MONEY LAUNDERING AS A FORM OF WHITE-COLLAR CRIME IN INDIA: A CRITICAL ANALYSIS OF THE LEGAL AND REGULATORY FRAMEWORK

[1]Dr. (prof.) Amita Kaushal, [2]Gurjinderpal Singh
[1]Head And Dean University School of Law, [1] LL.M Student
[12]SGGSWU, Fatehgarh Sahib

***Abstract*—Money laundering is one of the most serious forms of economic and white-collar crime confronting modern legal systems. It enables criminals to conceal, possess, use or project the proceeds of unlawful activities as legitimate property. The consequences extend beyond individual victims because large-scale laundering can undermine financial institutions, facilitate corruption, strengthen organised crime and distort legitimate economic activity.**

In India, the principal legislative response to money laundering is the Prevention of Money-Laundering Act, 2002 (PMLA). The Act, which came into force on 1 July 2005, provides a specialised framework for investigation, attachment, adjudication and confiscation of property connected with money laundering. It is supported by institutions including the Enforcement Directorate (ED), Financial Intelligence Unit-India (FIU-IND), Reserve Bank of India (RBI) and Securities and Exchange Board of India (SEBI).

This paper critically examines money laundering as a form of white-collar crime in India and evaluates the legal and regulatory framework governing it. Particular attention is given to the concepts of "proceeds of crime", scheduled offences, arrest, bail, attachment of property and constitutional safeguards. Important Supreme Court decisions, including Nikesh Tarachand Shah v. Union of India, Vijay Madanlal Choudhary v. Union of India and Pankaj Bansal v. Union of India, are analysed to understand the development of PMLA jurisprudence.

***Index Terms*—Money Laundering, White-Collar Crime, PMLA, Proceeds of Crime, Enforcement Directorate, Economic Offences, Financial Crime, FATF**

I. Introduction

White-collar crime occupies a distinctive place in criminology and criminal law. Unlike conventional offences that are commonly associated with physical force or direct confrontation, white-collar crimes are generally committed through deception, abuse of trust, professional position, commercial activity or financial manipulation. Edwin H. Sutherland, who popularised the concept, described white-collar crime in the context of offences committed by persons of respectable social status in the course of their occupation.[1]

Money laundering represents a particularly important form of white-collar and economic crime. Criminal proceeds generated through fraud, corruption, cheating, narcotics trafficking, organised crime or other

[1] Edwin H. Sutherland, *White Collar Crime* 63(Yale University Press, 1949).

scheduled offences may be introduced into legitimate financial and commercial channels. The objective is to conceal the criminal origin of property and make it appear legitimate.

The Prevention of Money-Laundering Act, 2002 is the central Indian statute dealing with this problem. Its stated objective is to prevent money laundering and provide for confiscation of property derived from or involved in money laundering.[2] The Act and its rules came into force on 1 July 2005.

The contemporary money-laundering environment is considerably more complex than the traditional idea of converting cash earned from crime into legitimate money. Modern laundering may involve shell companies, real estate transactions, fictitious invoices, layered bank transfers, international transactions, digital payment systems and complicated corporate arrangements.

The legal challenge is therefore not merely to identify illegal money but to trace its movement and establish the relationship between criminal activity and property. At the same time, investigative and confiscatory powers must operate within constitutional limitations.

The significance of this issue is reflected in the scale of enforcement. According to the Enforcement Directorate's official statistics, up to 31 March 2026, 8,851 ECIRs had been recorded and 2,396 prosecution complaints had been filed under the PMLA. The same statistics record 60 completed PMLA trials, of which 56 resulted in conviction.[3]

These figures illustrate both the extensive use of the PMLA and the importance of examining the gap between investigation and final adjudication.

II. OBJECTIVES AND RESEARCH METHODOLOGY

A. Objectives

The study seeks:

1. To examine money laundering as a form of white-collar crime.
2. To analyse India's statutory framework under the PMLA.
3. To examine the role of the ED, FIU-IND and financial regulators.
4. To analyse important Supreme Court decisions concerning the PMLA.

