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TRADE-BASED MONEY LAUNDERING: UNVEILING THE ECONOMIC CANCER IN INDIA - A FORENSIC APPROACH STUDY

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Abstract: India, with its extraordinary market and growing tendency, there is abundance of commercial opportunities. While India holds evident commercial opportunities, it must be the same time addressed that there exist challenges due to this ease of doing businesses, like Trade Based Money Laundering ("TBML"). TBML is a problem for the Indian economy and stability because it may decree the collapse of financial integrity, violate trade dynamics and prevent the country from the possibility of progress. This paper is concerned with the wide spread TBML in the context of India and hints the reasons why it is there, the aftermath and whether India should adopt a forensic approach in order to defeat this "economic cancer".The research delivers crucial findings to assist government, policymakers and regulatory authorities along with financial institutions in creating efficient preventive strategies against money laundering. This creates vital benefits for both forensic accounting professionals and financial investigators and law enforcement workers conducting money-laundering investigations. This current research relies on a restricted range of material yet future investigations be explore different detection methods for money laundering.

Introduction:

While The Laundrymen (book) ended its content with "Dirty Money is the third largest business after Foreign Exchange and the Oil Industries", prospect can be seen on the relevancy of such statement to any economies in the world today. India is a venue for business as it is a fastest growing economy. India is experiencing a fast-growing middle class that is seeing their buying capabilities increased over time. The nation is a home for many youthful populations that can benefit the country's demographic dividend, whereby a large number of young people are in productive working age.

India's geographical placement makes it a good strategic centre that those businesses are looking for to tap Asian and Middle East and Africans markets. The country's connectivity to other countries and trade advantages also arises with it as one of the best places to do business in. The nation has been making serious strides in several fields like green energy, space exploration, efficiency in digitization, healthcare, start-up industry and so on in and has become an example in the world. The World Investment Report by UNCTAD is upholding the above-mentioned facts which says India remains a colourful choice for international investors. Apart from that, the current Prime Minister's vision of elevating the nation into developed status by the year 2047 has been the objective of the government and to live with this mission, the Indian government has introduced several policies to attract foreign investment and create ease of doing business. Additional to that it consists of a startup campaign, Make in India, tax concessions and regulatory reforms that are aimed at creating a more favorable environment for investment.

While India holds evident commercial opportunities, it must be the same time addressed that there exist challenges due to this ease of doing businesses, like TBML. It is a problem for the Indian economy and stability because it may decree the collapse of financial integrity, violate trade dynamics and prevent the country from the possibility of progress. This paper is concerned with the wide spread TBML in the context of India highlighting its underlying causes, its far-reaching consequences, and the imperative for India to adopt a robust forensic approach to combat this pressing economic challenge.

Objectives:

This research strives to achieve the following objectives:

1. The study uncovers the root factors behind TBML activity in India.
2. The research examines nationwide government strategies to prevent and reduce money-laundering activities.
3. The study to implement Forensic approach in order to combat this "economic cancer" effectively in India.

Methodology:

The research draws its findings from both the professional experiences of the researchers along with analyses from multiple research sources. This research investigates TBML using public reports and case studies and secondary data as well as previously published literature and media reporting on cases. Our understanding of TBML remains highly limited because we lack exact measures and we lack uniform protocols to track and preserve TBML information effectively. The study examines formal specifications for TBML typologies from the Financial Action Task Force (FATF) along with a scrutiny of frequently deployed TBML operational procedures and practices.

Trade Based Money Laundering- A Literature review:

The government of India lost a staggering USD 83.5 billion to trade-based money laundering off their tax collections through trade-related illicit financial flows which ranked third highest globally according to a report by (Global Financial Integrity, 2020). The report indicates China ranked first with USD 457.7 billion identified value gaps which exceeded that of Mexico at USD 85.3 billion and India at USD 83.5 billion and also exceeded Russia at USD 74.8 billion and Poland at USD 66.3 billion in 2017. A value gap represents "the amount of trade that escaped proper taxation" pursued by both importer and exporter governments. (Federation of Indian Chambers of Commerce & Industry, 2023) reported that the Indian economy surpassed USD 3 trillion during 2021 and UNODC estimated India had USD 159 billion in money laundering amounts reflecting the serious nature of the issue from illicit markets and non-market actors. The Federation of Indian Chambers of Commerce and Industry (FICCI, 2023) examined international data to reveal that money laundering through illicit trade activities amounts to five percent of India's gross domestic product (GDP).

