



# Money Laundering Investigation in a Bank Loan Fraud case

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# Background

- M/s XYZ was a multi-product trading company. Initially, it was engaged in trading of industrial chemicals, petrochemicals and oil exploration. Subsequently, it diversified into agro-commodities.
- Its promoters cheated & defrauded a consortium of banks to the tune of 2000 million Indian rupees by manipulation of financial statements, forging documents, falsification of accounts and further diverted the funds.

- The irregularities came to light when one of the creditors (lender) filed a case with National Company Law Tribunal for recovery of dues. Other lender banks too joined and a forensic audit of the company was carried out.

# FINDINGS OF FORENSIC AUDIT

- ❖ Transactions with fictitious entities (debtors and creditors).
- ❖ Manipulation of Financial Statements and Stock Statements.
- ❖ False Work in Progress (WIP) declaration.
- ❖ Payment to entities which are not related/not in same line of business.
- ❖ Inflated/False Receivables (doubtful debtors) for inflated balance sheet.
- ❖ Infusion of Share Capital via companies purchased from open market (Shell entities).
- ❖ Passing of expenditure on purchase of luxury items and Overseas Tours and Travel as Business promotion Expenses.

# Case against M/s XYZ and its promoters

01



**Complaint by Consortium of banks led by State Bank of India against M/s XYZ**

**Criminal (Predicate) case registered by LEA against M/s XYZ and its Promoters**



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**Investigation taken up by Directorate of Enforcement (ED) under PMLA**

**Financial Analysis, Surveillance, Searches by ED**



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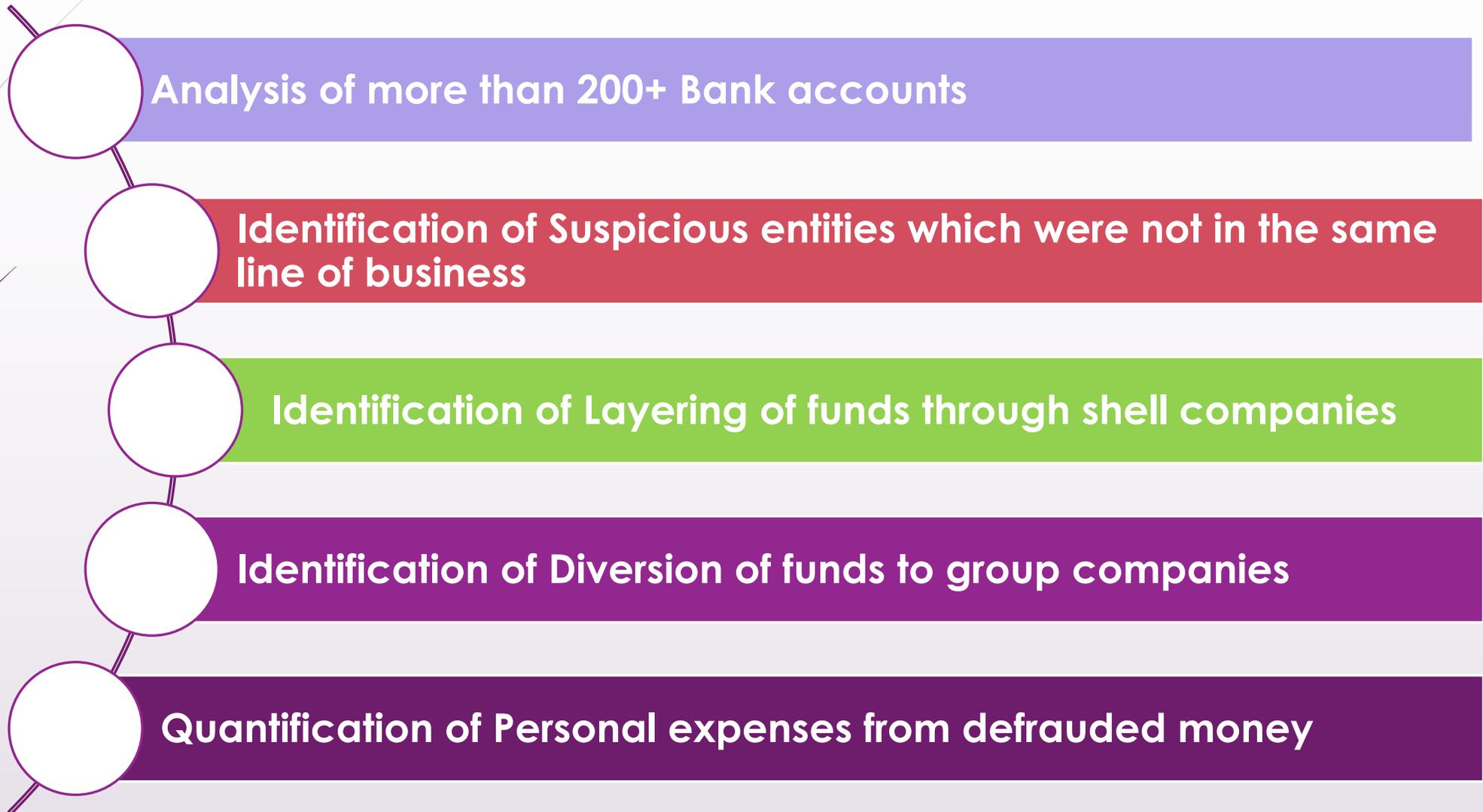


