

*Samia Zaman***ANTI-MONEY LAUNDERING/COMBATING THE FINANCING OF TERRORISM (AML/CFT) REGIME IN BANGLADESH: AN APPRAISAL****Abstract**

Money Laundering (ML) and Terrorist Financing (TF) are global phenomena with pervasive politico-economic implications. These two menaces undermine the financial stability and integrity of a country. Crimes related to ML and TF have become more apparent in a couple of decades. Most countries of the world have responded to the menaces by building Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime. This trend gained a special momentum after the deadly and tragic events of 9/11. Countries all over the world continue to evolve their AML/CFT regimes to better cope with the changing situation. They are creating new laws and updating the existing ones; building institutional arrangements; enhancing cooperation with different inter-governmental bodies which promote AML/CFT policies and monitor member countries' progress. Bangladesh has developed its own AML/CFT regime. The aim and purpose of this paper is to analyze the development of AML/CFT regime in Bangladesh. It also intends to evaluate the existing AML/CFT regime in the country.

Keywords: Money Laundering, Terrorist Financing, Smuggling, Financial Intelligence, AML/CFT Regime

1. Introduction

Money Laundering (ML) and Terrorist Financing (TF) remain critical enabler of jeopardizing the financial system of any country in the world.¹ These two issues pose significant threat to the integrity of financial system, both national and international. Crimes related to ML/TF have increased manifolds in a couple of decades. In the wake of 9/11 events, there has been a practice of stepping up the fight against ML and TF all over the world. As the dimensions of ML and TF processes are continually evolving, countries are also strengthening their capacity to combat these two criminal activities. Most countries in the present world are developing their Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. Bangladesh is also at the

Samia Zaman is Research Officer at Bangladesh Institute of International and Strategic Studies (BISS). Her e-mail address is: samiazaman.sz@gmail.com

© Bangladesh Institute of International and Strategic Studies (BISS), 2018.

¹ Celina B. Realuyo, "Following the Money Trail" to Combat Terrorism, Crime, and Corruption in the Americas", Latin American Programme, Mexico Institute, Wilson Center, 2017, available at https://www.wilsoncenter.org/sites/default/files/follow_the_money_final_0.pdf, accessed on 16 January 2018.

forefront of developing its own AML/CFT regime. The transformation of Bangladesh in AML/CFT sector is very remarkable. Once categorized as a grey listed country in terms of compliance with international standards in curbing ML and TF by an internationally acclaimed organization, it is presently recognized as a risk-free country for ML and TF in international standards.² How and why? The paper intends to map out the trajectory of Bangladesh's development of AML/CFT regime with its changing international status from a grey listed country to a risk-free country for ML and TF. Given this context, the objective of this paper is to understand the development of AML/CFT regime of Bangladesh with a focus on the particular components of the regime. The paper also aims to make an appraisal to better understand the complete scenario of AML/CFT regime of Bangladesh. The appraisal is meant to identify the strengths and weaknesses of the regime.

For the convenience of discussion, the paper has been organized as follows. After the introduction, section two discusses the definitional aspects related to AML/CFT regime. It outlines the definitional contours of ML and TF. Section three provides an overview of ML/TF risks in Bangladesh. Section four analyzes the development of AML/CFT regime in Bangladesh. It examines various pillars of Bangladesh AML/CFT regime such as laws, regulations and strategies; institutional arrangements and cooperation with inter-governmental organizations. Section five makes an appraisal of the existing AML/CFT regime of Bangladesh. Finally, section six concludes by summarizing the findings of the paper and makes some recommendations based on the earlier discussion. The paper is qualitative in nature based on both primary (key informant interviews) and secondary data (e.g., books, journals, national reports, intergovernmental organization's reports, news clipping, internet-based articles, etc.)

2. Definitional Contours

The fight against ML and TF has become a priority for the modern states in the present world. These two menaces are considered intertwined in undermining security fabric of a country. In response to the growing concern, countries are strengthening their capacity to combat ML and TF. This trend gained a special momentum since the deadly, path breaking incident of 9/11. The approach of 'following the money trail' has become significant.³ It is believed that money serves as the lifeline of any activity.⁴ Similarly, money is considered as an enabler of perpetrating terrorist activities. Besides, ML also contributes to TF. Thus, there has been a practice of putting these two terms together and combine these with a slash between them, although there are differences between the concepts of ML and TF. These two criminal activities can

² "Bangladesh: Peace and Security", Centre for Research and Information (CRI), 2018, available at <http://cri.org.bd/publication/Bangladesh-Peace-and-Security-June-2018/#p=18>, accessed on 05 January 2018.

³ Celina B. Realuyo, op. cit.

⁴ Ibid.

have similar or different objectives, depending on the context; they both use similar tactics to undermine international effort. In this backdrop, questions arise: What is ML? And, what is TF? ML can be understood as a process in which large amount of profit are disguised to conceal their illicit origin.⁵ Usually, these large amounts of profit are proceeds of various criminal activities such as drug trafficking, smuggling, human trafficking, corruption and others.⁶ Such issues of proceeds of crime were first addressed by the UN when it adopted in 1998 the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances in Vienna. It called for criminalization of ML by the member states.⁷ The convention was updated ten years later with the adoption of a plan of action entitled “Countering Money Laundering”⁸. The scope of ML was also addressed in the United Nations Convention against Transnational Organized Crime (UNTOC). The convention called for mutual cooperation among member states to detect, investigate and prosecute ML.⁹ The Government of Bangladesh (GoB) has defined ML in a comprehensive way in the Money Laundering Prevention Act, 2012:

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

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

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

(ii) smuggling money or property earned through legal or illegal means to a foreign country; (iii) knowingly transferring or remitting the proceeds of crime to a foreign country or remitting or bringing them into Bangladesh from a foreign country with the intention of hiding or disguising its illegal source; or (iv) concluding or attempting to conclude financial transactions in such a manner so as to reporting requirement under this Act may be avoided; (v) converting or moving or transferring property with the intention to instigate or assist for committing a predicate offence; (vi) acquiring, possessing or using any property, knowing that such property is the proceeds of a predicate offence; (vii) performing such activities so as to the illegal source of the proceeds of crime may be concealed or disguised; (viii) participating in, associating with, conspiring, attempting, abetting, instigate or counsel to commit any

⁵ “Anti-Money Laundering/Combating the Financing of Terrorism”, International Monetary Fund (IMF), available at <https://www.imf.org/external/np/leg/amlcft/eng/aml1.htm>, accessed on 10 January 2018.

⁶ Ibid.

⁷ United Nations Office on Drugs and Crime (UNODC), “Money Laundering and the Financing of Terrorism: the United Nations Response”, Vienna: UNODC, available at <https://www.imolin.org/pdf/imolin/UNres03e.pdf>, accessed on 05 January 2018.

⁸ Ibid.