Given these numbers, TBML is potentially the reason India's economic potential is being wasted because of TBML diverts these resources, encourages corruption and creates an unfair marketplace. However, while the government is tightening up anti-money laundering (AML) measures and ferreting out suspicious activity reports, the scale and smarts of TBML schemes in themselves require more effective cross border collaboration and better data analytics, tougher enforcement measures to avoid future economic setbacks. The expansion of illicit trade concerns Indian businesses since they believe this threat undermines both national security objectives and economic stability. Indian businesses push for aggressive solutions to stop escalating illegal activities. The subsequent section analyses Money Laundering while also studying TBML for better comprehension of their natural forms.

Under (The Prevention of Money Laundering Act (PMLA), 2002), money laundering is defined as "any activity relating to proceeds of crime, including, concealment, acquisition, possession or use of property derived from crime or the project of such property as untainted property (Section 3)." The act forbids this proceeding of illicit money and processing it into law money. According to (Buchanan, 2004), money laundering exists as the process of concealing criminal fund origins. Two different methods exist to launder illegally obtained funds including foreign commerce transactions and terrorist fund diversion. (FATF, 2006) report defined trade-based money laundering as "the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illegal origin or finance their activities". Trade-based terrorism financing should not be conflated with TBML (Sinha, 2013). (FATF, 2006) report also defines TBTF (trade-based terrorist financing) as "disguising the movement of value through the use of trade transactions in an attempt to finance terrorism, whether from legitimate or illegitimate sources".

The financial transactions known as Trade Finances serve as channels for Organised Criminal Groups (OCGs) and Professional Money Launderers (PMLs) along with Terrorist Financing networks to launder criminal proceeds from drugs and evade sanctions while financing terrorism activities. (Global Financial Integrity, 2023) provide estimates of the magnitude of the problem. Their research indicates "drug trafficking (43 percent of all predicate offenses mentioned) was the most commonly occurring criminal activity followed by tax evasion/tax fraud (18 percent) and other fraud or scams (7 percent) along with corruption (6 percent)." Global trade provides legitimacy for the billions of dollars that offenders move between jurisdictions, free of state level currency regulation (Hataley T, 2020). (Malm, A. and Bichler, G., 2013) studied how to identify money launderers along with their criminal activities taking place within the network. Research evidence demonstrated that money launderers are essential figures in illicit drug trade operations and backed the "social snowball effect" which identifies social connections as drug market access keys. According to (Meiryani, M., Soepriyanto, G. and Audrelia, J., 2022) money laundering represents an illegal scheme where criminals hide their criminal income by altering its appearance and relocating it while supporting legal or unlawful undertakings.

TBML techniques:
Multiple channels support both criminal organizations and terrorist financiers who move funds through the financial system to hide personal details while turning illicit money into legitimate business transactions. Some of them are:

- Splitting of funds within relatives in India and sending outward remittance as Gift or Family Maintenance under LRS to avoid limit breach.
- A drug cartel is mixing illegal money with legal money through business transactions.
- Cash based illicit activities take advantage of both fake shopper entanglements and attacks on legitimate chains with complete legitimate business practices without misleading processes.
- An importer is using fake pricing on invoices to cover up or transfer money.

- Physical movement of money carrying a briefcase of cash or through courier
- Transfer of capital using an anonymous shell company
- A member of a terrorist group is sending money across regions to an associate.

