
BRIDGING BORDERS: A COMPARATIVE STUDY OF THE ANTI-MONEY LAUNDERING LEGISLATION IN INDIA AND THE UK

Tusshar Sharma, Guru Gobind Singh Indraprastha University

ABSTRACT

Money laundering remains one of the most pressing transnational crimes, threatening global financial integrity and national security. This research undertakes a comparative study of the anti-money laundering (AML) legislative frameworks of India and the United Kingdom, two jurisdictions with diverse legal traditions but shared international obligations. The study evaluates the historical evolution, statutory provisions, enforcement agencies, compliance mechanisms, and international commitments of both countries under the FATF regime. By critically analysing the Prevention of Money Laundering Act (2002) in India and the Proceeds of Crime Act (2002) along with the Money Laundering Regulations (2017) in the UK, the research highlights fundamental similarities and systemic differences in scope, implementation, and effectiveness. Particular attention is given to institutional accountability, judicial oversight, and the role of financial intelligence units. The paper also explores challenges such as political misuse, regulatory burden, and procedural fairness, especially in the Indian context. Recommendations include legal harmonisation, bilateral cooperation, and enhanced use of technology to improve enforcement and reporting. Ultimately, the study underscores the importance of global collaboration in tackling the dynamic and borderless nature of money laundering activities.

Keywords: Anti-Money Laundering (AML), Financial Crime, Prevention of Money Laundering Act (PMLA), Proceeds of Crime Act (POCA), FATF Compliance

1. INTRODUCTION

Money laundering, the process of disguising illegally obtained funds to make them appear legitimate, poses a grave threat to national economies, international security, and the integrity of global financial systems. In an increasingly interconnected world, the proliferation of sophisticated laundering methods necessitates robust legal frameworks that are both nationally effective and globally harmonised. Governments across the world have responded by enacting anti-money laundering (AML) laws and aligning them with international standards, particularly those recommended by the Financial Action Task Force (FATF). This dissertation presents a comparative analysis of the anti-money laundering legislation in two major jurisdictions: India and the United Kingdom. Both nations play significant roles in the global financial ecosystem and have made concerted efforts to curb money laundering through comprehensive legal measures. India's primary legislation, the Prevention of Money Laundering Act (PMLA), 2002, and the UK's Proceeds of Crime Act (POCA)¹, 2002, along with the Money Laundering Regulations, 2017, form the core of their respective AML regimes. The purpose of this study is to critically examine the similarities, differences, and effectiveness of these legislative frameworks in addressing the evolving challenges of money laundering. It also aims to identify areas of improvement and suggest reforms for better cross-border cooperation. In doing so, the research contributes to a broader understanding of how comparative legal approaches can enhance global AML efforts, promote transparency, and deter financial crimes that transcend national boundaries.

2. HISTORICAL BACKGROUND OF AML LEGISLATION

The emergence of anti-money laundering (AML) legislation is closely linked to the global fight against organised crime, drug trafficking, and later, terrorism financing. The term "money laundering" originally surfaced in the context of concealing profits from illegal narcotics trading, gaining prominence in the 1980s. Recognising the international implications of illicit financial flows, global bodies such as the United Nations and the Financial Action Task Force (FATF), established in 1989, played pivotal roles in developing coordinated AML standards. In India, AML regulation found legislative form through the enactment of the *Prevention of Money Laundering Act* (PMLA)² in 2002. Triggered by growing concerns over black money,

¹ POCA. (2002). Proceeds of Crime Act.

² PMLA. (2002). Prevention of Money Laundering Act.

financial frauds, and the need to comply with FATF recommendations, the PMLA aimed to criminalise money laundering, empower enforcement agencies, and facilitate confiscation of illicit assets. Although the Act came into force in 2005, it has undergone several amendments to address issues of procedural fairness, broaden the definition of money laundering, and enhance international cooperation.

Conversely, the United Kingdom has a more evolved legal framework rooted in its common law tradition. Its AML efforts began with the *Drug Trafficking Offences Act* (1986) and were further strengthened by the *Criminal Justice Act* (1988). However, a significant milestone was the *Proceeds of Crime Act* (POCA), 2002, which consolidated previous laws and introduced comprehensive measures for asset recovery and suspicious transaction reporting. This was complemented by the *Money Laundering Regulations* (2017)³, implementing the EU's Fourth AML Directive. Both countries' legislative frameworks have evolved in response to domestic needs and international obligations. However, differences in institutional structure, legal traditions, and enforcement mechanisms provide an essential foundation for comparative analysis. Understanding these origins is key to evaluating the effectiveness and adaptability of AML frameworks in a rapidly changing financial environment.