⁹ Ibid.

offences mentioned above.¹⁰ Thus, ML can be understood as a process which aims to mask the sources of money. In general, transnational crimes produce a large amount of proceeds of crime which can be moved, converted or transferred within the country or beyond for the purpose of disguising the nature, scope, location and control of the proceeds of crime or for the purpose of assisting anyone who is involved in predicate offences. It also involves smuggling such money or property with the same intention to a foreign country or bringing them in Bangladesh. Besides, exploiting such money or property to commit a predicate offence will also fall under the scope of ML.

TF involves solicitation, collection and provision of funds for terrorist purposes. It involves not only concealing of the sources of money but also concealing the activities funded by the money. According to the International Convention for the Suppression of the Financing of Terrorism, a person will be responsible of terrorist financing “if that person by any means, directly or indirectly, unlawfully and willfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out” an offence within the scope of the convention.¹¹ The Anti-Terrorist Act (ATA), 2013 contains TF provision. It prohibits the receipt and collection of money, services and material support where “there are reasonable grounds to believe that the same has been used or may be used for any purpose by a terrorist entity.”¹² In brief, the process of TF involves soliciting and collecting of fund to be used for perpetrating terrorist activities. It conceals the sources of funding as well as the funded activity.

3. Overview of ML/TF Risks in Bangladesh

Bangladesh has made significant progress in terms of dealing with ML and TF risks. The country’s story in curbing ML and TF has been spectacular. Bangladesh’s strength lies in its understanding of national ML/TF risks. The country succeeded in preparing two National ML and TF Risks and Vulnerabilities Assessment (NRA) reports. The first NRA was prepared in 2011 and the second NRA was prepared in 2015. Five principal threats were found in the 2015 NRA such as corruption, fraud, forgery, human trafficking and smuggling (including gold and drugs) as high risks.¹³ The report identified four sectors as high risks for ML purposes. These are: banking, non-banking financial institutions (NBFI), real estate and jewellery sectors.¹⁴

¹⁰ Legislative and Parliamentary Affairs Division, *Money Laundering Prevention Act, 2012*, Dhaka: Ministry of Law, Justice and Parliamentary Affairs, 20 February 2012.

¹¹ “Anti-Money Laundering/Combating the Financing of Terrorism”, op. cit.

¹² Bureau of Counterterrorism and Countering Violent Extremism, United States Department of State, *Country Reports on Terrorism 2015*, New York: United States Department of State, 2016.

¹³ The Asia/Pacific Group on Money Laundering (APG), *Anti-money Laundering and Counter-Terrorist Financing Measures: Bangladesh*, Mutual Evaluation Report, Sydney: APG Secretariat, 2016.

¹⁴ Ibid.

The trajectory of Bangladesh's journey in terms of dealing with ML and TF is notable. Bangladesh achieved recognition from the Financial Action Taskforce (FATF), an intergovernmental organization which is the apex body for developing and promoting policies to combat ML and TF. It also monitors member countries' compliance with international standards. Earlier in 2008, Bangladesh was listed under 'grey' category by the FATF.¹⁵ FATF found major deficiencies in Bangladesh's AML/CFT drive. During that period, it was reported that Bangladesh faced major ML risks. There were also some risks of financing of terrorism. According to Mutual Evaluation Report in 2009, "money laundering took place in formal banking sector, investment in real estate, through cash couriers and through informal channels".¹⁶ Although Bangladesh government recognized the prevalence of corruption, narcotic trafficking and human trafficking, it did not consider the ML risks associated with these. Back then, TF was channeled through cash couriers, charities, foreign donations, etc. Besides, criminalization of TF did not cover all the possible TF activities in a comprehensive way in the existing law which ultimately led to different obstacles in procedural and implementation process. In brief, the AML/CFT regime was not very effective. Over the years, Bangladesh has improved the AML/CFT regime in terms of amending the laws, crafting new strategy, developing new institutions and committee, etc. Consequently, Bangladesh came out of the FATF grey list in 2014.¹⁷ It was the recognition of Bangladesh's significant progress in meeting its commitment. At present, although Bangladesh has made considerable success in improvising the existing AML/CFT regime, there are significant ML/TF risks as well. These risks stem from both domestic and transnational sources.¹⁸ The techniques of ML are use of formal banking channels, informal transfer outside of Bangladesh, real estate investment and trade based money laundering.¹⁹ The biggest risks involved in this sector are corruption, bribery and other related offences which generate the proceeds of crime. Regarding TF, the risks of TF in Bangladesh come from the domestic terrorist groups. These groups operate with small-scale funding.

However, Bangladesh has been lauded internationally for its efforts in AML/CFT sector. According to the Basel Anti-Money Laundering (AML) Index 2017, Bangladesh with the score of 5.79 is placed among top ten improvers.²⁰ The rating of the index is based on the country's framework for AML/CFT and related factors such as corruption, financial sector standards and public transparency.²¹ The rating aggregates fourteen indicators based on publicly available data from FATF, Transparency International, the

¹⁵ Asif Showkat Kallol, "Bangladesh comes out of FATF 'grey list'", *Dhaka Tribune*, 17 February 2014.

¹⁶ The Asia/Pacific Group on Money Laundering (APG), op. cit.

¹⁷ Asif Showkat Kallol, op. cit.

¹⁸ The Asia/Pacific Group on Money Laundering (APG), op. cit.

¹⁹ *Identifying Money Laundering and Terrorist Financing Risks in Bangladesh*, National Risk Assessment Report, The People's Republic of Bangladesh, available at <https://www.bb.org.bd/bfiu/openpdf.php>, accessed on 17 December 2017.

²⁰ Basel Institute on Governance, *Basel AML Index 2017 Report*, Basel: ICAR, 16 August 2017.

²¹ Ibid.

World Bank and the World Economic Forum. In the latest report, the indicators were grouped into five categories namely ML/TF Risks (65 per cent), Corruption Risks (10 per cent), Financial Transparency and Standards (15 per cent) and Public Transparency and Accountability (5 per cent).²² The report has demonstrated that Bangladesh has retained a better position than most of the South Asian countries except India. It is because FATF Mutual Evaluation Report 2016 has showed substantial improvement in Bangladesh's AML/CFT performance reflecting political will and leadership which has worked in favour of bringing positive momentum in creating preventive measures against ML/TF. The later chapters of the paper will discuss these issues elaborately. However, the unfolding story of Bangladesh's AML/CFT regime is a curious case of international political economy. It would be indeed fascinating to map out the development trajectory of AML/CFT regime in Bangladesh.

4. Development of AML/CFT Regime in Bangladesh

This section attempts to make a snapshot of Bangladesh's AML/CFT regime which comprises of several important components such as laws, rules and strategies; institutional arrangements and cooperation with inter-governmental organizations. With the gradual and continual development of laws, rules and strategies; institutional arrangements and cooperation with inter-governmental organizations, Bangladesh has been able to consolidate and strengthen its national regime on AML/CFT.