**Launderers arrested and prosecuted by ED**

# INVESTIGATION TECHNIQUES

- ❖ Open source search.
- ❖ Documents sourced from other govt. agencies and institutions.
- ❖ Financial Analysis.
- ❖ Electronic Surveillance/Wire-tapping.
- ❖ Physical Surveillance.
- ❖ Search and Seizure Operations.
- ❖ Documents were procured through Production orders.
- ❖ Recording of statements of accused and witnesses.
- ❖ Arrests and Custodial examination.

# Financial Analysis



# Electronic Surveillance & Physical Verification

- ❖ As multiple cases were registered against the accused, they had gone into hiding. They had changed their numbers and were not using phone numbers disclosed by them to the authorities.
- ❖ The aggrieved persons/entities cheated by M/s XYZ were contacted.
- ❖ One such aggrieved entity gave clues about the launderers' lieutenant.
- ❖ The lieutenant was put under electronic surveillance. After months of sustained surveillance, address of the accused was found.
- ❖ Addresses of all connected persons and also Chartered Accountant were discreetly verified physically.

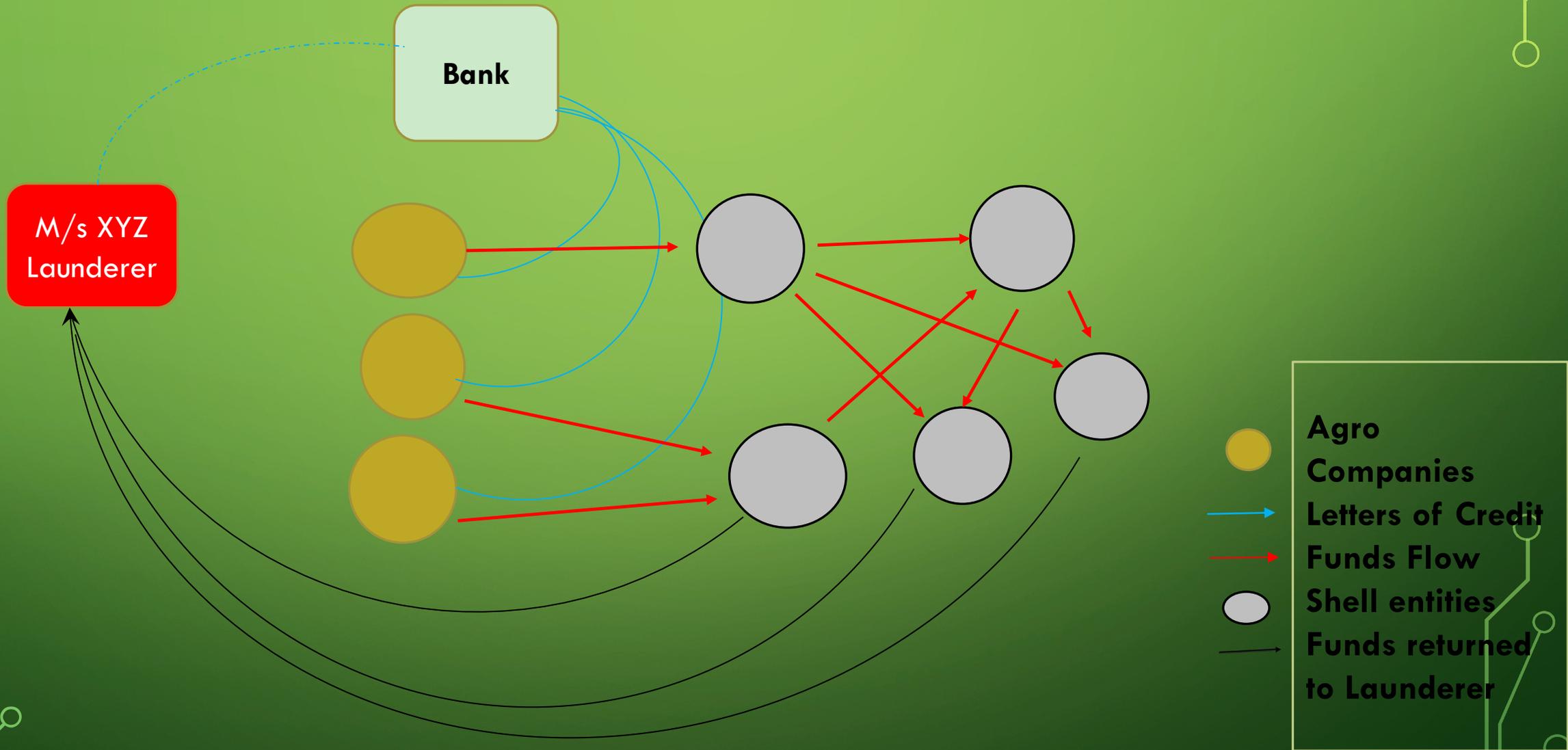
# SEARCH & SEIZURE OPERATIONS

- Searches were conducted at various locations.
- Incriminating documents and digital devices were seized.
  - An envelope with address of a crypto-currency vendor.
  - WhatsApp Chats regarding purchase of bitcoins.
  - Blank papers signed by dummy directors.
- The accused were found during the searches and were subsequently arrested.