[2] The Prevention of Money-Laundering Act, 2002, Preamble.
[3] Peter Reuter & Edwin M. Truman, *Chasing Dirty Money: The Fight Against Money Laundering* 257(Peterson Institute for International Economics, 2004).

5. To identify constitutional and procedural concerns.

6. To assess the effectiveness of India's anti-money-laundering framework.

7. To suggest reforms for improving enforcement while protecting fundamental rights.

B. Research Questions

1. Whether money laundering can appropriately be characterised as a white-collar crime?
2. How effective is the PMLA in preventing and prosecuting money laundering?
3. What is the legal relationship between the predicate offence and proceeds of crime?
4. Whether the investigative powers under the PMLA adequately balance enforcement needs with constitutional safeguards?
5. What reforms are required to improve India's anti-money-laundering regime?

C. Methodology

The paper adopts a doctrinal and analytical methodology. Primary sources include statutes, rules and judgments of the Supreme Court of India. Official Government, Enforcement Directorate, FIU-IND and RBI materials have also been considered. International standards and the FATF's 2024 Mutual Evaluation of India have been used to assess India's anti-money-laundering system from an international perspective.

III. MONEY LAUNDERING AND WHITE-COLLAR CRIME

White-collar crime is not a single statutory offence. Rather, it is a broad criminological category covering different forms of unlawful conduct associated with professional, commercial or occupational activity.

Money laundering has several characteristics associated with white-collar crime. It often involves financial sophistication, use of legitimate institutions, abuse of professional relationships and concealment through apparently lawful transactions.

The traditional laundering process is frequently described through three stages: placement, layering and integration.[4] Placement involves introducing illicit proceeds into the financial system. Layering involves multiple transactions intended to obscure their origin. Integration involves returning the funds to the legitimate economy in a form that appears lawful.

[4] William C. Gilmore, *Dirty Money: The Evolution of International Measures to Counter Money Laundering and the Financing of Terrorism*, 4th ed. (Council of Europe Publishing, 2011).

These stages are not necessarily distinct in every case. A sophisticated laundering operation may combine several techniques simultaneously.

The PMLA adopts a wider statutory approach. Section 3 covers persons who directly or indirectly attempt to indulge, knowingly assist, knowingly participate or are actually involved in processes or activities connected with proceeds of crime, including concealment, possession, acquisition, use, projecting or claiming the property as untainted.[5]

Consequently, money laundering is not limited to the final act of making illicit funds appear legitimate. The statutory framework addresses a range of conduct connected with proceeds of crime.

IV. LEGAL EVOLUTION OF ANTI-MONEY-LAUNDERING LAW IN INDIA

The enactment of the PMLA represented a major development in India's approach to economic crime. The legislation was enacted in the context of increasing international concern over the use of financial systems for laundering criminal proceeds.

India's anti-money-laundering framework has subsequently expanded through legislative amendments, rules and regulatory measures.

The PMLA operates together with other legislation dealing with economic and financial offences. These include the Foreign Exchange Management Act, 1999, the Prohibition of Benami Property Transactions Act, 1988 and the Companies Act, 2013, among others.

The Department of Revenue describes the PMLA as the core legal framework for combating money laundering in India. The Act also places obligations on banking companies, financial institutions and intermediaries relating to client identification, record maintenance and furnishing prescribed information to FIU-IND.[6]

The international dimension is equally important. The Financial Action Task Force (FATF) has established international standards relating to money laundering, beneficial ownership, customer due diligence, suspicious transaction reporting, asset confiscation and international cooperation.

The 2024 FATF Mutual Evaluation of India recognised that India has a relatively strong technical framework and is achieving significant results in areas such as financial intelligence, international cooperation and depriving criminals of assets. However, FATF also identified delays in concluding

[5] *Prevention of Money-Laundering Act, 2002*, No. 15 of 2003, s 3.
[6] 2022 SCC OnLine SC 929.

money-laundering and terrorist-financing prosecutions and weaknesses in the supervision and implementation of preventive measures in some non-financial sectors.