4.1. *Laws, Rules and Strategies*

Bangladesh is the first South Asian country to promulgate laws related to ML. It enacted Money Laundering Prevention Act in 2002.²³ The Act criminalizes ML. According to the Act, "if any person is engaged in Money Laundering in any way he will be regarded as a person who has committed a crime". Later, to address the shortcomings of the Act and to comply with international standard, the Act was replaced by the Money Laundering Prevention Ordinance in 2008. In the same year, Anti-Terrorism Ordinance was also enacted to combat terrorism. In 2009, Bangladesh Parliament passed the Money Laundering Prevention Act and Anti-Terrorism Act. Later, Money Laundering Prevention Rules and Anti-Terrorism Rules were issued in 2013. ML and TF offences were also included in the schedule of 1974 Extradition Act in 2011.²⁴ Later, Bangladesh promulgated Mutual Assistance in Criminal Matters in 2012. It was enacted with the objectives of intensifying international cooperation on ML/TF issues and other related offences. In the same year, the government replaced the Money Laundering Prevention Act, 2009 with Money Laundering Prevention Act,

²² The Asia/Pacific Group on Money Laundering (APG), op. cit.

²³ Ali Reza Iftekhar, "Combating money laundering and terrorist financing", *The Daily Star*, 18 October 2015.

²⁴ "Steps against money laundering under Review", *Bangladesh Development Reports*, 14 February 2014, available at <http://www.bdreports24.com/steps-money-laundering-review/>, accessed on 06 January 2018.

2012. The law was again amended in 2015. Similarly, the Anti-Terrorism Act 2009 was amended in 2013. The Act adopted some major amendments. The new law allowed court to accept videos, still photographs, audio clips, chats and conversations used on the social media such as Facebook, Skype and Twitter. Besides the laws and rules, Bangladesh also has promulgated two national strategies and two NRAs related to ML and TF till date.

The first National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2011-2013 was developed in 2011. It addressed twelve issues against twelve strategic objectives: Strengthening the legal framework, enhancing effectiveness of the Financial Intelligence Unit (FIU), enforcing compliance of all reporting agencies, structural improvement and capacity building in tracing out methods, techniques and channels of ML and TF, improving transparency in financial reporting on AML/CFT issues ensuring transparency in the ownership of legal entities, enhancing financial inclusion, maintaining a comprehensive AML/CFT database, boosting national coordination both at policy and operational levels, developing and maintaining international and regional cooperation on AML/CFT, heightening public awareness, stemming the illicit outflows and inflows of fund.²⁵ It can be noted here that the first NRA Report was prepared in 2011-12. It was prepared by a committee comprising officials from Bangladesh Financial Intelligence Unit (BFIU), Anti-Corruption Commission (ACC) and Criminal Investigation Department (CID) of Bangladesh Police. The assessment was based on the data from 2001 to 2010. The second NRA of 2015 was based on the data of 2009-2013. It was an attempt to take further initiatives in identifying the ML/TF risks and vulnerabilities so that the recommendations from the report can be useful for preparing the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017. Finally, the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism has been prepared. It took several strategies.

The first strategy calls for updating national ML/TF Risk Assessments Reports regularly and introducing Risk Based Approach of monitoring and supervision of all reporting organizations. Strategy two calls for deterring corruption induced ML by considering corruption as high risk. Strategy three is about modernization of border control mechanism and depriving perpetrators from use of proceeds of crime to prevent smuggling of gold and drugs, human trafficking, other transnational organized crimes considering the risk there on. Strategy four is about tackling illicit financial flows by preventing the creation of proceeds of crime, curbing domestic and cross-border tax evasion and addressing trade based money laundering. Strategy five is about discouraging illicit fund transfer by increasing pace of stolen assets recovery initiatives and or recovering the evaded tax. Strategy six is about enhancing the

²⁵ Midas Financing Limited, "Guidance Notes on Prevention of Money Laundering and Terrorist Financing of Midas Financing Limited", available at http://www.mfl.com.bd/download/MFL_GN_Prevention_Money_Launders_Terrorist_Financing.pdf, accessed on 25 January 2018.

capacity of BFIU in identifying and analyzing emerging ML/TF cases including ML/TF risks arising from the use of new technologies. Strategy seven is enhancing compliance of all reporting agencies with special focus on new reporting agencies like NGOs/NPOs (Non-Profit Organizations) and DFNBP (Designated Non-Financial Businesses and Professions). Strategy eight calls for expanding investigative capacity and improving the quality of investigation and prosecution of ML/TF cases to deter the criminals. Strategy nine calls for establishing identification and tracing out mechanisms of TF and PF (Financing of Proliferation) and fully implementation of targeted financial sanctions related to TF and PF effectively. Strategy ten is about boosting national and international coordination both at policy and operational levels. Strategy eleven is about ensuring transparent, accountable and inclusive financial system. Against each strategy, a set of action plans were prepared. Thus, Bangladesh has developed a comprehensive legal framework.

4.2 Institutional Arrangements

Bangladesh has robust institutional arrangements. A number of ministries, departments, agencies and committees are involved in these very arrangements. They have specific authorities and responsibilities in the AML/CFT regime of Bangladesh as shown in the following table.

Table 1: Relevant Ministries, Agencies, Departments and Institutions with their Respective Roles in the AML/CFT Regime of Bangladesh	
Name of the Agency/ Institution/Ministry/ Department	Authority and Responsibility
Bangladesh Financial Intelligence Unit (BFIU)	BFIU is the central agency in ML/TF sector of Bangladesh. It receives analyses and disseminates reports related to ML and TF. It also drives, regulates and supervises AML/CFT measures in Bangladesh
Anti-Corruption Commission (ACC)	It conducts investigations related to corruption, fraud and ML related cases
National Coordination Committee (NCC)	NCC is the apex body in Bangladesh to formulate policies to deter ML and TF
Working Committee	Working Committee primarily assists the NCC for combating ML and TF
Central Taskforce	The taskforce works to prevent illegal <i>hundi</i> activities, illicit flows of fund and money laundering

Bangladesh Police	Bangladesh Police investigate cases of ML and TF. The Criminal Investigation Department (CID), Special Branch (SB) and Rapid Action Battalion (RAB) play the most important role
Ministry of Finance (MoF)	Being the main policy agency, it leads AML/CFT coordination and the Finance Minister chairs the NCC
Ministry of Law, Justice and Parliamentary Affairs (MLJPA)	Legislative drafting and others
Prime Minister's Office (PMO)	PMO works as a coordinating agency in relation to countering terrorism
Attorney General's Office (AGO)	AGO Provides legal support to the government. It is working as a central authority, within the Ministry of Home Affairs (MHA), for the Mutual Legal assistance (MLA) except extradition
Ministry of Home Affairs (MHA)	It is the implementing body for law enforcement matters. It has the authority to make domestic terrorist designations and it is working as the central body for MLA and extradition
Department of Narcotics Control (DNC)	The department investigates cases related to ML since 2015
The National Board of Revenue (NBR)–Tax and the NBR-customs	It investigates offences related to ML
Border Guard (BGB) and Coast Guard (BCG)	BGB and BCG work to prevent transnational crimes such as smuggling, trafficking, etc which produce large amounts of proceeds of crime
Bangladesh Bank	As the central bank, it supports BFIU and also plays a supervisory role in AML/CFT regime
Bangladesh Bank, Insurance Regulation Authority (IDRA) and Securities Exchange Commission (BSEC)	They play a supervisory role in AML/CFT regime
NGO Affairs Bureau	The bureau regulates NGOs and NPOs

Source: The Asia/Pacific Group on Money Laundering (APG), op. cit.