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# INVESTIGATION FINDINGS

# SIPHONING OF MONEY THROUGH AGRO TRADE

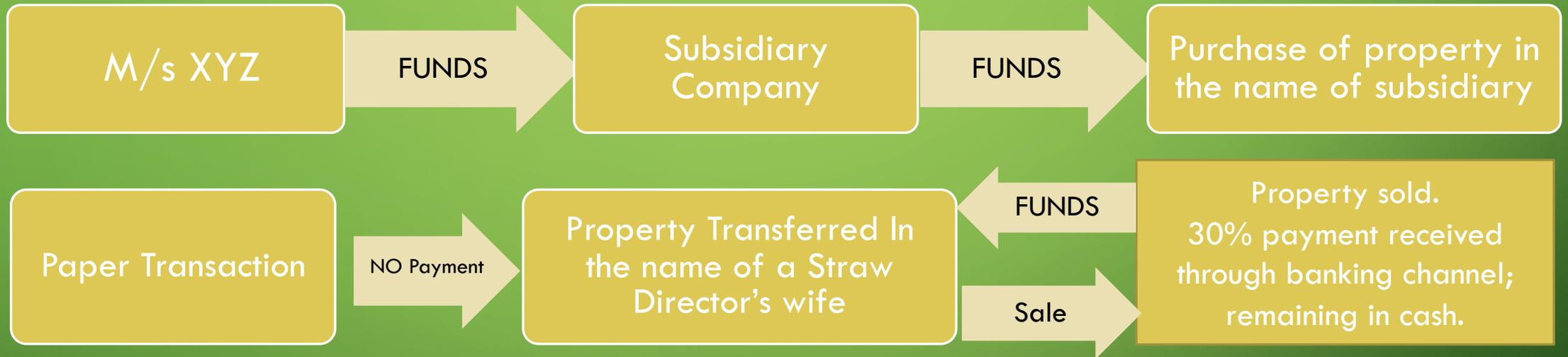


# PURCHASE OF CRYPTOCURRENCY

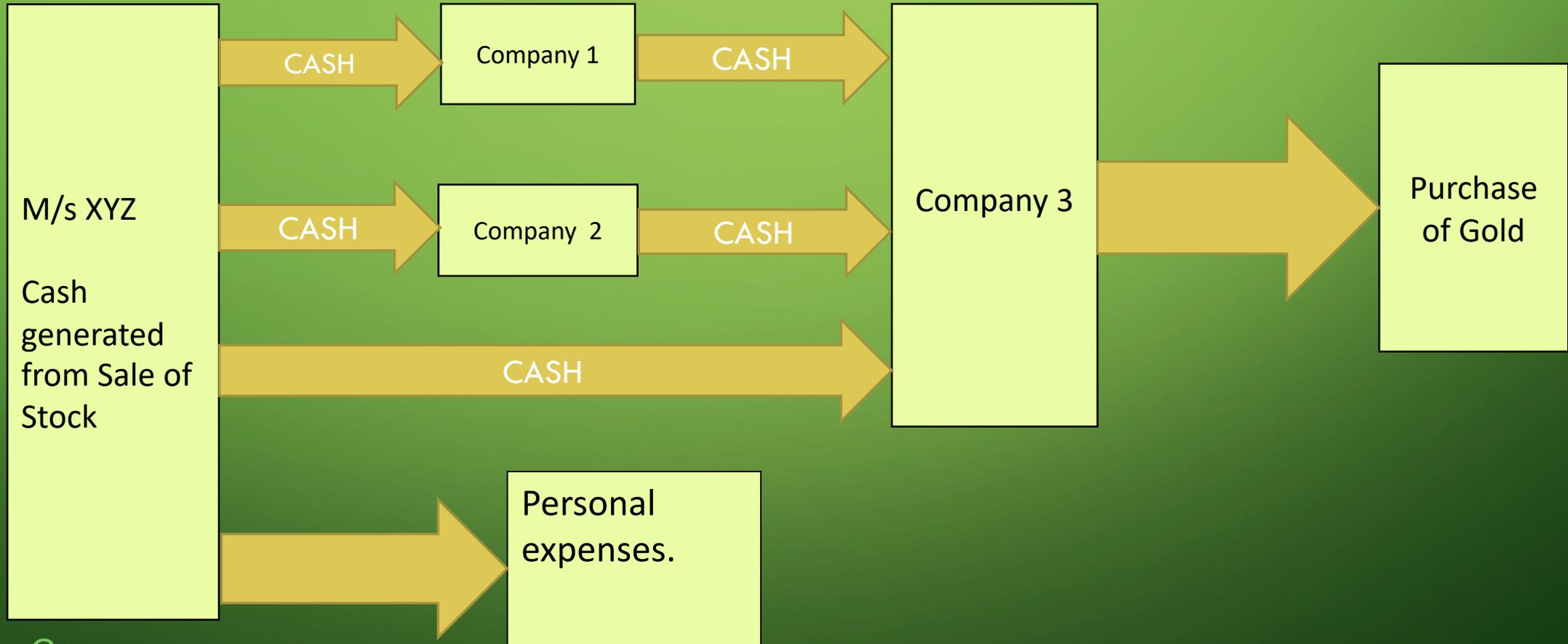
- Accused provided cash to Hawala Operators.
- Hawala Operators sent money to Crypto-currency vendor through banking channel.
- Crypto vendor helped the accused buy bitcoins from a crypto exchange located abroad.