An amount exceeding hundreds of millions of dollars represents lost tax revenues which could have supported sustainable growth along with job production and poverty reduction and inequality alleviation and climate change responses and other vital objectives. Any penny leaving one country has to reach another. This often means that just as financial outflows from developing countries become illicit, they end up in developed country banks, like those in the US and UK, or tax havens such as Switzerland, British Virgin Islands or Singapore.

TBML is the money laundering of illicit funds through international trade transactions. Red flags are a way to identify transactions, behaviours or patterns that deviate from the norm, which directs more examining to ensure compliance and guard against illicit activities and aid investigators in targeting areas to examine more deeply to find wrong doing. Few TBML Red Flags are:

- Over-Invoicing: To charge more for goods or services than they are worth. It helps the exporter offload illicit funds as legitimate payments.
- Under-Invoicing: Paying less than what value a good or service is worth. The technique saves the importer money but pass illegal money to the exporter.
- False Descriptions of Goods: False invoices with a view to artificially increasing or reducing its value as the type, quantity or quality of goods described in them.
- Multiple Invoicing: Telling how the sums of money have been moved by showing how they were changed by using multiple invoices for the same goods shipment.
- Phantom Shipments: First, fake shipping documents for non-existing shipments are created and money can be moved without an exchange of goods, secondly the exchange of goods for money is transacted moving the papers and fake goods.
- Shell Companies: The transaction is done through fictitious (front) companies that virtually make it impossible to trace back to the real origins of the money.
- Trade Financing Manipulations: By using methods relating to trade financing through, for example, using letters of credit to launder money on the pretext of legitimate trade transactions.
- Over/Under-Shipping: To control the value of the transaction and to move illicit funds, the shipment of more or fewer goods than reported on the invoice.

- Round-Tripping: Getting money effectively through the trade cycle without being stuck with goods in a company — sell goods to a company and repurchase them for a higher or lower price.
- Use of Intermediaries: Then depending to middlemen or brokers to make it more difficult to do the transaction further.
- Complex Trade Routes: Funding that routs through many countries or jurisdictions whose presence, or involvement in the 'route and launder', obscures or confuses the true origin or destination of funding.

There are as many or as few different payment methods as there are people selling and buying in international trade. Because payment methods differ in security measures and speed and complexity levels the involved parties face various amounts of risk leading to payment-time uncertainties between exporters and importers. Supply chain tension develops from this situation producing negative effects that affect both exporters and importers. Chain supply tension structures negative consequences that impact both exporting sides and importing entities. International transactions involve five basic methods of payment which providers structure according to different levels of importer and exporter preferences. The preferred payment systems for importers and exporters follow a particular order where advanced payments by cash rank as least desired for importers yet prove most desirable for exporters. These methods of payments are cash in advance, letter of credit, open account, documentary collection and consignment.

Results from the (FATF, Trade-Based Money Laundering Trends and Developments, 2020) survey show contributors identified open account and documentary collections as their top choices for TBML analysis and investigation work. According to the Wolfsberg Group reports, financial institutions execute approximately 80% of international trade operations through open account mechanisms.

PREVENTION AND GOVERNMENT MEASURES OF MONEY LAUNDERING:

The Government of India has taken a number of important steps to defeat the money laundering and strengthen the integrity of the country's financial sector. The legal, institutional, political and technological measures included are described in these steps.

Implementation of Prevention of Money Laundering Act (PMLA), 2002:

Money laundering regulations through this law establish procedures to seize assets obtained through fraudulent financial activity. The Act has been amended several times since (2005, 2009, 2012, and 2019) to make the provisions of the Act stronger. In a move that was notably broadening the range of predicate offenses and amplifying the powers of authorities to take control over assets in money laundering, the amendments were adopted.

Money laundering criminalised and carrying sentences up to 7 years imprisonment and fines, PMLA also mentioned.

Creation of the Financial Intelligence Unit-India (FIU-IND):

FIU-IND began its operations in the fiscal year 2004–2005 with the mandate to examine STRs and CTRs, besides offering intelligence to enforcing agencies.It serves as the national center for the reception, processing and broadcasting of information about suspected financial crimes.

