20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The PMLA, 2002 and its Rules came into force with effect from July 1, 2005.

TRUE

The Act was passed in December 2002 but was operationalised on July 1, 2005.

Question 2

The PMLA, 2002 came into force on January 26, 2002, the day it was passed by Parliament.

FALSE

It was passed in December 2002 and only came into force on July 1, 2005.

Question 3

Section 3 of the PMLA describes the offence of money laundering.

TRUE

Section 3 covers knowingly assisting, being a party to, or projecting crime proceeds as untainted property.

Question 4

Section 4 of the PMLA lists the record-keeping obligations of banks and financial institutions.

FALSE

Section 4 prescribes punishment; the obligations of banks are set out in Section 12.

Question 5

Under Section 4 of the PMLA, money laundering can attract rigorous imprisonment of 3 to 7 years.

TRUE

Section 4 also adds a fine of up to Rs 5,00,000 alongside the imprisonment term.

Question 6

Under the PMLA, the maximum fine for money laundering is capped at Rs 50,000 regardless of the case.

FALSE

Section 4 allows a fine of up to Rs 5,00,000, ten times higher than this claim.

Question 7

If a laundering offence is linked to the NDPS Act, 1985, imprisonment under the PMLA can extend to 10 years.

TRUE

Narcotics-linked offences carry an enhanced punishment beyond the normal 7-year ceiling.

Question 8

Under Section 4, imprisonment for money laundering can never exceed 7 years under any circumstance.

FALSE

The term can extend to 10 years when the offence relates to the NDPS Act, 1985.

Question 9

Section 12 of the PMLA obligates banks to verify client identity and maintain transaction records.

TRUE

It also requires furnishing information on such transactions to the Director within the prescribed time.

Question 10

Banks must generally retain transaction and identity records for 10 years under the PMLA framework.

TRUE

This retention period allows reconstruction of transactions as evidence in prosecutions.

Question 11

Banks are required to retain KYC and transaction records for only one year under the PMLA framework.

FALSE

The standard record retention period under the PMLA framework is 10 years, not one.

Question 12

FIU-IND is India's central agency for receiving, analysing and disseminating suspicious transaction information.

TRUE

It shares this intelligence with enforcement agencies to help detect money laundering.

Question 13

The Enforcement Directorate (ED) is the authority designated to investigate money-laundering cases under the PMLA.

TRUE

It carries wider powers under the PMLA than it had earlier under the FERA regime.

Question 14

The Enforcement Directorate had far greater powers under the earlier FERA regime than it has under the PMLA.

FALSE

The article notes the ED carries far more powers under the PMLA than it had under FERA.

Question 15

FATF is the global standard-setter for anti-money-laundering and counter-terror-financing measures.

TRUE

National AML frameworks, including India's, are aligned with FATF recommendations.

Question 16

FATF is purely a domestic Indian regulatory body with no role outside India.

FALSE

FATF is an international body that sets global AML and counter-terror-financing standards.

Question 17

The three classic stages of money laundering are placement, layering and integration.

TRUE

Placement introduces illegal cash, layering disguises it, and integration reintroduces it as clean wealth.

Question 18

The three classic stages of money laundering are deposit, withdrawal and transfer.

FALSE

The recognised stages are placement, layering and integration, not this sequence.

Question 19

Integration is the final stage where laundered money re-enters the economy as apparently legitimate wealth.

TRUE

By this stage the funds appear to come from a normal, lawful source.

Question 20

Layering is the final stage where laundered money re-enters the economy as legitimate wealth.

FALSE

That describes integration; layering is the middle stage that disguises the funds' origin.