BFIU is the central agency in ML/TF sector of Bangladesh. Since its establishment, BFIU has been vigorously working to develop the AML/CFT regime of Bangladesh. Earlier, it was called the Anti-Money Laundering Department (AMLDD). In line with the Money Laundering Prevention Act, AMLDD was established in the Bangladesh Bank in 2002 to conduct the responsibilities conferred under the Act. According to the provisions of Money Laundering Prevention Act, 2012, AMLDD has

been transformed into BFIU to ensure its operational independence.²⁶ BFIU is working with the vision of building a robust financial system which would be able to deter ML and detect TF and other related offences. BFIU is vested with the responsibilities of analyzing Suspicious Transaction Reports (STR), Suspicious Activity Report (SAR), Cash Transaction Reports (CTR) and information related to ML and TF. It receives reports from the reporting agencies such as banks, financial institutions, money remitters, and other Reporting Organizations (ROs). Besides, it receives complaints related to ML/TF offences from individuals and various organizations such as ACC, CID and media and so on. When BFIU receives STRs/SARs or complaints, it assigns its skilled and professional analysts to analyze the case. The analysts look into the case and collect other related information from different sources such as ROs, investigation agencies and law enforcement agencies. If they find that the case contains ML/TF risks, the case will be disseminated to competent authorities.

In FY 2015-2016, BFIU Annual Report reveals that it disseminated 123 complaints to different investigation agencies and law enforcement agencies. It also disseminated 58 STRs/SARS to these investigation and law enforcement agencies. The BFIU report demonstrated that most of the STRs/SARs and complains were disseminated to ACC and CID. BFIU has the authority to supervise the reporting agencies. It acts as a national analysis centre as well as monitoring and supervisory body. BFIU has a Monitoring and Supervision Wing which is again divided into six sub-wings. They are: Bank Monitoring Wing, Non-Bank Financial Institutions Wing, NGO/NPO, Money Changers Monitoring Unit, Capital Market Intermediaries Monitoring Wing, Insurance Monitoring Unit and DNFBPs, Cooperatives Monitoring Unit. The goals and strategic objectives of Monitoring and Supervision Wing are mainly to develop effective AML/CFT system to combat ML/TF in Bangladesh, reduce the vulnerability of the reporting organizations, to adopt Risk Based supervision approach, to ensure effective supervision and to minimize the supervision frequency. Previously, BFIU aimed to achieve these goals through compliance based approach. In recent years, it has been moving to Risk Based Approach. The shift came with the emergence of 'diverse sophisticated financial services offered by the reporting entities'. BFIU has created a mechanism to monitor and supervise the AML/CFT compliance under its Risk Based Approach. It created a framework to allocate its supervisory resources. Reporting agencies which bear higher risk will be dealt with more focus in terms of allocation of resources. This process will allow regular upgrading of risk assessments. It can issue guidance and directions to the reporting organizations. It can also carry out on-site inspections for surveillance purpose. BFIU can exchange information related to ML, TF and other related offences with the foreign FIUs and sign Memorandum of Understanding (MoU). In FY 2015-2016, BFIU sent 186 requests to different FIUs. Besides, it produces financial intelligence reports based on the reports it receives from

²⁶ Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank, *Annual Report 2015-2016*, available at <https://www.bb.org.bd/pub/annual/bfiu/2015-2016.pdf>, accessed on 16 January 2018.

other reporting organizations and disseminate those to other investigating agencies. It provides financial intelligence upon request of any investigation agency. It extends cooperation to them if it is necessary. It also provides information relating to ML/TF to other relevant government agencies either on request or spontaneously. Thus, BFIU plays a critical role in identifying the emerging threats, techniques and methods in ML/TF sector.

ACC is an independent anti-corruption body in Bangladesh. It was established under Anti-Corruption Commission (ACC) Act, 2004. It became the sole investigating body as per MLPO 2008. One of the core activities of the Commission is to conduct investigations and enquiries against ML which is considered as one of the main scheduled offences in Bangladesh that comes under the scope of ACC Act 2004. MLPA, 2012 conferred the authority of investigating ML cases to the commission. According to ACC, since 2009 till 2014, the commission has enquired into 285 cases among which 254 cases were filed.²⁷ Charge sheets were filed for 112 cases. Three cases were settled in which the commission won in all. With regard to ML, the commission confiscated 2.89 billion taka from 1,011 bank accounts. It gained success in some investigations related to corruption, fraud and ML related cases. There are other predicate offences which generate proceeds of crime. Out of twenty-seven predicate offences, most of the predicate offences are investigated by Bangladesh Police. DNC also investigated some cases. ACC was the sole investigating agency until the amendments of MLPA in October 2015. The amendments allowed AML investigations by all the relevant law enforcement agencies.

NCC is the apex body in Bangladesh to formulate policies to deter ML and TF. It was formed to formulate policies and directives on AML/CTF issues and to oversee the implementation. The convener of the committee is Minister, MoF. The committee consists of the following members: Chairman, ACC; Principal Secretary, PMO; Attorney General for Bangladesh; Governor, Bangladesh Bank; Secretary, Finance Division, MoF; Secretary, Bank and Financial Institution, MoF; Secretary, Legislative and Parliamentary Affairs Division, Ministry of Law, Justice and Parliamentary Affairs; Secretary, MOFA; Secretary, Ministry of Housing and Public Works; Secretary, Ministry of Commerce; Chairman, NBR; Chairman, BSEC; Deputy Governor, BFIU.²⁸ The power and functions of NCC are listed in Money Laundering Prevention Rules 2013. NCC formulates important policies for preventing ML and TF. It also reviews the implementation process of the policies made by it. NCC ensures coordination among different ministries or agencies. The committee has the authority to form different working committees from time to time for special purpose. Finally, it also collects any information, report related to ML and TF from any relevant ministry, division, institution and agency. BFIU assists the NCC if needed. The committee met twice during 2015-2016 and made some important

²⁷ Shakhawat Hossain, "Tug of war between ACC and police still on", *The New Age*, 03 December 2014.