Amendment to the Companies Act, 2013:
Greater transparency in corporate ownership and beneficial ownership required, to strengthen corporate governance. This amendment calls for companies to disclose who has significant beneficial ownership to prevent both the perpetration of money laundering through shell companies.

Black Money (Undisclosed Foreign Income and Assets), and Imposition of Tax Act, 2015:
Among other things, this Act imposes stringent penalties against Indian residents with unreported foreign income and assets, that include eavesdropping on bank accounts, seizing bank accounts for tax evasion and money laundering. It brings back black money stashed abroad by imposing heavy penalties on non-compliance of the legislation.

Demonetization (2016):
Demonetisation of ₹500 and ₹1000 notes was to outlaw black money, counterfeit currency and terrorist financing by the government. It was just a temporary measure, and did help make the illicit funds a little less liquid, but did help to establish a clearer and more transparent picture of the banking sector in general.

Enforcement by the Enforcement Directorate (ED):
PMLA cases are investigated by the ED, which attaches properties gained by illicit means, and proceeds to try money laundering offenses.The high-profile investigations have taken India out on the road to awareness and deterrence against money laundering activities in the country.

The Strengthening the Financial Integration Role of Banks and Financial Institutions:
Know Your Customer (KYC) Norms: The banks, the financial institutions, intermediaries have been compelled to adhere to stricter KYC standards to prevent the anonymous transactions.
Anti-Money Laundering (AML) Compliance: Aml Compliance guidelines ask banks to monitor suspicious transactions and to report to FIU-IND if such transactions are observed.

Monitoring with Integration of Technology:
To track large transactions, the government has introduced technological measures such as Central KYC Registry and has introduced Real-Time Gross Settlement (RTGS) systems.Today, blockchain and data analytics tools are used to monitor the flows of cross border trade to curtail trade-based money laundering (TBML).

The Fugitive Economic Offenders Act, 2018:
The purpose of this Act was to confiscate the economic offenders who flee India to avoid prosecution of all of his properties. Under this law, they have targeted high profile offenders such as Nirav Modi, Vijay Malya, etc.

The Government of India's much needed multipronged approach to combating money laundering is reflected in these measures, ranging from legal reforms, institutional strengthening, technology integration and international coordination. However, progress has been made versus the complexity and sophistication of the money laundering scheme. In addition to the above, the Indian government has, more specifically, endeavoured against Trade Based Money Laundering (TBML) which the government has identified as playing a major role in its laundering illicit funds. Some key measures to tackle TBML are listed below:

Customs and Trade Data Monitoring:
Indian government has started using data analytics and big data tools to monitor the trade transactions. A TBML tool toolkit analyzes patterns and alerts when it detects the disruptive trade patterns commonly found in TBML operations like over and under invoicing or product misdeclaration.In view of this, customs authorities have been given the authorization to scrutinize trade documentation and transactions with the directorate of revenue intelligence (DRI) to capture discrepancy in import-export data.

Centralized Trade Data Platform:
India's customs systems are integrated with global databases through this platform to track cross border trade transactions and detect TBML. It helps with Indian authorities tracing and tracking real time transactions and also checking against global trade norms.

Introducing EDPMS (Export Data Processing and Monitoring System) for monitoring Export from India and IDPMS (Import Data Processing and Monitoring System) for monitoring Import to India.

Suspicious Transactions Mandatory Reporting:
As per FIU-IND, banks and financial institutions involved in trade finance have to monitor transaction and report suspicious activity. It involves everything from bizarre invoicing to constant transfer of money to tax havens, or from documentation that makes no sense at all.
As a frequent TBML cases involve false trade finance documents such as Letters of Credit (LC), India has imposed stricter monitoring and reporting to banks dealing with international trade.

