

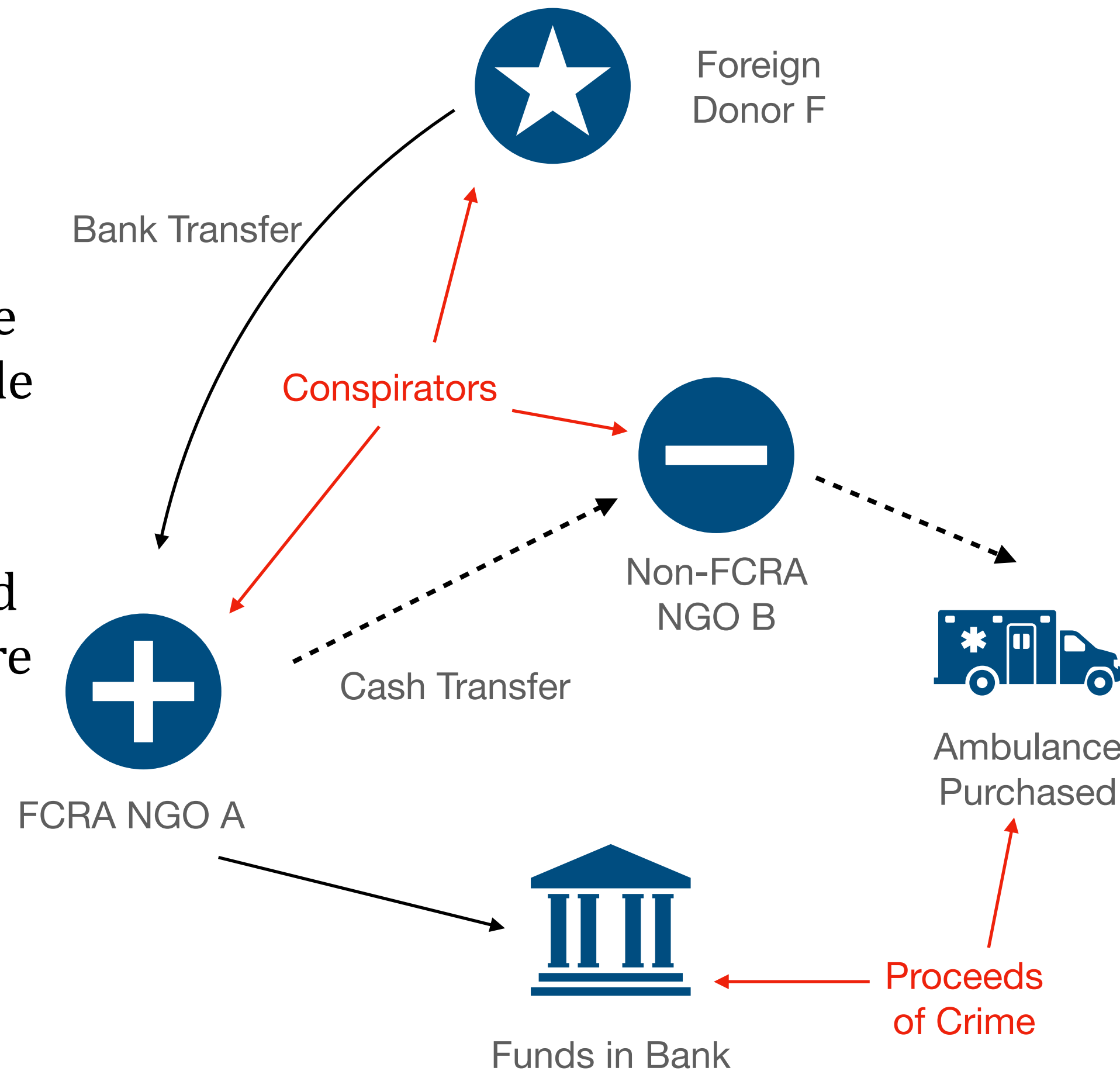
Money Laundering Risk for NGOs

How can NGOs get in PMLA trouble? NGO B does not have FCRA registration. NGO A, which is registered under FCRA, agrees to help. The foreign donor sends money to A, which passes it on to B. B runs the program, giving bills and vouchers to A.

This is a violation of FCRA. NGOs A, B and donor F have therefore entered into a criminal conspiracy punishable u/s 120B of IPC. This is a scheduled offence under PMLA.

Ambulance, funds, other properties even, can be seized by ED. NGOs A and B must now prove that the funds are not 'proceeds of crime'. Directors/officers of all three (A, B, F) can be arrested and prosecuted. Even the auditors may be questioned.

How do you guard against this? In the present enforcement scenario, the only feasible method is to take FCRA more seriously and ensure a predicate offence doesn't occur. Visit www.fcra2010.in for more.



References:

1. Sec. 7 r/w sec. 35 of Foreign contribution Regulation Act, 2010. See www.fcra2010.in for more
2. Sec. 120B of Indian Penal Code, 1860
3. Sec. 2(1)(s),(u) and (y) r/w Sec. 3 of Prevention of Money Laundering Act, 2002
4. Para 1.5 FCRA annual Report 2011-12 https://fcraonline.nic.in/home/PDF_Doc/annual/ar2011-12.pdf
5. Capsule 566, dated 5-Nov-2021
6. Capsule 567, dated 8-Nov-2021