²⁸ Banks and Financial Institution Division, *Money Laundering Prevention Rules 2013*, Dhaka: Ministry of Finance, Government of the People's Republic of Bangladesh, 2014.

recommendations. One of them is that all the concerned ministries, divisions and agencies will submit the half-yearly report in line with their responsibilities mentioned in the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017 to the NCC.²⁹

Working Committee is the second highest body in AML/CFT regime to assist the NCC for combating ML and TF. It prepares drafts of important policies related to ML/TF and submits those to the NCC. It has the objective to strengthen inter-agency cooperation. It also works to ease the inter-agency information sharing. The working committee adopts work-plan for implementing the policies and decisions made by the NCC. It also prepares reports for the NCC. However, the working committee can form sub-committee, if it is deemed necessary. The committee met four times during 2015-2016 period. Some of the important decisions were made in these meetings. The law enforcement agencies will ensure the exchange of information with their foreign counterparts regarding ML/TF issues. It was also decided that MHA will formulate a Counter Terrorism Strategy in cooperation with Bangladesh Police and other national intelligence agencies. Besides, Bangladesh Police will provide information related to ML/TF crimes to BFIU.

There is a central task force for preventing illegal *hundi* activities, illicit flows of fund and money laundering in Bangladesh. Besides, there are current regional task forces in Chittagong, Rajshahi, Bogra, Sylhet, Rangpur, Khulna, Barisal and Mymensingh. The task force has made a request to the Bangladesh Bank to verify the national identification document (NID) of the account holders. It has also approached BFIU to provide training to the investigators of various agencies.

Law enforcement agencies are part and parcel in the AML/CFT regime. As per the amendments made in MLPA in late 2015, the law has conferred authority to all relevant law enforcement agencies to investigate AML cases. According to the latest amendments of MLPA in 2015, "The number of investigating agencies has been widened with a view to facilitating the scope of investigation by the respective Law Enforcement Agencies (LEAs) dealing with the scope of the offence. The law now has empowered the Bangladesh Police, NBR, DNC and other agencies to investigate the ML offence related to the predicate offences under their purview." BFIU disseminates its reports to law enforcement agencies and also arranges meeting with the same to be updated about the cases it sends to them.

There is also a National Committee on the Implementation of the UNSCR on Combating TF and Weapons of Mass Destruction (WMD) Proliferation. It has the mandate to monitor Bangladesh's compliance with UNSCRs related to TF and WMD Proliferation. Besides, MoF leads AML/CFT coordination as the Finance Minister chairs

²⁹ Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank, op. cit.

the NCC. Second, MLJPA is the agency responsible for legislative drafting and others. Third, the PMO plays the role of coordinating agency in relation to countering terrorism. It also oversees the pursuing of proceeds of crime. Fourth, the Attorney General (AG) gives legal support to the government. Fifth, the MHA is the implementing authority for law enforcement matters. Sixth, DNC has the authority to investigate cases related to ML since 2015. Seventh, MFA works as the diplomatic channels which can be used for ML cases. Eighth, the NBR-Tax and the NBR-customs also investigate offences related to ML. Ninth, BGB and BCG work to prevent transnational crimes such as smuggling, trafficking, etc. which produce large amounts of proceeds of crime. But they are not investigating agencies. Tenth, Bangladesh Bank supports BFIU. It also plays a supervisory role in AML/CFT regime. Eleventh, IDRA and BSEC have been allocated AML/CFT supervisory roles. Finally, the NGO Affairs Bureau is under the PMO. It regulates the NGOs and NPOs. Thus, Bangladesh has made considerable progress in building an effective institutional framework.

4.3 Cooperation with Inter-governmental Organizations

Bangladesh is working closely with inter-governmental organizations related to ML and TF such as FATF, Asia/Pacific Group (APG) on Money Laundering, Egmont Group and other regional arrangements. The country has also ratified the UN Convention in 1988. It is also a party to the UN Terrorist Financing Cooperation.

The most important organization with which Bangladesh maintains close cooperation is FATF, which is an inter-governmental body. It was established in 1989.³⁰ It is working with the objectives of setting standards and promoting different legal, regulatory and operational measures for deterring ML, TF and other related offences.³¹ It works as a policy making body. It generates political will and brings about necessary changes and reforms in national legislation and practices. The FATF monitors the progress of the member countries. FATF is best known for the recommendations it has developed over the years as the international standard in AML/CFT sector. The organization first issued a set of recommendations in 1990. Later, the recommendations were reviewed and updated in 1996, 2001, 2003 and 2012.³² Bangladesh was placed by the FATF in its International Cooperation Review Group (ICRG). The FATF established ICRG in 2007.³³ The group reviews countries in terms of “analyzing high-risk jurisdictions and recommended specific action to address the ML/FT risks emanating from them”. Since then, Bangladesh has made a sea-change in improvising its AML/CFT regime. Bangladesh has extended its deep commitment to international rules and regulations governing the AML/CFT sector from time to

³⁰ Financial Action Task Force (FATF), Official Website, available at <http://www.fatf-gafi.org/about/>, accessed on 03 December 2017.

³¹ Ibid.

³² Ibid.

³³ Ibid.

time. At present, Bangladesh's compliance level with FATF recommendations is high in general.

Another important organization is APG which is an associate member of FATF. It is a forty-one member inter-governmental organization aimed at adoption, implementation and enforcement of FATF standards for combating ML and TF. FATF Forty Recommendations and FATF Eight Special Recommendations guide the organization's drive in AML/CFT sector. The group assist individual country to craft laws related to ML/TF, helps building FIUs, guides countries detect suspicious transaction, etc. Bangladesh became a founding member of APG in 1997. Since the inception of the APG, Bangladesh has been participating in its different programmes. Since BFIU is the central agency for driving country's AML/CFT sector, it is coordinating and supervising in all programmes of APG. Delegation from Bangladesh attends annual meetings of APG in which primary policies and decisions are made. APG also arranges training workshops for creating assessors for mutual evaluation conducted by APG. Officials from BFIU also participated in the training workshop. Finally, APG conducts Mutual Evaluations in accordance with its membership rules.³⁴ In accordance with the rules of APG, members commit to a mutual peer system of review. It is undertaken to find out the level of compliance with the international AML/CFT standards. Bangladesh underwent its first Mutual Evaluation Report (MER) in 2002 which was evaluated by a joint team from both the World Bank and IMF. APG adopted the report in 2003. The second MER was conducted by APG in 2008 which was adopted in 2009. The report evaluated both improvements and deficiencies of Bangladesh in AML/CFT sector. Bangladesh formed NCC on the basis of recommendations of the second MER. Lately, the third round of mutual evaluation was conducted and adopted by the APG in 2016. Thus, Bangladesh is cooperating with APG on a regular basis.

