2. Money Laundering- Polity

ED attaches assets worth ₹1,986.48 crore in PACL case The Enforcement Directorate (ED) has attached immovable assets in the multi-crore PACL Ponzi scam investigation under the Prevention of Money Laundering Act (PMLA), 2002, targeting proceeds from illegal collective investment schemes. The case highlights the regulatory crackdown on financial fraud where funds were diverted through shell companies and *benami* properties.

Overview- ED Action in PACL Case

The Enforcement Directorate (ED) has attached immovable property as part of its ongoing investigation into the money laundering activities associated with Pearls Agro-Tech Corporation Limited (PACL). This action is a significant step in recovering proceeds of crime generated through one of India's largest financial frauds.

1. Pearls Agro-Tech Corporation Limited (PACL) / Pearls Group Scam

The PACL scam is categorized as a massive financial fraud, frequently described as a Ponzi-like scheme or an illegal collective investment scheme (CIS).

Nature of the Scam

Modus Operandi- The company raised colossal amounts of money from the public by promising land allotments or high financial returns.

Regulatory Violation- These funds were collected without the necessary regulatory approvals from financial watchdogs.

Diversion of Funds- The collected money was not invested as promised. Instead, it was diverted through a network of shell companies and used to purchase *benami* (proxy) assets, violating multiple financial laws.

Regulatory Action (SEBI)- The Securities and Exchange Board of India (SEBI) declared the schemes run by PACL as illegal in 2014. SEBI ordered the company to refund the money to investors, initiating the collapse of the scheme.

Money Laundering Investigation- The Enforcement Directorate (ED) registered a case against PACL under the Prevention of Money Laundering Act (PMLA), 2002.

Allegations- The investigation focuses on the "layering" of funds (hiding the source), the use of front companies to mask ownership, and the acquisition of properties both domestically and overseas using the proceeds of crime.

2. Understanding Money Laundering

Money laundering is the criminal practice of processing illegally obtained money ("dirty money") to make it appear as though it originated from a legitimate source ("clean money").

Definition- It is the concealment of the origins of illegally obtained money, typically by means of transfers involving foreign banks or legitimate businesses.

Global Impact- The United Nations estimates that **2**-5% of global GDP (approximately \$800 billion to \$2 trillion) is laundered annually.

The Three Stages of Money Laundering

Stage	Description
1. Placement	The initial entry of illegal cash into the financial system. Methods- Bank deposits, purchasing liquid assets, or smuggling currency across borders.
2. Layering	The separation of illicit proceeds from their source by creating complex layers of financial transactions. *Goal*- To obscure the audit trail and anonymity.
3. Integration	The re-entry of the laundered wealth into the economy as legitimate funds.

	Methods- Investing in real estate, luxury assets, or business ventures that appear lawful.

3. Prevention of Money Laundering Act (PMLA), 2002

The PMLA, 2002 serves as India's primary legal framework for combating money laundering.

Timeline

a) Passed- 2002.
b) Operational- July 1, 2005.

Core Purpose

a) To prevent money laundering.
b) To provide for the confiscation of property derived from, or involved in, money laundering.
c) To establish mechanisms for detecting and prosecuting these offenses.

Reporting Obligations

Entities Covered- Banking companies, financial institutions, and intermediaries.

Duties- They are mandated to maintain records of all transactions, verify the identity of their clients (KYC), and furnish information to authorities.

Reporting Authority- Suspicious transactions must be reported to the Financial Intelligence Unit-India (FIU-IND).

Attachment and Confiscation Powers- The ED has the power to provisionally attach property suspected to be involved in money laundering for a period of up to 180 days. This prevents the accused from transferring or selling the asset while the investigation is ongoing.

Burden of Proof- A unique feature of the PMLA is that the burden of proof lies on the accused. It is the responsibility of the accused to prove that their property is *not* proceeds of crime (reversing the general legal principle of "innocent until proven guilty").

Key Enforcement Agencies

1. **Enforcement Directorate (ED)-** The primary investigative agency responsible for tracing crime proceeds, attaching properties, and prosecuting offenders.
2. **Financial Intelligence Unit-India (FIU-IND)-** The central national agency responsible for receiving, processing, analyzing, and disseminating information relating to suspect financial transactions.

4. About the Enforcement Directorate (ED)

The ED is a specialized financial investigation agency under the Government of India.

Mandate

1. Enforce economic laws.
2. Combat money laundering.
3. Address foreign exchange violations.
4. Target "Proceeds of Crime" generated from serious offenses (Scheduled Offenses) like corruption, drug trafficking, terrorism financing, and fraud.

History and Administration

Establishment- Formed in 1956 as an 'Enforcement Unit' under the Department of Economic Affairs.

Renamed- Became the 'Enforcement Directorate' in 1957.

Control- It operates under the administrative control of the Department of Revenue, Ministry of Finance.

Key Legislations Enforced by ED

Legislation	Role of ED
Prevention of Money Laundering Act (PMLA), 2002	Criminal Investigation- Investigates offenses related to the laundering of crime proceeds; powers to arrest and prosecute.
Foreign Exchange Management Act (FEMA), 1999	Civil/Adjudicatory Role- Regulates cross-border foreign exchange transactions; investigates contraventions of foreign exchange laws.

Source- https-//www.thehindu.com/news/national/ed-attaches-assets-worth-198648-crore-in-pacl-case/article70552299.ece