3. LEGAL FRAMEWORK AND SCOPE

The legal frameworks governing anti-money laundering (AML) in India and the United Kingdom are founded on distinct legal traditions but share common objectives shaped by international obligations, particularly the Financial Action Task Force (FATF) recommendations. In India, the primary statute is the *Prevention of Money Laundering Act* (PMLA), 2002, which came into effect in 2005. It defines money laundering under Section 3 as any attempt to directly or indirectly conceal, possess, acquire, or use proceeds of crime.⁴ The Act empowers the Enforcement Directorate (ED) to investigate, attach, and confiscate properties involved in money laundering. Over time, the scope of the PMLA has widened through amendments that included a broader list of predicate offences and allowed for arrest and bail provisions, often criticised for undermining due process (Sharma, 2021). The United Kingdom's AML regime is largely governed by the *Proceeds of Crime Act* (POCA), 2002, which criminalises money laundering and introduces mechanisms for asset recovery,

³ HM Treasury. (2017). Money Laundering Regulations.

⁴ PMLA. (2002). The Prevention of Money Laundering Act.

suspicious activity reporting, and civil recovery proceedings. Additionally, the *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations, 2017*, implements the EU's Fourth AML Directive and lays out compliance requirements for financial institutions.⁵ While both countries have criminalised money laundering, the UK framework is considered more detailed in compliance and reporting obligations, partly due to its integration with the European Union's financial regulatory systems before Brexit. In contrast, India's PMLA has been criticised for its overbroad definitions and alleged misuse in politically sensitive cases.⁶

Aspect	India	United Kingdom
Primary Legislation	Prevention of Money Laundering Act (PMLA), 2002	Proceeds of Crime Act (POCA), 2002 and Money Laundering Regulations, 2017
Regulatory Authority	Enforcement Directorate (ED)	Financial Conduct Authority (FCA), National Crime Agency (NCA), HMRC
Scope of Offences	Predicate offences under Schedule of PMLA; includes drug trafficking, corruption, fraud, etc.	Broad offences under POCA including concealing, transferring, and acquiring criminal property
Burden of Proof	Reversed in certain cases – accused must prove legitimacy of assets	Standard criminal burden of proof on prosecution
Adjudicating Authority	Adjudicating Authority under the Ministry of Finance	Courts and regulatory bodies such as FCA and NCA
Reporting Entities	Banks, financial institutions, intermediaries, real estate agents, etc.	Financial institutions, lawyers, accountants, estate agents, crypto exchanges

⁵ HM Treasury. (2017). Money Laundering Regulations.

⁶ Basu, A. (2020). Critical analysis of PMLA: Law or tool of coercion? Journal of Indian Law.

Aspect	India	United Kingdom
Penalties	Rigorous imprisonment (3–7 years), fines, and attachment of property	Imprisonment (up to 14 years), unlimited fines, confiscation of assets
Asset Freezing & Seizure	Attachment and confiscation provisions under Sections 5–8 of PMLA	Restraint and confiscation orders under POCA

Overall, the legal scope in both jurisdictions reflects a strong commitment to combating financial crime. However, the balance between enforcement powers and procedural safeguards varies significantly, influencing the effectiveness and fairness of AML efforts in each country.

4. ENFORCEMENT MECHANISMS AND AGENCIES

The effectiveness of anti-money laundering (AML) legislation is closely tied to the institutional mechanisms and agencies tasked with its enforcement. Both India and the United Kingdom have developed specialised bodies and legal provisions to detect, investigate, and prosecute money laundering activities, though the structure and approach differ significantly. In India, the Enforcement Directorate (ED) is the primary agency responsible for implementing the *Prevention of Money Laundering Act* (PMLA), 2002. The ED has extensive powers to investigate financial crimes, attach assets, and conduct arrests without the need for prior judicial approval under specific conditions (PMLA, 2002). Complementing the ED is the Financial Intelligence Unit – India (FIU-IND), which receives, analyses, and disseminates suspicious transaction reports (STRs) from reporting entities such as banks and financial institutions.⁷ Despite these mechanisms, concerns persist about the potential misuse of enforcement powers, lack of judicial oversight, and low conviction rates.⁸ The United Kingdom employs a multi-agency approach involving the National Crime Agency (NCA), the Financial Conduct Authority (FCA), and Her Majesty’s Revenue and Customs (HMRC). The NCA, through its Economic Crime Command, leads AML investigations and collaborates with international counterparts. Suspicious Activity Reports (SARs) are submitted to the UK

⁷ FIU-IND. (2021). Annual Report 2020-21.