Customs Agency and Enforcement Collaboration:
Indian customs authorities together with Enforcement Directorate (ED) along with FIU-IND and Central Board of Indirect Taxes and Customs (CBIC) perform examinations for TBML regulation enforcement purposes. TBML determination depends on the degree of coordination between banking institutions and law enforcement agencies which operate as interconnected parts.

Adherence to FATF Guidelines:
On the other hand, India has incorporated into its regulatory framework Financial Action Task Force (FATF) recommendations with special emphasis on TBML as the key area. It includes increasing the capacity of customs authorities to detect suspicious trade transactions and increasing cross border cooperation in information sharing.

Trade Mis-invoicing Reports and Studies:
India has started liaising with global bodies like Global Financial Integrity (GFI) to help them trace and report on trade mis-invoicing, one of the most common ways of doing TBML. These reports enable identification of the high-risk trade sectors and the design of appropriate measures to combat TBML.

Streamlining GST to Curb TBML:

One of the significant steps in identifying discrepancies in trade values has been the introduction of the Goods and Services Tax (GST) matching customs and export import documentation. Authorities are better able to identify suspicious transactions by linking tax invoices with the trade transactions.

Cracking down on Shell Companies Involved in TBML:
Thousands of shell companies used to carry out trade based laundering schemes were deregistered by the government. Often, shell companies are used like intermediaries in falsified trade deals to move illicit money across the border.

International Collaboration for Information Sharing:
Informed by several bilateral and multilateral agreements India has entered into with foreign countries to provide platforms for exchanging information on financial crimes as well as for improving efforts in tacking money laundering, the efforts of the Republic to crack down on black money on an international level are substantially growing.

Automatic Exchange of Information (AEOI):
India is a signatory to global initiatives to automatically exchange tax related information to detect offshore money laundering.The Indian government's increasing focus on curbing TBML has led to these steps, that of trade transactions being a significant avenue for money laundering. Taking on this complex form of money laundering, India plans to build it up with a combination of legal, technological and international cooperation.
It is not surprising to find that, when governments enforce measures against specific laundering mechanisms criminal activities tend to migrate their operations to alternative methods. Higher detection risks emerge together with stronger policy enforcement which creates greater costs that deter criminals from employing corrupted tools. The FATF's efforts to modernize its 40 Recommendations regarding money laundering while expanding 8 Special Recommendations on terrorist financing programming regarding cash couriers alongside other countries' practice implementation efforts will likely reduce combating methods in the trade sector.

TBML Case Studies:
A few prominent Trade Based Money Laundering (TBML) case studies from India are provided here.

Nirav Modi-Punjab National Bank Fraud Case- sources: - (Business Standard, 2018)
Indian jeweller Nirav Modi and his uncle Mehul Choksi were accused of laundering about $2 billion through Punjab National Bank (PNB) Letters of Undertaking (LOUs), which are based on a bank agreement between a borrower and a lender for a loan or other forms of borrowing. It entailed using a number of shell companies and using trade finance instruments, with the money taken off overseas through branches of Indian banks. Over invoicing of diamonds and other jewellery exports were used to launder the proceeds. The accused would issue unauthorized LOUs to foreign banks to whom he was to pay import money without collateral using PNB. Instead, they diverted these funds to shell companies, laundering illicit money in the name of legitimate trade. The case called for control over trade finance and banking sectors in India because with that, shown that there are loopholes in Indian trade finance and banking sectors.

Sterling Biotech TBML via FDI- sources: (India Today, 2017)
In the Sterling Biotech case, at least ₹14,500 crores (about $2 billion) was washed by the owners of the company Sandesara Brothers through an interconnected network of shell companies and an FDI in some offshore businesses. They funneled illegal proceeds in the form of FDI into legitimate Indian businesses using trade-based techniques to disguise the flow of funds. The Sandesaras brothers routed FDI as illicit funds through shell companies across the UAE and Nigeria, dressed up as it. The money finally trickled back to India in the form of "cleaned up" FDI that was laundered through bogus import-export transactions through fake invoices. The case proved that black money could be laundered through FDI, with trade based laundering activities such as over invoicing and under invoicing being used to do so.