V. THE PREVENTION OF MONEY-LAUNDERING ACT, 2002

A. Section 3: The Offence

Section 3 is the central provision defining money laundering under Indian law.

The statutory language covers direct and indirect participation in processes or activities connected with proceeds of crime. The provision specifically refers to concealment, possession, acquisition, use and projecting or claiming property as untainted property.

The provision therefore recognises that laundering may take different forms.

B. Proceeds of Crime

The expression "proceeds of crime" is defined under Section 2(1)(u) of the PMLA.[10] Broadly, it refers to property derived or obtained, directly or indirectly, as a result of criminal activity relating to a scheduled offence. This concept is fundamental because money laundering under the PMLA is linked to criminal proceeds.

The Supreme Court's decision in *Vijay Madanlal Choudhary v. Union of India*[7] provides important guidance on this relationship. The Court examined the statutory structure and held that the existence of proceeds of crime is a foundational requirement for the application of the money-laundering offence.

C. Scheduled Offences

The Schedule to the PMLA identifies offences which can constitute predicate or scheduled offences.

The importance of the scheduled offence lies in the fact that it provides the criminal source from which proceeds of crime arise.

This does not mean that the PMLA offence is identical to the predicate offence. Money laundering constitutes a distinct offence under the statutory framework. However, the existence of property qualifying as proceeds of crime remains central to the prosecution.

This distinction has been particularly important in judicial interpretation.

[7] 2022 SCC OnLine SC 929.

VI. ATTACHMENT AND CONFISCATION OF PROPERTY

One of the distinguishing features of the PMLA is its emphasis on the financial consequences of crime.

Section 5 permits provisional attachment of property where the statutory requirements are satisfied. The objective is to prevent suspected proceeds of crime from being transferred or dissipated during the investigation.

Section 8 provides for adjudication and, where statutory conditions are met, confiscation of property.[8]

The asset-recovery approach is justified because imprisonment alone may not remove the economic incentive behind financial crime. If criminals retain the benefits of unlawful activity, punishment may have limited deterrent effect.[9]

However, attachment can also affect persons before guilt has been finally established. Businesses may be disrupted, assets may become unavailable and third-party interests may be affected.

The scale of attachment demonstrates the importance of this issue. The ED reports that, up to 31 March 2026, 3,501 provisional attachment orders had been issued involving property valued at approximately ₹2.36 lakh crore. Of these, 2,593 attachment orders involving approximately ₹1.29 lakh crore had been confirmed by the Adjudicating Authority.

The figures demonstrate substantial enforcement activity but also underline the need for careful adjudicatory safeguards.

VII. ROLE OF ENFORCEMENT AND REGULATORY AUTHORITIES

A. Enforcement Directorate

The Enforcement Directorate is the principal investigative agency responsible for enforcing the PMLA. Its functions include investigation, tracing proceeds of crime, attachment of property and prosecution of accused persons.

The agency's statistics reveal the scale of its PMLA activity. As of 31 March 2026, 1,187 persons had been arrested and 2,396 prosecution complaints had been filed.[10]

B. Financial Intelligence Unit-India

[8] Act No. 15 of 2003.
[9] *Vijay Madanlal Choudhary v. Union of India*, 2022 SCC OnLine SC 929.
[10] Directorate of Enforcement, Department of Revenue, Ministry of Finance, Government of India, "Statistics: Key Details of PMLA Cases up to 31 March 2026" (2026).

FIU-IND performs an important preventive and intelligence function. It receives and analyses financial information, including suspicious transaction information, and disseminates relevant intelligence to enforcement authorities.

The financial-intelligence model is important because money laundering is often detectable through unusual transaction patterns before investigators fully understand the underlying criminal conduct.

C. Reserve Bank of India and SEBI

Financial regulators contribute to the preventive side of the framework.

The RBI's KYC framework imposes obligations on regulated entities concerning customer identification, record maintenance and monitoring of financial activity.[11]

SEBI similarly plays a role in the securities sector, particularly where intermediaries and securities transactions may be used for illicit financial activity.