⁸ Bhandari, R. (2022). Accountability in AML Enforcement: The Indian Experience.

Financial Intelligence Unit (UKFIU), which operates under the NCA.⁹ The Proceeds of Crime Act (POCA), 2002, provides a structured framework for asset freezing, confiscation, and civil recovery proceedings, promoting both preventive and punitive actions.¹⁰

Compared to India, the UK system emphasises inter-agency collaboration and risk-based compliance, particularly through the Joint Money Laundering Intelligence Taskforce (JMLIT). The Indian model, though centralised, often faces criticism for its opaque functioning and perceived politicisation of enforcement.¹¹ These contrasts reveal differing national priorities and institutional capacities in addressing the AML challenge.

5. COMPLIANCE AND REPORTING REQUIREMENTS

Compliance and reporting requirements form the backbone of an effective anti-money laundering (AML) regime. Both India and the United Kingdom have established detailed regulatory obligations for financial institutions and designated non-financial businesses and professions (DNFBPs) to detect and prevent illicit financial activity. In India, the *Prevention of Money Laundering Act* (PMLA), 2002, mandates that reporting entities—including banks, financial institutions, intermediaries, and real estate agents—maintain records of transactions, verify client identities through Know Your Customer (KYC) norms, and report suspicious transactions to the Financial Intelligence Unit-India (FIU-IND). The *PMLA (Maintenance of Records) Rules*, 2005, further outline the obligations to file Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs), and Counterfeit Currency Reports (CCRs). Non-compliance can result in penalties and potential criminal liability.¹² The United Kingdom's compliance obligations are broader and more nuanced. Under the *Money Laundering Regulations* (2017), as updated post-Brexit, businesses are required to conduct risk assessments, perform customer due diligence (CDD), implement ongoing monitoring, and report suspicious activity to the UK Financial Intelligence Unit (UKFIU) via Suspicious Activity Reports (SARs). The Proceeds of Crime Act (POCA), 2002, complements this framework by imposing criminal liability for failure to report and engaging in money laundering. The Financial Conduct Authority (FCA) and Her Majesty's Revenue and Customs

⁹ NCA. (2021). Annual Report and Accounts 2020-21.

¹⁰ POCA. (2002). Proceeds of Crime Act.

¹¹ Chakraborty, N. (2023). PMLA and the Politics of Enforcement.

¹² PMLA. (2002). Prevention of Money Laundering Act.

(HMRC) oversee AML compliance across sectors, enforcing strict supervisory and auditing functions.

Aspect	India (PMLA, 2002)	United Kingdom (MLR 2017, POCA 2002)
Regulatory Body for Compliance	Financial Intelligence Unit - India (FIU-IND)	Financial Conduct Authority (FCA), HMRC, and the Office for Professional Body AML Supervision (OPBAS)
Primary Reporting Obligation	Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs)	Suspicious Activity Reports (SARs)
Reporting Timeline	STRs: within 7 days of identifying a suspicious transaction	SARs: as soon as practicable, ideally immediately
Know Your Customer (KYC)	Mandatory under PML Rules, updated with periodic risk-based assessment	Mandatory under MLR; must apply a risk-based approach
Record Keeping Duration	Minimum 5 years from the date of transaction or account closure	Minimum 5 years after the end of the business relationship or transaction
Beneficial Ownership Disclosure	Required under KYC norms for companies and trusts	Mandatory under Persons with Significant Control (PSC) Register
Penalties for Non-compliance	Fines and imprisonment under Section 4 of PMLA	Civil and criminal penalties, including fines and up to 14 years imprisonment
Internal Controls	Appointment of a Principal Officer and AML Compliance Officer	Appointment of a Money Laundering Reporting Officer (MLRO)

Unlike India's more centralised model, the UK emphasises a risk-based approach, where firms must tailor their AML controls based on the risk profile of their customers and operations. This fosters a more adaptive and proactive compliance culture.¹³ However, both nations face ongoing challenges in ensuring consistent implementation across sectors and maintaining a balance between regulatory burden and financial innovation.