Bangladesh is also a member of the Egmont Group which is the apex body of FIUs around the world. It comprises of 155 FIUs.³⁵ Member countries can secure and exchange financial intelligence by using the platform of Egmont Group. The Group is called "the operational arm of the international AML/CFT apparatus". BFIU secured the membership of Egmont Group in Sun City, South Africa in 2013. BFIU's membership in Egmont Group facilitates its relations with other foreign FIUs. Through Egmont membership, BFIU can get access to exchange information with foreign FIUs. BFIU actively participates in different programmes of the Egmont group. BFIU signs MoUs with FIUs of the other countries on Egmont Group platform.

Besides, Bangladesh also acts under various regional frameworks in terms of developing its AML/CFT sector. It participated in different meetings arranged by the Bay

³⁴ "Mutual Evaluations", Asia/Pacific Group on Money Laundering, available at <http://www.apgml.org/mutual-evaluations/page.aspx?p=a901712a-54e4-4b3b-a146-046aefca6534>, accessed on 03 December 2017.

³⁵ Egmont Group, Official Website, available at <https://egmontgroup.org/en/content/about>, accessed on 05 January 2018.

of Bengal Initiative for Multi-Sectoral, Technical and Economic Cooperation (BIMSTEC) of which Bangladesh is an active member. Bangladesh participated in BIMSTEC Joint Working Group (JWG) meeting on Counter-Terrorism and Transnational Crime in 2015. Moreover, the delegation of Bangladesh attended the meeting of BIMSTEC Sub-Group on Combating the Financing of Terrorism. The meeting addressed the issue of enhancing cooperation in order to curb the financing of terrorism among the BIMSTEC countries. Bangladesh delegation also participated in the first Southeast Asian Regional Summit to Counter-Terrorism financing which was co-hosted by the Australian FIU (AUSTRAC) and Indonesian FIU (PPTAK) in Sidney, 2015. Bangladesh has, thus consolidated its international cooperation with different internationally acclaimed inter-governmental organizations by demonstrating a high priority in exchanging assistances.

5. An Appraisal

Emerging trends in the AML/CFT regime reveal several improvements in the process of combating ML and TF. Moreover, after finding out some loopholes in the implementation process, the paper makes some recommendations accordingly.

An evaluation of Laws, Rules and Strategies in the development of AML/CFT regime reveals that Bangladesh has developed legislation to counter ML and TF. Money Laundering Prevention Act 2012 and Money Laundering Prevention Rules 2012 strengthened the legal basis of AML/CFT regime. It attempted to bring banks, different financial institutions, NGOs, etc., into the regime.³⁶ Later, the legislation was amended in 2015. The amendments reflected the recommendations made by APG in its 2009 MER. The amendments in 2015 brought a sea change in the institutional arrangements. The amendments in legislation designated law enforcement agencies authority to invest ML and TF cases. It conferred Bangladesh Bank a supervisory role in AML/CFT conducts. It also granted more independence to the BFIU.

Another important document in AML/CFT regime is the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism. Through the implementation of the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism for 2011-2013, Bangladesh completed its FATF International Cooperation Review Group (ICRG) Action Plan. Then the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017 should be considered. The strategy is prepared with heavy influence of the findings of risk assessments.³⁷ It addressed legal and institutional gaps in the NRA Reports. In this regard, it can be mentioned that Bangladesh conducted two NRAs.³⁸ They collected information and data from twenty one stakeholders. Besides, the

³⁶ The Asia/Pacific Group on Money Laundering (APG), op. cit.

³⁷ Ibid.

³⁸ Ibid.

assessment identified jewellery sector and real estate sector as more risky than the securities sector. The assessment report discussed about fraud threats in the banking sector in detail but it did not consider other fraud threats beyond the banking sector. Drug trafficking, human trafficking, gold smuggling, etc., were not discussed in detail.³⁹ Other threats and vulnerabilities stemming from stock market fraud, market manipulation were not focused. Thus, the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism and NRA should be revised and updated periodically by addressing the existing deficiencies.

An appraisal of the emerging trends of AML/CFT regime of Bangladesh suggests that BFIU receives a significant amount of reports from the Reporting Organizations (ROs), complaints made by individuals or entities, news published or broadcasted in print or electronic media, information provided by relevant authorities or stakeholders, intelligence shared by intelligence agencies and law enforcement agencies.⁴⁰ It adds value to the reports by exploiting its well-trained and professional analysts and thus produces financial intelligence. It also collects information from its foreign counterparts. Thus, it has demonstrated its well performing analysis capacities to produce both strategic and operational reports.⁴¹ In its final phases, BFIU disseminates quite voluminous intelligence reports to the law enforcement agencies. They use financial intelligence to act against financial crimes. They need to enhance the use of financial intelligence. ACC applied financial intelligence relevant to corruption and ML, on the other hand, most law enforcement agencies use financial intelligence relevant for predicate offences. Thus, there is a sharp difference on using financial intelligence to investigate offences. It is worth mentioning here that disseminations from BFIU were largely useful for law enforcement agencies to combat terrorism and TF. Second, ROs provide Suspicious Transaction Reports (STRs)/ Suspicious Activity Reports (SARs) to BFIU. The reporting system is meant to protect the reporting organizations from ML/TF risks and associated vulnerabilities. There is an increasing trend about submitting more STR/ SAR in the last few years.⁴² BFIU Annual Report 2015-2016 revealed that five kinds of ROs such as banks, financial institutions, insurers, capital market intermediaries and money remitter submitted a total of 1687 STRs/SARs to BFIU⁴³ which is presented in Figure 1. Compared to 2014-2015, the amount of reports rose by 54.2 per cent. On an average, BFIU received 141 STRs/SARs in each month which was only 91 in 2014-2015.⁴⁴ The increasing numbers of STRs/SARs submitted to BFIU signals a strengthened AML/CFT regime in Bangladesh though the quality of reporting is mixed.

³⁹ Ibid.

⁴⁰ Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank, op. cit.

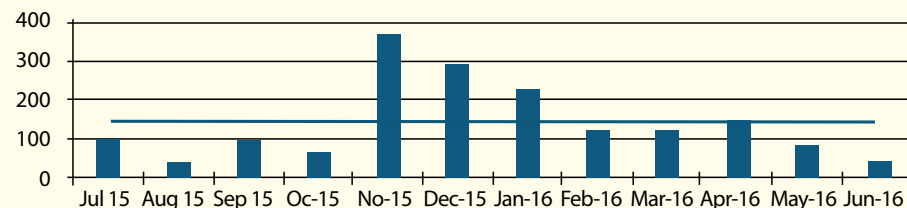
⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid.

