaboration among accountants and professionals combating ML/TF risks. Explicit AML/CFT training courses are essential for accountants. Overall, a multifaceted approach involving skills, detection and reporting procedures for suspicious transactions, training and awareness, successful AML initiatives and strong collaboration is critical for creating an active, effective and resilient AML/CFT framework in the region and safeguarding the integrity of the global financial system.

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