6. INTERNATIONAL OBLIGATIONS AND FATF COMPLIANCE

Both India and the United Kingdom are committed members of the global anti-money laundering (AML) and counter-terrorism financing (CTF) framework shaped by the Financial Action Task Force (FATF), an intergovernmental body that sets international standards to combat money laundering and terrorist financing. The United Kingdom, as a founding member of the FATF, has consistently aligned its domestic legislation with FATF's 40 Recommendations. Through frameworks such as the *Proceeds of Crime Act* (POCA), 2002 and the *Money Laundering Regulations*, 2017, the UK has demonstrated strong compliance, particularly in areas like beneficial ownership transparency, risk-based supervision, and international cooperation (FATF, 2018). The UK's Financial Conduct Authority (FCA) and National Crime Agency (NCA) actively engage in global intelligence-sharing initiatives and typology studies, reinforcing their role in transnational AML efforts. India, a member of the Asia/Pacific Group on Money Laundering (APG), became an FATF member in 2010. Since then, it has taken substantial steps to align its AML laws—especially the *Prevention of Money Laundering Act* (PMLA), 2002—with FATF standards. India's 2013 mutual evaluation highlighted areas for improvement, including the need for more effective investigation and prosecution mechanisms and greater oversight of non-financial entities.¹⁴ Recent legislative and administrative reforms have aimed to address these gaps.

Despite structural differences, both nations recognise the significance of FATF compliance for maintaining financial integrity and ensuring access to international markets. However, challenges such as regulatory arbitrage, cross-border cooperation, and enforcement disparities continue to hinder uniform implementation.

¹³ HM Treasury. (2017). *Money Laundering Regulations*.

¹⁴ FATF. (2013). *Mutual Evaluation Report: India*.

7. KEY DIFFERENCES AND CHALLENGES

While both India and the United Kingdom have enacted comprehensive anti-money laundering (AML) frameworks, their approaches differ significantly in structure, enforcement strategy, and institutional transparency, resulting in unique implementation challenges. One key difference lies in their legal and institutional design. India operates under a centralised enforcement mechanism primarily led by the Enforcement Directorate (ED), which exercises considerable discretionary powers under the *Prevention of Money Laundering Act* (PMLA), 2002. Critics argue that this centralised authority lacks adequate judicial checks, often leading to political misuse and arbitrary arrests.¹⁵ In contrast, the UK's AML framework, governed by the *Proceeds of Crime Act* (POCA), 2002 and *Money Laundering Regulations*, 2017, adopts a decentralised and risk-based approach. It promotes collaborative oversight by multiple regulatory bodies such as the Financial Conduct Authority (FCA), Her Majesty's Revenue and Customs (HMRC), and the National Crime Agency (NCA), enabling more balanced and transparent enforcement.¹⁶ Another challenge is the disparity in conviction rates. India, despite initiating numerous investigations under the PMLA, has a conviction rate of less than 1%, reflecting procedural delays and overreliance on asset attachment as a punitive measure.¹⁷ Conversely, the UK has adopted a proactive stance through intelligence-led policing and early intervention strategies, though concerns remain about under-reporting and the complexity of prosecuting high-level financial crimes.¹⁸

Category	India	United Kingdom
Legislative Approach	Enforcement-driven, with centralised powers (PMLA, 2002)	Compliance-based, emphasising decentralised monitoring (POCA 2002, MLR 2017)
Institutional Independence	Enforcement Directorate under Ministry of Finance	FCA and NCA operate with statutory independence

¹⁵ Bhandari, R. (2022). Accountability in AML Enforcement: The Indian Experience.

¹⁶ FATF. (2013). Mutual Evaluation Report: India.

¹⁷ Chakraborty, N. (2023). PMLA and the Politics of Enforcement.

¹⁸ Levi, M., & Reuter, P. (2006). Money Laundering. *Crime and Justice*, 34(1), 289–375.

Category	India	United Kingdom
Burden of Proof	Partially reversed in certain cases under PMLA	Traditional criminal burden lies with prosecution
Judicial Oversight	Criticised for limited judicial checks in early stages (e.g., property attachment)	Strong judicial safeguards and appellate review processes
Use of Technology	Increasing use of centralised databases and AI in FIU reporting	Advanced use of RegTech and AML analytics by financial institutions
International Cooperation	Limited cooperation due to bureaucratic and legal delays	More active in global AML forums and intelligence-sharing
Key Challenges	Procedural fairness, low conviction rates, politicisation of enforcement	Over-reliance on self-reporting, under-resourced enforcement
Private Sector Involvement	Still evolving; compliance culture is uneven across sectors	Strong private sector participation and established AML protocols

Both countries face shared obstacles such as technological adaptation, the rapid evolution of financial crimes, and limited international cooperation in evidence-sharing. However, the UK's emphasis on financial sector engagement and independent compliance cultures offers a model India could potentially adapt, provided it addresses issues of institutional accountability and legal clarity.