The overall framework therefore depends on cooperation between investigative agencies and financial institutions.

VIII. ARREST, INVESTIGATION AND PROCEDURAL SAFEGUARDS

Section 19 of the PMLA empowers authorised officers to arrest a person where the statutory conditions are satisfied.

Arrest under the PMLA is controversial because of its consequences for personal liberty and because bail under the statute is subject to stringent conditions.

The Supreme Court addressed an important procedural safeguard in *Pankaj Bansal v. Union of India*.[12] The Court emphasised the importance of communicating the grounds of arrest in writing.

This requirement is constitutionally significant. A person who does not know why he or she has been arrested cannot meaningfully challenge the detention or seek legal relief.

The decision demonstrates that investigative powers under special legislation remain subject to constitutional protections.

[11] Somesh Arora & Salil Arora, *Prevention of Money Laundering Act, 2002 – A Commentary* 119 (OakBridge Publishing, 2nd edn., 2023).
[12] (2024) 7 SCC 576.

The distinction between investigation and prosecution has also been examined by the Supreme Court in later cases. In *Tarsem Lal v. Directorate of Enforcement*,[13] the Court considered the position of an accused who had not been arrested during investigation but was subsequently required to appear before the Special Court.

Such decisions are important because the mere filing of a prosecution complaint should not automatically eliminate procedural protections.

IX. BAIL AND PERSONAL LIBERTY

Section 45 of the PMLA[14] prescribes stringent conditions for bail.

The provision has been one of the most controversial aspects of the Act because it modifies the ordinary approach to bail and places a significant burden upon the accused.

In *Nikesh Tarachand Shah v. Union of India*,[15] the Supreme Court examined the original statutory framework and held the then-existing twin conditions unconstitutional. Parliament subsequently amended the provision.

The controversy surrounding Section 45 reflects a fundamental tension within economic-crime legislation.

On one side, money laundering may involve substantial financial resources and can enable criminals to interfere with evidence, transfer assets or influence witnesses. Strong measures may therefore be justified.

On the other side, pre-trial detention must not become punishment before conviction. Article 21 of the Constitution protects personal liberty, and criminal proceedings must remain consistent with fairness and due process.

The proper approach is therefore not to treat liberty and enforcement as mutually exclusive. Effective investigation and constitutional safeguards must operate together.

X. VIJAY MADANLAL CHOUDHARY v. UNION OF INDIA

The Constitution Bench judgment in *Vijay Madanlal Choudhary v. Union of India* [16]is central to understanding the modern PMLA framework.

The Court considered challenges to several provisions of the Act, including provisions concerning the offence of money laundering, attachment, investigation and bail.

[13] 2024 INSC 434.
[14] Act No. 15 of 2003.
[15] (2018) 11 SCC 1.
[16] 2022 SCC OnLine SC 929.

The Court largely upheld the statutory framework.

One of the judgment's most significant contributions was its explanation of the relationship between the predicate offence, proceeds of crime and money laundering.

The judgment also recognised the distinctive nature of money laundering as an offence directed towards dealing with criminal proceeds.

The decision strengthened the statutory framework but did not eliminate constitutional scrutiny over individual exercises of power.

This distinction is important. Upholding the validity of legislation does not mean that every action taken under that legislation is automatically lawful. Arrests, searches, seizures, attachments and prosecutions must continue to satisfy statutory and constitutional requirements.

XI. CRITICAL ANALYSIS OF THE PMLA FRAMEWORK

A. Strengths

India's anti-money-laundering regime has several strengths.

First, the PMLA provides a specialised statutory mechanism for dealing with illicit financial proceeds.

Secondly, the legislation allows the State to trace and attach property rather than merely punish individuals.

Thirdly, reporting and KYC obligations enable authorities to obtain financial intelligence.

Fourthly, specialised institutions provide expertise in financial investigation.

Finally, India's international cooperation and participation in the FATF framework strengthen its capacity to deal with cross-border financial crime.