# INVESTMENT IN PROPERTY AND LAUNDERING

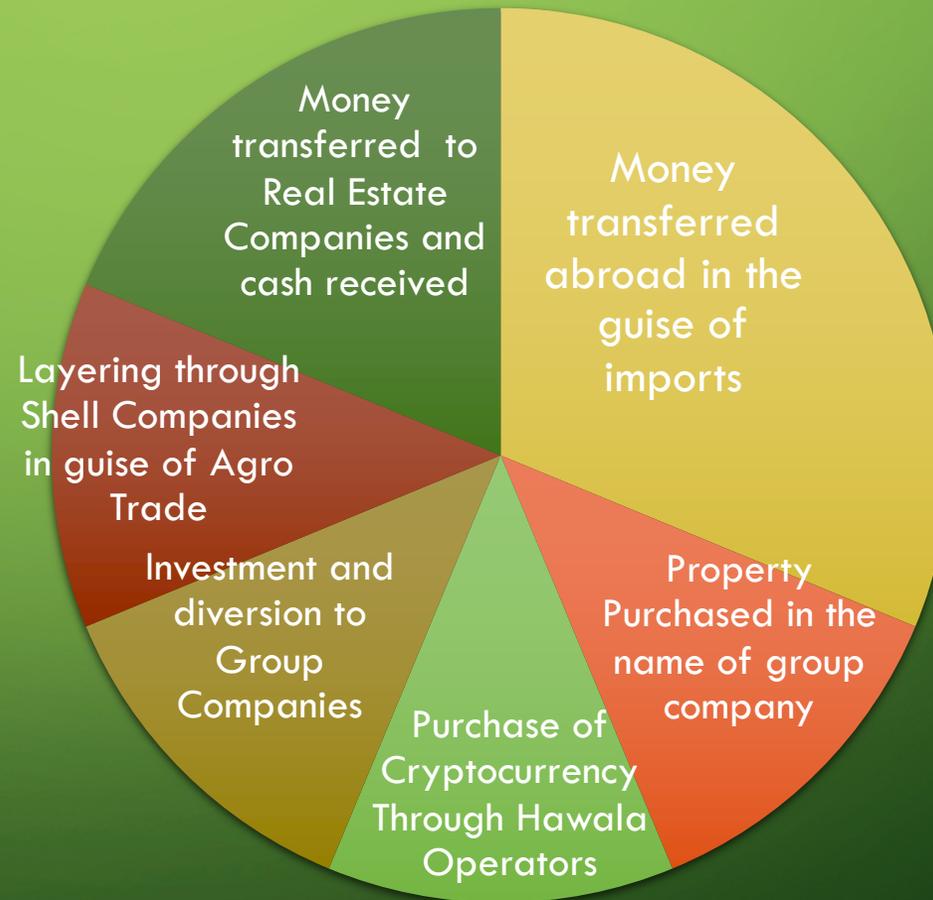


# DIVERSION OF CASH TO GROUP COMPANIES

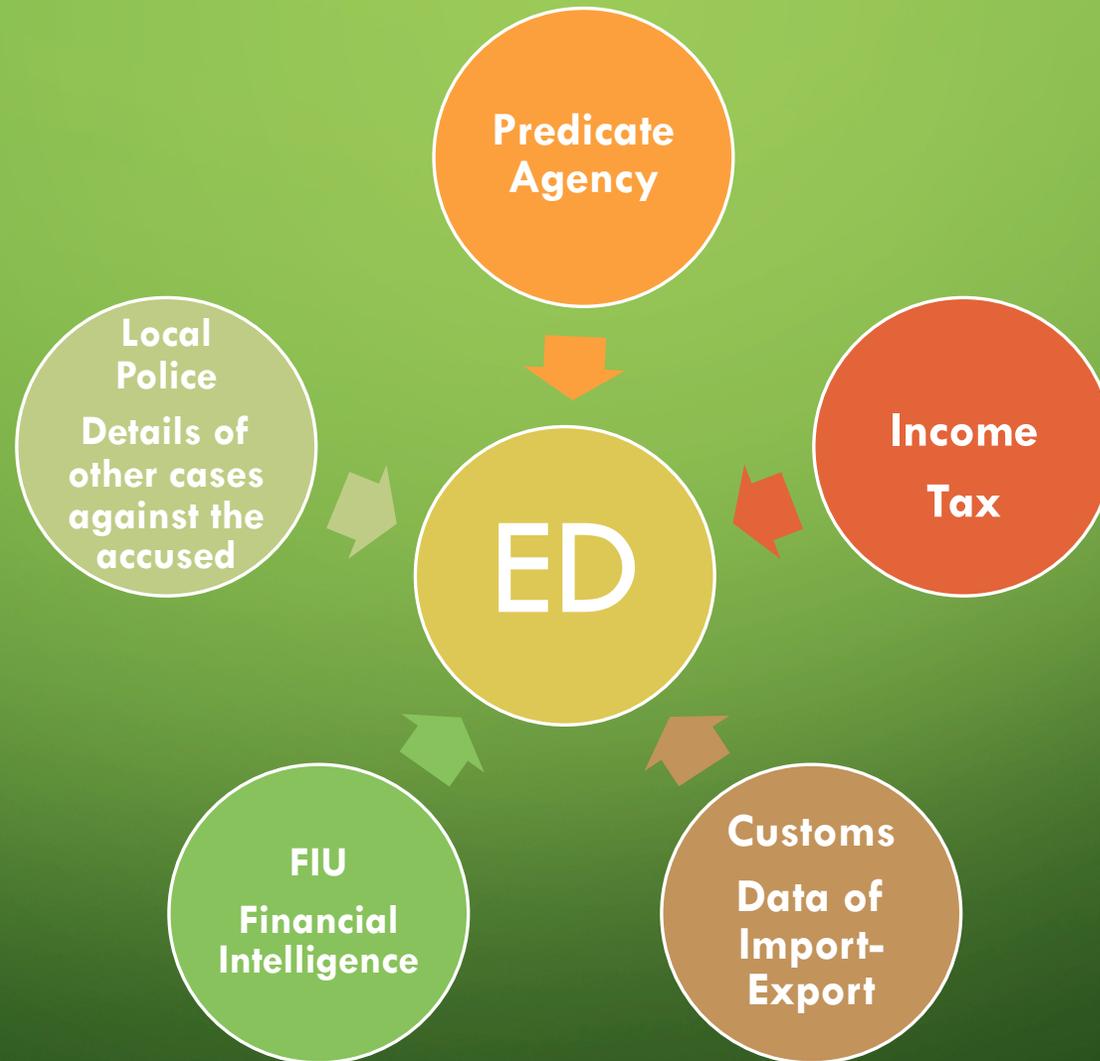


# MONEY LAUNDERING

- **Placement**