Figure 1: Receipt of STR in 2015-2016



Source: Bangladesh Financial Intelligence Unit (BFIU), op. cit.

Finally, banks are considered the primary actor of Bangladesh financial system. The 2015 NRA suggests that the biggest ML/TF risks lie with the banking sector. Thus, banks are considered the premier RO in Bangladesh and they are expected to provide the largest amount of STRs and SARs to BFIU. In Bangladesh, the reports provided by the banking sector to BFIU experienced a surge in the last few years.⁴⁵ In FY 2012-2013, Banks provided 413 STRs/SARs to BFIU.⁴⁶ In FY 2013-2014, BFIU received 608 STRs/SARs and in FY 2014-2015, BFIU received 856 reports.⁴⁷ Finally, in FY 2015-2016, BFIU received 1547 STRs/SARs from the banking sector.⁴⁸ This means that 91.7 per cent of the total STRs/SARs came from different banks.⁴⁹ Thus, the working relation between the ROs and BFIU is gradually improving which, in turn, is contributing to build an effective AML/CFT regime in Bangladesh.

In terms of cooperation with inter-governmental organizations, Bangladesh has a strong legal framework for international cooperation. The MER on Bangladesh 2016 was evaluated against 2012 FATF recommendations. It has implemented all 40 of the recommendations made by APG.⁵⁰ Bangladesh achieved full compliance in six categories. It also obtained near full-compliance in twenty-two categories and partial compliance in twelve categories.⁵¹ Thus, the country was not found non-compliant in any category. In effectiveness ratings, Bangladesh achieved substantial progress in three categories namely international cooperation, TF investigation and prosecution and financial sanction against PF.⁵² It achieved moderate success in Risk, Policy and Coordination; Supervision; Financial Intelligence and TF Preventive Measures and Financial Sanctions.⁵³ (See Table 2)

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ "Bangladesh: Peace and Security", op. cit.

⁵¹ Ibid.

⁵² The Asia/Pacific Group on Money Laundering (APG), op. cit.

⁵³ Ibid.

Table 2: Effectiveness Rating of AML/CFT Regime of Bangladesh

Effectiveness Criterion	Rating
Risk, policy and coordination	Moderate
International cooperation	Substantial
Supervision	Moderate
Preventive measures	Low
Legal persons and arrangements	Low
Financial intelligence	Moderate
ML investigation and prosecution	Low
Confiscation	Low
TF investigation and prosecution	Substantial
TF preventive measures and financial sanctions	Moderate
PF financial sanctions	Substantial

Source: The Asia/Pacific Group on Money Laundering (APG), op. cit.

In recognition of this, APG announced in its Annual General Meeting (AGM) in the USA in 2016 that Bangladesh can be considered a country free of risk from ML and TF. Besides, Bangladesh has never turned down any request for international cooperation regarding ML. It demonstrated a flexible approach in this regard.

6. Conclusion and the Way Forward

Bangladesh has a phenomenal success story in fighting ML and TF. It was enlisted by FATF as a grey listed country which lags significantly behind in complying with international standard in 2008. FATF found deficiencies in AML/CFT regime of Bangladesh. The country was facing considerable ML/TF risks due to gaps in legal, procedural and implementation process. Over the years, Bangladesh has been continually addressing the issues to build an effective AML/CFT regime. Finally, Bangladesh was removed from the grey list in 2014. This demonstrated Bangladesh's commitment to combat ML and TF. Recently, Bangladesh has been placed among top ten improvers on developing AML/CFT frameworks across the world. And it was also recognized by APG as a risk free country. The success of Bangladesh was accomplished by updating the legal instruments from time to time. Money Laundering Prevention Act originally enacted in 2002 replaced by Money Laundering Prevention Ordinance in 2008. Money Laundering Prevention Act was again passed in 2009 later amended subsequently in 2012 and 2015. Similarly, the Anti-Terrorism Act was enacted and updated regularly to address the shortcomings. Bangladesh also developed its National Strategy for Preventing Money Laundering and Combating Financing of Terrorism for the first time for 2011-2013 and then for 2015-2017. Finally, to understand national ML/TF risks, Bangladesh prepared two NRA Reports subsequently in 2011 and 2015. Bangladesh has also made robust institutional arrangements including BFIU, ACC,

NCC, Working Committee, Central Task force for Preventing Illegal Hundi Activities, Illicit Flows of Fund and Money Laundering, Law Enforcement Agencies, National Committee on the Implementation of the UNSCR on Combating TF, etc. It is also working closely with different inter-governmental organizations such as FATF, APG, Egmont Group, etc., to comply with international standard. Thus, the AML/CFT regime in Bangladesh is making considerable improvements day by day. BFIU is presently receiving more and more STRs/SARs from the ROs. Banks are considered the most important RO in this regard. The last few years have witnessed an increasing trend of submitting STRs/SARs to BFIU. BFIU analyses these reports and other complaints. After processing these, BFIU produces intelligence reports which are disseminated to the relevant law enforcement and investigating agencies. The paper finds out that intelligence reports related to corruption and ML are mostly utilized by ACC and intelligence reports related to other predicate offences are used by law enforcement agencies. These intelligence reports were very important for law enforcement agencies to combat terrorism and TF.

Keeping the developments of AML/CFT regime of Bangladesh and its emerging trends in mind, the paper incorporates a number of recommendations organized into two sets. Thus, the paper suggests a two-pronged approach which addresses both the major drawbacks in the existing regime and suggestions for initiating new endeavours in order to further develop the regime.

The first set of recommendations addresses several drawbacks in the existing system. First, performance of the ROs should be improved. Compliance of these organizations plays a key role in the process of identification of ML/TF risks. Recently, NGOs and NPOs and DNFBP have been incorporated into the category of ROs.⁵⁴ Since these organizations are new, BFIU has undertaken different initiatives such as NGO Sector Review and DNFBP sector risk assessment. It is revealed from the NGO Sector Review that since private and public sectors are emerging strong in Bangladesh. Consequently, NGOs are losing their influence in Bangladesh. Although there are risks associated with some foreign funded NGOs operating in border and hill areas such as Cox's Bazar, the GoB is monitoring them closely and vigilantly.⁵⁵ Regarding DNFBP, it is not a major source of ML/TF risks in Bangladesh yet.⁵⁶ Overall, what is concerning is the number of NGOs and DNFBPs. The number of NGOs and DNFBPs are very large. They vary in their structures and functions. In this context, monitoring them becomes difficult for BFIU. Besides, NGOs and DNFBPs are not regulated and monitored by any single apex body. These organizations working in different sectors are regulated by different government agencies. Thus, supervision and monitoring

⁵⁴ *National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017*, The People's Republic of Bangladesh, available at <https://www.bb.org.bd/bfiu/openpdf.php>, accessed on 10 February 2018.

⁵⁵ Ibid.