2G Spectrum Scam and FDI Manipulation- Sources: (The India Express, 2011)
Laundering of more than ₹1.76 lakh crore (around $25 billion) through circuitous channels, including foreign direct investments was part of the 2G Spectrum Scam. As a part of the larger scam, TBML techniques were used to mis-invoice trade and investment inflows to sneak the illicit money offshore back to India under the guise of legitimate FDI. It was a scam involving several shell companies and off-shooting organisations, making pay offs that were laundered through over-invoiced trade deals and fake investments. It was brought back as clean capital — white capital, I suppose they would say — to India as offshore money once the money had been laundered offshore in the pretext of FDI in the telecom and infrastructure sectors.The weaknesses of India's FDI regulatory framework and how the cross -border investments can introduce the TBML were highlighted by the case. Investigations were triggered into shell companies used to mask the proceeds of a criminal trade through investments abroad.

Essar Group Round-Tripping Case- sources: (Dalal, 2012)
Indian conglomerate Essar Group was accused by the Round Tripping Working Group (RTWG) of having been involved in round tripping, which would have allowed it to avoid taxes and launder money. According to the complaint, the company transferred funds to its subsidiaries in Mauritius and Cyprus, and then brought the funds back to India as FDI. While Essar moved capital out of India through inflated invoices and fake trade transactions to shell companies in tax havens, GST in India provided a loophole for them to launder their ill-gotten monies back into the very same country. Having returned the same funds as FDI to its own projects in India, this means not only that the company can claim tax exemptions reserved for foreign investment, but also that it cleans the illegal money back into India. This case prompted greater screening of FDI from jurisdictions such as Mauritius, Cyprus and the Cayman Islands, which together were deemed high risk jurisdictions for round tripping and TBML.

Deccan Chronicle ECB Scam- sources: (The Hindu, 2013)
Deccan Chronicle Holdings Limited (DCHL) used ECBs to borrow extensively in order to expand its media business. Nevertheless, a large part of the ECBs was directed to activities not related to the business, including use of funds through TBML schemes. ECBs were secured by DCHL and the funds were transferred to subsidiaries outside. Some of these funds were diverted for other ventures, and some made it through trade mis-invoicing. The movement of funds was justified, and the true intention was hidden, by false imports and exports. The misuse of ECBs for TBML,

as outlined in this case, opened the door for further examination of how corporations might abuse ECB provisions to launder illicit funds abroad.

Afghan Cartel-India Hawala TBML Case (2019) sources: (Times of India, 2019)
TBML was used by a cartel of Afghan drug smugglers to route proceeds from India to Afghanistan through the hawala system. The group imported counterfeit textiles into India and traded mis-invoiced textiles to launder drug money. The actual value of goods was manipulated under-invoicing and with the help of informal international channels, transfers of funds took place outside the system. Criminals under reported the value of exported textiles and over reported the value of imported goods thus creating an illicit flow of money from India. They used the proceeds through hawala operators to finance drug operations. This was an illustration of how TBML can be woven inside the web of illegal drug trafficking.

Rotomac Pen TBML Case- Sources: (Times of India, 2018)
Vikram Kothari, the promoter of Rotomac Pens, is accused of cheating a consortium of banks of ₹3,695 crores ($500 million) through fraudulent trade finance instruments. The scam in the case at hand consisted of the misuse of Letters of Credit (LCs) for phantom exports, in which the goods did not actually exist or were over-invoiced by a factor that is much greater than one. Kothari secretly used shell companies to route fake trade documents to inflate the value of pen exports and create spurious sales abroad to foreign firms. These funds were siphoned off to foreign accounts, they were not used for legitimate business purposes. The case illustrated that by misusing LC and trade documents, very significant financial fraud could happen, and banks would suffer huge losses.