- **Layering**
- **Integration**



# INTER-AGENCY CO-OPERATION

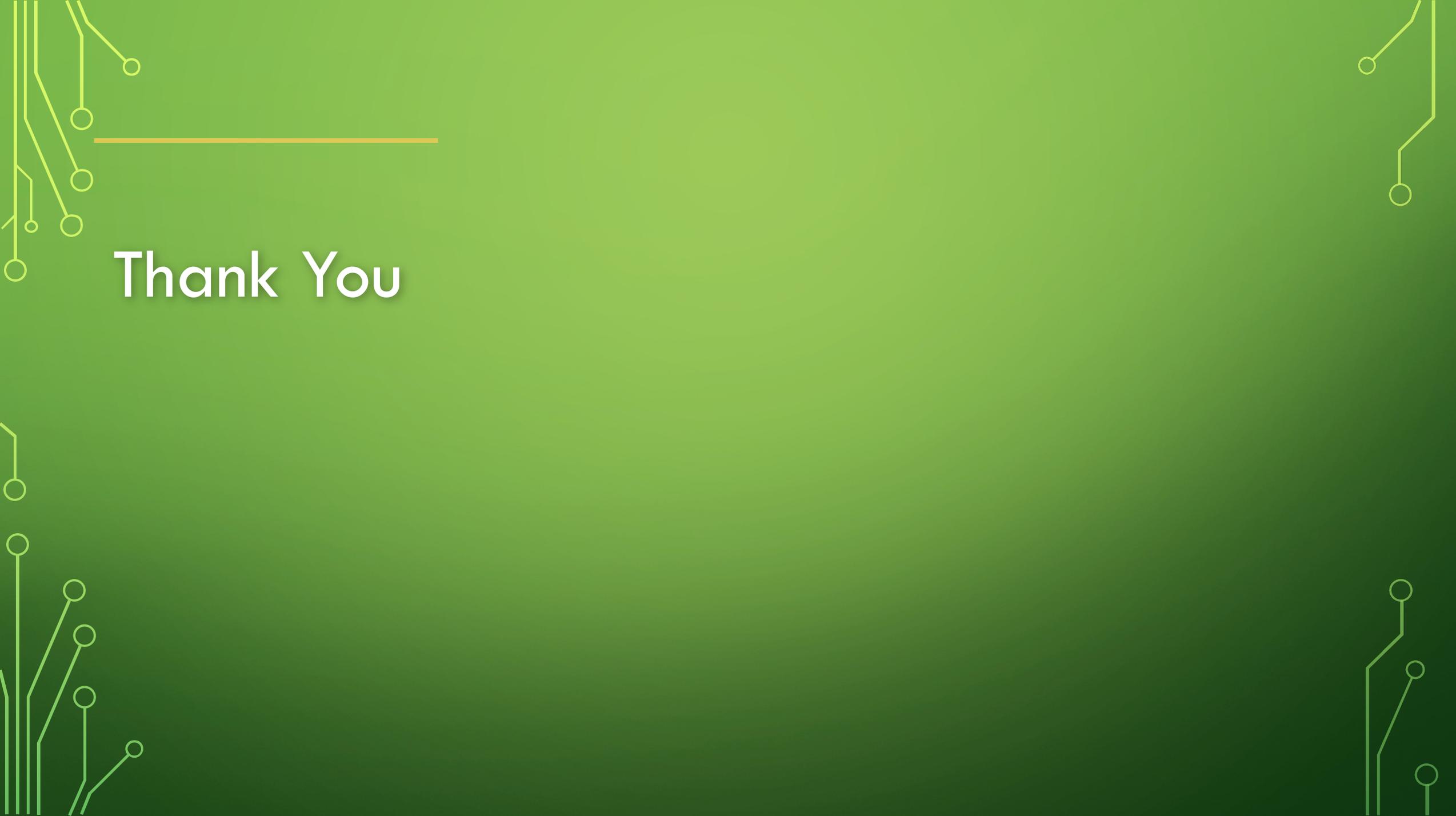




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# CHALLENGES

- UNAVAILABILITY OF DOCUMENTS/RECORDS OF COMPANY
  - NON CO-OPERATIVE CONDUCT OF THE ACCUSED
  - ASSETS FLOWN ABROAD
  - FOREIGN BASED CRYPTO EXCHANGE
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Thank You