8. RECOMMENDATIONS FOR HARMONISATION

Given the transnational nature of money laundering, harmonising anti-money laundering (AML) frameworks between countries like India and the United Kingdom is essential for cohesive global enforcement. While both jurisdictions have aligned with the Financial Action Task Force (FATF) standards, there remain divergences that can be addressed through targeted reforms. First, India could benefit from adopting the UK's risk-based approach to compliance, which tailors monitoring intensity based on customer profiles and transaction risk. This would

enhance resource allocation and reduce bureaucratic overload.¹⁹ Implementing a similar system within India's financial sector, especially for smaller reporting entities, could improve effectiveness and reduce compliance fatigue. Second, India should strengthen the independence and accountability of its enforcement agencies. The UK's separation of investigatory and prosecutorial functions—under bodies such as the Financial Conduct Authority (FCA) and Crown Prosecution Service—promotes procedural fairness, which is often criticised in India's Enforcement Directorate-led investigations under PMLA.²⁰

Third, both nations should invest in advanced technology and data-sharing platforms for real-time tracking of cross-border financial flows. Collaborative mechanisms like mutual legal assistance treaties (MLATs) and information exchange through the Egmont Group should be deepened for more efficient international cooperation.²¹ Lastly, there is a need for periodic training and awareness programs for stakeholders, including compliance officers, investigators, and judiciary members, to maintain up-to-date understanding of AML obligations and global typologies. Harmonisation does not imply uniformity but calls for compatibility, transparency, and collaboration—pillars that can fortify AML resilience across jurisdictions.

9. CONCLUSION

This comparative study of anti-money laundering (AML) legislation in India and the United Kingdom reveals both convergence and divergence in legal frameworks, enforcement mechanisms, and international obligations. While both nations are committed to FATF standards, the structural differences in their regulatory approaches significantly impact their effectiveness. The UK's risk-based and decentralised enforcement strategy offers greater transparency and efficiency, whereas India's centralised and enforcement-heavy approach, though assertive, has drawn criticism for lacking procedural safeguards and transparency. Despite progressive reforms, both countries face challenges such as low conviction rates, evolving typologies of financial crimes, and limited cross-border cooperation. India's AML regime can be strengthened by incorporating aspects of the UK model, particularly in ensuring institutional independence and adopting a more nuanced risk-based approach.²² Conversely,

¹⁹ FATF. (2013). Mutual Evaluation Report: India.

²⁰ Bhandari, R. (2022). Accountability in AML Enforcement: The Indian Experience.

²¹ Levi, M., & Reuter, P. (2006). Money Laundering. *Crime and Justice*, 34(1), 289–375.

²² Basu, A. (2020). Critical analysis of PMLA: Law or tool of coercion? *Journal of Indian Law*.

the UK can also benefit from India's recent technological initiatives in surveillance and financial intelligence. Global financial crimes require harmonised legal responses and shared intelligence frameworks. Therefore, enhancing international cooperation, promoting consistent compliance standards, and fostering institutional accountability are critical.²³ By learning from each other's strengths and addressing their unique shortcomings, India and the UK can significantly advance their AML effectiveness and contribute to a more resilient global financial system.

²³ Chakraborty, N. (2023). PMLA and the Politics of Enforcement.

REFERENCE

FATF. (2018). Mutual Evaluation Report: United Kingdom.

Bhandari, R. (2022). Accountability in AML Enforcement: The Indian Experience.

Levi, M., & Reuter, P. (2006). Money Laundering. *Crime and Justice*, 34(1), 289–375.

Chakraborty, N. (2023). PMLA and the Politics of Enforcement.

PMLA. (2002); POCA. (2002).

FATF. (2013). Mutual Evaluation Report: India.

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

POCA. (2002). Proceeds of Crime Act.

Bhandari, R. (2022). Accountability in AML Enforcement: The Indian Experience. *Indian Journal of Law and Policy*.

Chakraborty, N. (2023). PMLA and the Politics of Enforcement. *South Asian Legal Studies Review*.

FIU-IND. (2021). Annual Report 2020-21.

NCA. (2021). Annual Report and Accounts 2020-21.

Basu, A. (2020). Critical analysis of PMLA: Law or tool of coercion? *Journal of Indian Law*.

HM Treasury. (2017). Money Laundering Regulations.

PMLA. (2002). The Prevention of Money Laundering Act.

Sharma, R. (2021). Revisiting the Enforcement Mechanism under PMLA. *Indian Legal Review*.