New PMLA Rules

Why in news?

Finance Ministry brought chartered accountants, company secretaries, and cost and works accountants under the ambit of the money laundering law.

What were the changes made to prevention of money laundering act 2002?

- **Section 2(1) (sa) of PMLA, 2002** - The recent changes are made under this section of PMLA.
- This section already includes Gaming activity, Registration Authority, Real Estate Agents, Dealer in precious metals and stones.
- **Politically exposed persons (PEPs)** - Defined PEPs under PMLA as individuals who have been "entrusted with prominent public functions by a foreign country.
- It also includes heads of States or Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.
- **Increased the ambit** - Finance Ministry brought in practicing chartered accountants, company secretaries, and cost and works accountants carrying out financial transactions on behalf of their clients into the ambit of the money laundering law.
- **Financial transaction** - Included are
    - Buying and selling of any immovable property,
    - Managing of client money, securities or other assets,
    - Management of bank, savings or securities accounts,
    - Organization of contributions for the creation, operation or management of companies,
    - Creation, operation or management of companies, limited liability partnerships or trusts, and
    - Buying and selling of business entities.
- **Non-banking reporting entities** - Are widened to allow 22 financial entities to verify the identity of their customers via Aadhaar under the ambit of the money laundering law.

> *PMLA states that both the Adjudicating Authority and the Appellate Tribunal shall not be bound by the Code of Criminal Procedure, 1908 but by the principles of natural justice.*

What is the need for the changes?

- Plug loopholes ahead of India's proposed assessment later this year under the Financial Action Task Force (FATF).

- To know more about FATF click here.
- To bring uniformity in the definition of PEPs.
- To aid investigative agencies further in their probe against dubious transactions involving shell companies and money laundering.
- To address the Chinese loan app scams, in which professionals where were actively involved in assisting to set up shell companies to act as a foil for the apps.

What is the way forward?

- Institute of Chartered Accountants of India (ICAI) will work with authorities and will conduct an awareness programme amongst its members for the implementation of the changes in PMLA 2002.
- Lawyers and legal consultants needs to be included in the PMLA act.
- Encompassing professionals under PMLA could also be a pre-cursor to India becoming a part of the Financial Action Task Force (FATF).

Quick facts

The Institute of Chartered Accountants of India (ICAI)
• ICAI is a statutory body established by Parliament via The Chartered Accountants Act, 1949. • ICAI regulates the profession of Chartered Accountancy in the country. • ICAI functions under the administrative control of the ***Ministry of Corporate Affairs***, Government of India. • ICAI is the ***second largest professional body*** of Chartered Accountants in the world.

References

1. The Hindu Business Line | Changes Made In PMLA
2. The Indian Express | Features Of The Changes Made In PMLA
3. ICAI | About ICAI

SHANKAR IAS PARLIAMENT
Information is Empowering