Findings:
Money laundering is a worldwide threat to both the financial systems and economies in general that is everywhere a means of undermining their integrity. Another hidden form of this illegal action is Trade-Based Money Laundering (TBML), a relatively complex practice whereby criminal proceeds are integrated into global trading transactions thus generating legal revenues. Trade-Based Money Laundering arranges to the moving of illicit fundist across borders by being involved in trade transaction's manipulations. We see criminals also using the complexity of international trade and fraudulent techniques to hide the destination and origin of such funds. Strategies can be as follows transfer price misrepresentation with overvaluation or under-appraisal of goods, via virtual conveyance or distortion of quantities or quality of goods on invoices. With its vast and budding business India has more probabilities of financial and businesses related crime including TBML by virtue of being a fast-developing economy. To hide their illicit activities, criminals create enormous amounts of international trade, especially in the supply chain, like a convenient avenue. They are large vulnerable sectors in respect of their export import intensity in cases like textiles, gems and jewellery and pharmaceuticals. I will try to answer hereinafter as to what is the deep rooted TBML culture in India. Typically, the roots of money laundering through trade-based channels in India are found in the usual factors likely to be present in other countries also. Few of them are: In this India has a bloated informal economy with an uncountable number of businesses that are not certified and organized. As a result, the environment will become congenial in which they can exercise their nefarious financial activities through trade-based money laundering. The criminals could take advantage of the fact that the scope of the international trade could be complex to cover their money laundering activities. These illegal actors can do it by

sending invoices as many as their customers would need; shell companies and intermediaries can also help in making the financial activities multi-layered and complex by these criminal groups. Up to now, the problem of robust and fully functioning anti-money laundering regulations was that their detection under money laundering was laborious. The backdoor that is made available to criminals by the regulatory flaws can also be used in one of the ways, by laundering money through trade transactions. Smuggling, tax evasion, money laundering and other crimes are usually classified as criminal activities. All these crimes are money laundering flows that move from source. Hawala system is an informal as well as a traditional transmittal of fund which is not physical but move, usually it's linked to trade-base money laundering. Being such, this system might very well be easier to use with rather fewer barriers than the other ordinary options for sending money abroad. Corrupting officers of customs, regulatory agencies and all institutional intending are some of the major components of trade-based money laundering whose systems are intended to launder criminally gained proceeds or money through trade channels more conveniently. The bribery and pool fence driving usually comes from the aim of making it easy to convey and conceal black cash. Organized crime groups may not refrain from creating a misleading cover of business incorporated into trade to operationalize their criminal financial activities. This alteration can be accomplished via through the issue of invoices that differ either in over- or undervaluation, and this would show there's a disconnection with the revenues and expenses part within the bookkeeping operations.

On the back of India's position among global transactions the country also stands at the risk of trading-based money laundering. The worth of goods sold and transported across the border are the foundation in which other criminals and trusters can influence and compromise the whole system. There will be less helping agencies at the local, national, and global level if they do not join together and share information, and the rate at which trade-based money laundering is denied might be slow. Factors such as tax evasion, capital flight and financing of illegal activities generate a great demand for illicit financial flows in and out of India. Thus, TBML provides a means for moving large amounts of money to aid and receive, across borders with little risk of detection.

A Forensic Approach to Combat Trade-Based Money Laundering:

As per the definitions given by ICAI, Forensic Accounting is defined as, "the application of investigative and analytical skills for the purpose of resolving financial issues in a manner that meets standards required by courts of law" which means the **examination of a company's financial records** to be undertake if any fraud is reported to meets standards required by courts of law. Now question arises, why to wait for the fraud to be happened? Why to wait for the financial losses, emotional damage and reputational damage to a country? Prime Minister of India Shree Narendra Modi announced during a speech that six out of every hundred people worldwide are Indian citizens. Global growth will experience swift acceleration through India's development progress. India's expansion drives global progress in every sense. A transformation in India leads to comprehensive global change. So, it is a high time for the India to re-think and re-define the Forensic Audit term to transform the world to combat Money Laundering.