The FATF's 2024 assessment recognised significant strengths in India's understanding of money-laundering risks, use of financial intelligence, international cooperation and asset deprivation.[17]

B. Delay in Prosecution

One of the principal weaknesses is the time required for cases to reach final adjudication.

[17] Dr. Shamsuddin, *Commentary on the Prevention of Money Laundering Act, 2002* 56 (Commercial Law Publishers, 2025).

The ED's official figures show 8,851 ECIRs and 2,396 prosecution complaints, but only 60 completed trials up to 31 March 2026.[18]

Of those 60 completed trials, 56 resulted in conviction.

The reported conviction rate among completed trials is therefore high. Nevertheless, the relatively small number of completed trials compared with the number of investigations raises concerns regarding the speed of adjudication.

Financial-crime cases can be complex and document-heavy, and this partly explains delay. However, prolonged proceedings can themselves affect the rights of accused persons and third parties.

FATF similarly identified delays in concluding money-laundering and terrorist-financing prosecutions as an area requiring improvement.[19]

C. Broad Powers and Accountability

The PMLA gives enforcement authorities considerable powers.

Such powers may be necessary because financial crime is sophisticated and evidence can quickly disappear.

However, broad powers increase the importance of institutional accountability.

The appropriate response is not necessarily to weaken investigative authority but to ensure that it is accompanied by clear reasons, judicial supervision, effective remedies and transparent records.

D. Asset Attachment and Third-Party Rights

Attachment is an important tool for preventing dissipation of criminal proceeds. However, property may sometimes involve legitimate third-party interests.

The legal system must therefore distinguish between property genuinely connected with proceeds of crime and property belonging to persons who have acquired it legitimately and without knowledge of the unlawful activity.

This is especially important in commercial transactions and corporate structures.

[18] Dr. Shamsuddin, *Commentary on the Prevention of Money Laundering Act, 2002* 55(Commercial Law Publishers, 3rd edn., 2025).
[19] Dr. K.K. Khandelwal, *A Treatise and Commentary on the Prevention of Money Laundering Act, 2002*, 2 vols. 887 (OakBridge Publishing, 1st edn., 2025).

XII. MONEY LAUNDERING, CORPORATE STRUCTURES AND DIGITAL FINANCE

Contemporary money laundering frequently uses legitimate corporate and financial mechanisms.

Shell companies, layered ownership structures, real estate transactions, fictitious invoices and multiple bank accounts may be used to obscure beneficial ownership.

The difficulty for regulators is that legitimate corporate structures are not unlawful merely because they are complicated. Consequently, the regulatory system must distinguish legitimate financial planning from intentional concealment of criminal proceeds.

Digitalisation has added another layer of complexity.

Electronic banking and rapid payment systems enable funds to move quickly between accounts and jurisdictions. At the same time, digital records may provide investigators with valuable evidence.

Virtual assets and online financial platforms have also created new challenges for regulators. The fundamental principle remains the same: financial institutions and relevant intermediaries must understand customer risk, identify beneficial ownership and monitor suspicious activity.

The preventive obligations imposed upon reporting entities are therefore as important as post-offence prosecution.[20]

XIII. INTERNATIONAL FRAMEWORK AND FATF

Money laundering is rarely confined to one jurisdiction.

Criminal proceeds may be generated in one country, transferred through another and ultimately invested elsewhere. Effective enforcement consequently requires international cooperation.

The FATF Recommendations provide international standards for combating money laundering, terrorist financing and proliferation financing.[21]

India's 2024 Mutual Evaluation is particularly relevant to assessing the present framework.

FATF concluded that India has a high level of technical compliance and that its AML/CFT regime is producing good results in several important areas. At the same time, it identified the need to improve

[20] N. V. Paranjape, *Criminology & Penology with Victimology* 435 (Central Law Publications, Allahabad, 18th edn., 2021).

[21] N. S. Bindra, *Law Relating to Money Laundering*, 2nd ed., LexisNexis, New Delhi, 2019.

supervision and implementation in certain non-financial sectors and to address delays in concluding prosecutions.[22]

This assessment suggests that India's principal challenge is no longer simply creating legislation. The greater challenge is ensuring effective implementation.