⁵⁶ Ibid.

gets complicated. There is a need to create a mechanism for ensuring compliance among the reporting organizations. In this process, it is imperative to engage all the government regulatory authorities. Banks and other financial institutions who maintain the accounts of NGOs need to be instructed. Finally, NGOs activities should be monitored on an enhanced and comprehensive basis. Second, there is a need to augment investigative capacity and upgrading the quality of investigation and prosecution of cases related to ML/TF. In this regard, emphasis should be given on financial intelligence. Almost all cases related to ML/TF are associated with financial intelligence. ML/TF cases often involve collection, collation and analysis of information related to money. There is a tendency among the criminals to exercise some kind of authority over the assets. This tendency makes a criminal to leave his trail behind. It is possible to follow the "proper trail" which will lead to offender.⁵⁷ Thus, development of financial intelligence to deter ML/TF is imperative. The development of financial intelligence involves adequate resources, proper training for analysts and investigators, proper use of legal tools, technological resources and high degree of professional knowledge in ML/TF prosecutions. Besides, BFIU can come up with an appropriate procedure to speed up the prosecution process by ACC, CID, Custom and DNC. Law enforcement authorities should enhance their level of communication with BFIU. Third, it is imperative to conduct sector specific risk assessment which needs more resources and competent manpower. Besides, Risk Based Approach of monitoring and supervision needs technically skilled officers.⁵⁸ Unfortunately, AML/CFT wings of related ministries, departments and agencies are yet to achieve such capacities. The RBA of monitoring and supervision should be introduced to all the ROs such as banks, financial institutions, security market intermediaries, insurance NGOs/NPOs, DNFBPs. Besides, there is a need to devise a mechanism which can monitor whether reporting organizations identify, assess or mitigate risks and vulnerabilities properly in AML/CFT sector. Fourth, there is a need to create a communication strategy to disseminate the findings of NRA to all relevant ministries, law enforcement agencies, regulatory authorities and reporting organizations.⁵⁹ Sector specific risk assessment strategy should be incorporated in NRA. NRA should be reviewed and updated on a regular basis. Finally, although NRA involved private sector stakeholders and relevant organizations in its assessment process to some extent; it did not cover the risks facing the private sector comprehensively and did not suggest the mitigating measures broadly.⁶⁰ Even the findings of the TF assessments were not distributed among the private sector actors. Financial institutions except banking sector were not apprised of the preliminary results of 2015 NRA.⁶¹ Although NRA was undertaken as a crucial guide to assess the national risks and vulnerabilities, it gave little detail about guiding the implementation.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ The Asia/Pacific Group on Money Laundering (APG), op. cit.

⁶⁰ Ibid.

⁶¹ Ibid.

The second set of recommendations makes some observations which if addressed properly can contribute to further development of the regime. First, it is essential to boost national and international coordination. Concerted efforts at national, regional and international levels will help to tackle ML/TF risks. Coordination is needed at both policy and operational levels. At national level, there are several agencies which are involved in the entire process from identification to prosecution of ML/TF cases. STRs and SARs submitted to BFIU act as a source for primary identification of ML/TF cases. Besides, BFIU receives complaints from different sources such as ACC, CID, media, general public and others. BFIU also relies on this information to identify ML/TF risks. To analyze the reports, BFIU has to take the assistance of its own database, the criminal database of Bangladesh Police, ACC, immigration database, customs and tax database, NID and so on. It also takes assistance from foreign FIUs in some cases and through Egmont Secure Web of Egmont Group. BFIU is connected with other foreign FIUs through 'goAML software'.⁶² There are some challenges in this regard. Misperception revolves regarding the exchange of information. Besides, there is a lack of resource constraints and skilled staffs in concerned agencies. Finally, the process of sharing data among the concerned agencies is time consuming as it is based on request.⁶³ Second, there is a need of curbing corruption induced ML. In this respect, there is a need to consider corruption as a high risk issue. Corruption is directly connected with a weak financial system. The fight against ML cannot achieve without that against corruption. Thus, reporting organizations have to be extra vigilant to detect corruption induced ML/TF. In this regard, Bangladesh should have to conform to United Nations Convention against Corruption (UNCAC). Finally, there is no alternative to mobilize the mass people against the risks and vulnerabilities of corruption. Public awareness against corruption is the mainstay of this initiative. Third, Bangladesh has been facing significant risks of transnational crime such as gold smuggling, drug trafficking and human trafficking. It is used as a route of gold smuggling and drugs and human trafficking. Drugs are smuggled mainly from India and Myanmar, gold is smuggled to India and the trails of human trafficking find destination in India, Malaysia, Thailand and other countries.⁶⁴ All these high profile crimes generate large amount of proceeds. It is imperative to detect and freeze these proceeds of crime. These proceeds can be transformed into sources of ML/TF. Thus, financial intelligence is of paramount importance. Besides, border control mechanism needs to be modernized. Enhanced cooperation is needed among Bangladesh Police, DNC, BGB and BCG, etc. Fourth, the economy of Bangladesh is emerging. The country is experiencing a transition in terms of digitization. Consequently, the financing system of Bangladesh is going through dynamic changes. Mobile banking and online banking are the new trends. As a result, new areas of risks and vulnerabilities are observed. Mobile banking frauds, fraud in card payment, forgery through ATM card, cyber crime related to financial service system are on the rise. In keeping up with these

⁶² Ibid.

⁶³ Ibid.

⁶⁴ Ibid.

emerging trends, BFIU has purchased 'goAML software' from United Nations Office on Drugs and Crime (UNDOC).⁶⁵ If financial intelligence fails to effectively clamp down these fraudulent electronic means, these means can be instrumental for ML purpose. Recently, domestic remittance through mobile banking has almost been a common practice. This practice can enable TF to gain exponential growth. Capacity building is mandatory to regulate this sector effectively. Thus, there is a need to prepare an Information Technology (IT) Assessment report for existing financial intelligence. Another significant area for further development is to establish online connectivity among different relevant ministries, departments and agencies such as ACC, CID and NBR, etc. in terms of accessing different databases. Finally, Bangladesh needs to ensure a transparent, accountable and inclusive financial system. It is mainly a cash based economy. In cash based economy, there are many opportunities to place, layer and integrate the proceeds of crime. Such a pervasive cash based economy is always vulnerable to ML/TF risks. Cash transactions should be moved from informal financial system to formal financial system. Thereafter, it would be easy to detect the trail of the money. Thus, Bangladesh needs to develop an inclusive financial system. In this regard, Company Act and Trust Act can be amended accordingly.

In conclusion, the paper focuses on two sets of recommendations. The first set of recommendations addresses several limitations of the existing system. If the limitations are addressed properly, they will lead to an improvised version of the existing AML/CFT regime in Bangladesh. On the other hand, the second set of recommendations has made new suggestions that can contribute to the further development of the regime.

⁶⁵ Ibid.