Based on researchers' study and working experience with financial sector, Forensic Audit for New Era to be defined as:

"Preventive, investigative and analytical tools applied in the assessment and monitoring of financial transactions, systems and records to discover anomalies, avoid fraud and adhere to existing laws and regulations in such a way that meets with the courts of law standard in order to build confidence and transparency in global financial system."

Accordingly, instead of waiting for the fraud to be happened, there must be a mandatory implementation of Forensic Audit in Financial Institution. Traditional audits tend to check compliance with accounting standards, while having a forensic audit delve deeper investigation irregularities, fraud, and downright misconduct. Regular audits won't display money laundering, embezzlement and other issues, but forensic audits can, revealing such issues. Hence, the introduction of mandatory forensic audits is expected to greatly increase transparency, reduce risks, increase trust and confidence in regulators, investors and stakeholders. Undetected fraud during the 2008 finance crisis and major banking scandals (such as Satyam), resulted in losses on a large scale and caused serious economic catastrophes. Mandatory Implementation of Financial Intelligence Units in financial sector and its integration with all Financial Institutions.

Having merged FIUs with all financial institutions, a centralized mechanism would be set up for collecting, analysis, and reporting of suspicious transaction data. Financial Institutions can share the burden of compliance, reducing the cost of individual compliance programs and quickly detect anomalies such as large transaction volumes, under- or over invoicing in trade, or many transactions between high-risk counterparties. It enables the faster identification of financial crime, including trade-based money laundering and round tripping. By exchanging data internationally, FIUs can scrutinize cross border trade transactions for irregularities and make it more difficult for criminals to use international trade channels to launder illegal funds. Such an approach means that all financial transactions, whatever institution, are subject to the tightest scrutiny. It helps strengthen compliance with AML/CFT regulations, enhance financial sector transparency and generally make the financial sector much more robust when it comes to risk management.

Implementation of Money Laundering chapters in education system

The issue creates problems for both national governments and society members everywhere. Masses need public awareness about the problems to understand what is happening. Our education system needs to teach ideologies which stop young generations from joining this activity.Money laundering awareness and prevention of financial crimes must be introduced in school system, starting from standard 3rd to higher education, which will not only enhance financial literacy, ethical knowledge also awareness of the illegal financial activity among the future generations. Teaching students about financial misconduct, money laundering and fraud at a young age helps young people learn about these at an early age and grow up with a basic understanding of what crimes are. If students learn the basis of financial ethics in their young age, they will also learn how to choose to be morally responsible in their personal and professional finances. The curriculum should be designed to create a strong knowledge base for future generations to combat financial crimes, improve transparency, and become positive forces to financial systems at national and global levels.

Conclusion:

TBML implications are indeed devastating and far flung. Apart from the direct consequences in the finances, TBML not only discourages normal businesses activities, but also makes citizens to lose confidence in the markets and the system. And this situation created pollution of the system and also act as a funding of terrorist organizations and drug cartel activities. Likewise, economic policy and plan implementation, as experienced in national decision making at the government level may be hindered by the distortion of trade data causing harm to the implementation process. Over the period of time, TBML can result in decreased credibility and discourage the foreign investment into the country and even contravene economic development. Across different nations governments together with financial institutions have been trying to eliminate the monetary laundering and terrorist financing including TBML. For instance, in India, it is RBI and FIU who are the controlling bodies through which it has been made continuous attempts to prevent and (detected) any money laundering manoeuvre. Nevertheless, the implication is that money laundering is a worldwide issue thus there has to be a strong strategy for the enactment of international laws.Emerging threats to money laundering continue to develop alongside technological advancements so Anti-Money Laundering frameworks including artificial intelligence and big data need continual enhancement. For effective elimination of money laundering solutions domestic and international stakeholders must strengthen data sharing platforms between their entities.

Issues for consideration/ Recommendation:

Government to implement a Forensic Approach to Combat Trade-Based Money Laundering.Mandatory Implementation of Financial Intelligence Units in financial sector with common SOP and information-sharing mechanisms among these organizations. Implementation of Money Laundering chapters in education system.

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