XIV. CONSTITUTIONAL DIMENSION

The PMLA operates within the constitutional framework of India.

Article 14 protects equality before law. Article 20 contains important criminal-law safeguards, including protection against self-incrimination. Article 21 protects life and personal liberty, while Article 22 provides safeguards relating to arrest and detention.

These constitutional provisions are particularly relevant because PMLA proceedings may involve arrest, search, attachment of property and restrictions on bail.

The Supreme Court's PMLA jurisprudence demonstrates that economic offences may justify a special legal regime but do not create a constitutional vacuum.

The requirement to communicate grounds of arrest, judicial consideration of bail and scrutiny of investigative action all serve as checks against arbitrary exercise of power.

The constitutional objective should therefore be understood as a balance between effective enforcement and individual liberty.

XV. RECOMMENDATIONS

The following measures may strengthen India's anti-money-laundering framework:

1. Faster disposal of cases

Special Courts dealing with PMLA matters should receive sufficient judicial and administrative resources to reduce prolonged delays.

2. Greater transparency in arrest

Grounds of arrest should be clearly and effectively communicated in accordance with constitutional and judicial requirements.

[22] K. D. Gaur, *Criminal Law: Cases and Materials*, 8th ed., LexisNexis, New Delhi, 2019.

3. Stronger forensic capacity

Investigative agencies should expand their use of forensic accounting, digital financial analysis and specialised financial investigators.

4. Better institutional coordination

The ED, FIU-IND, RBI, SEBI, tax authorities and police agencies should strengthen information-sharing mechanisms.

5. Protection of bona fide third parties

Persons who acquire property legitimately and without knowledge of criminal activity should receive effective procedural protection.

6. Better public statistics

Authorities should publish detailed information concerning investigation duration, prosecution, conviction, acquittal, confiscation and restitution.

7. Strengthening international cooperation

Cross-border tracing and recovery of assets should be improved through mutual legal assistance and other international mechanisms.

8. Focus on outcomes

The effectiveness of the PMLA should be evaluated not merely through ECIRs, arrests and attachments but through timely convictions, lawful confiscation and recovery or restitution of criminal assets.

XVI. CONCLUSION

Money laundering is a distinctive and sophisticated form of white-collar crime. It does not merely involve the possession of illegally obtained money; rather, it involves processes designed to conceal the criminal origin of property and integrate illicit wealth into the legitimate economy.

India has responded through the Prevention of Money-Laundering Act, 2002 and an institutional framework involving the Enforcement Directorate, FIU-IND, financial regulators and Special Courts. The legal framework has developed substantially through legislative amendments and judicial interpretation.

The PMLA's emphasis on tracing and confiscating criminal proceeds is one of its most important features. It recognises that financial crime should not be addressed only through imprisonment but also by depriving offenders of the economic benefits of crime.

At the same time, strong enforcement powers create an equally important obligation to protect constitutional rights. Arrest, attachment and restrictions on bail can have serious consequences before the final determination of guilt. The Supreme Court's decisions demonstrate that the PMLA must therefore operate within the constitutional framework.

The available statistics present a mixed picture. The ED reports extensive investigation, attachment and prosecution activity and a high conviction percentage among completed trials. Yet only 60 PMLA trials had been completed up to 31 March 2026, despite thousands of investigations and prosecution complaints.[31] This indicates that the effectiveness of the system cannot be assessed simply by counting investigations or convictions.

India's future anti-money-laundering policy should consequently focus on quality, speed, accountability and fairness. Specialised courts, improved forensic capabilities, better inter-agency coordination, stronger international cooperation and transparent enforcement can make the system more effective.

Ultimately, combating money laundering is not merely about controlling illegal wealth. It is about protecting the integrity of India's financial system, preventing legitimate economic institutions from being misused and ensuring that crime does not generate lasting economic rewards. A successful PMLA framework must therefore be strong enough to confront sophisticated financial crime while remaining sufficiently restrained to preserve the rule of law and constitutional liberty.