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## **Breaking the Chain: Strategies Against Hundi and Money Laundering in Bangladesh**

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### **Abstract:**

*This article explores the challenges and strategies related to combating hundi and money laundering in Bangladesh. Hundi, an informal remittance system deeply rooted in the cultural and historical practices of South Asia, poses significant risks to the financial stability and integrity of the Bangladeshi economy. Despite its traditional role in facilitating remittances, hundi has evolved into a complex mechanism for money laundering and illicit financial transactions. The paper examines the current regulatory framework under the Anti-Money Laundering Act, 2012, identifies existing gaps, and proposes targeted strategies to address these issues. Key recommendations include strengthening legal measures, enhancing enforcement mechanisms, promoting financial inclusion, and fostering international cooperation. The article underscores the need for a comprehensive approach to disrupt hundi networks and prevent financial crime, ultimately aiming to protect the economic stability and financial integrity of Bangladesh.*

**Keywords: Hundi, Anti-Money Laundering Act 2012, Financial Crime, Regulatory Framework, Informal Remittance Systems, Economic Impact, Financial Inclusion.**

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**Introduction:** In Bangladesh, the informal financial system known as **hundi** plays a crucial role in the economy, particularly for remittances and small-scale transactions. Rooted deeply in the cultural and historical fabric of the country, hundi has facilitated the transfer of money across borders and within communities, offering a quick and cost-effective alternative to formal banking channels. However, while hundi provides significant economic benefits, it also poses serious challenges to financial regulation and integrity.

**Money laundering**, the process of disguising illicit funds to make them appear legitimate, is a significant concern globally, and Bangladesh is no exception. The informal nature of hundi makes it an attractive conduit for money laundering activities, allowing criminals to bypass conventional financial monitoring systems. This presents a dual challenge: while

hundi supports many families and businesses, it also creates vulnerabilities in the financial system that can be exploited for illicit purposes.

The interplay between hundi and money laundering in Bangladesh has complex implications. On one hand, hundi supports economic activities and facilitates remittances, which are vital for many households. On the other hand, it undermines regulatory efforts to combat financial crime, contributing to a larger problem of money laundering and economic instability.

This article explores the intricate dynamics of hundi and money laundering in Bangladesh, focusing on the gaps in current regulatory frameworks and proposing strategies to address these challenges. By examining the historical context, current practices, and the impact on the Bangladeshi economy, this study aims to provide a comprehensive understanding of how to break the chain of financial crime and strengthen the nation's economic resilience.

**Understanding Hundi:** Hundi is an informal and traditional system of transferring money, primarily used in South Asia, including countries like Bangladesh, India, and Pakistan. This system has been in practice for centuries and operates outside the purview of formal banking channels. Despite its historical roots and convenience, hundi poses significant risks to the financial system due to its informal and unregulated nature.

**The Historical Culture of Hundi in Bangladesh:** Hundi has a long-standing historical and cultural presence in Bangladesh, deeply intertwined with the country's economic and social fabric. Its origins and evolution reflect both traditional practices and adaptations to changing economic realities. Understanding the historical culture of hundi provides insight into its pervasive role in Bangladeshi society and economy.

**Origins and Early Development:** Hundi, an ancient system of informal money transfer, has roots in South Asia, including Bangladesh. Its origins trace back to the ancient trade routes of the Indian subcontinent, where it served as a convenient and reliable method for merchants to transfer funds across distances without relying on formal banking institutions. The practice is believed to have been influenced by similar systems in other parts of Asia and the Middle East.

During the medieval period, hundi became increasingly significant in the trade and commerce of Bengal. As a region historically known for its thriving trade networks, Bengal saw hundi evolve into a critical mechanism for financial transactions. Merchants and traders used hundi to facilitate trade across regional and international borders, fostering economic connections between Bengal and other parts of Asia.

**Hundi in Colonial and Post-Colonial Eras:** With the advent of British colonial rule in the 18th century, the formal banking system began to take shape in Bengal. Despite this, hundi remained widely used. During the colonial era, British authorities recognized the informal system's role in trade and commerce, albeit with limited regulatory oversight. The British

East India Company and subsequent colonial administrations used hundi to manage trade transactions, reflecting its entrenched position in the economic system.

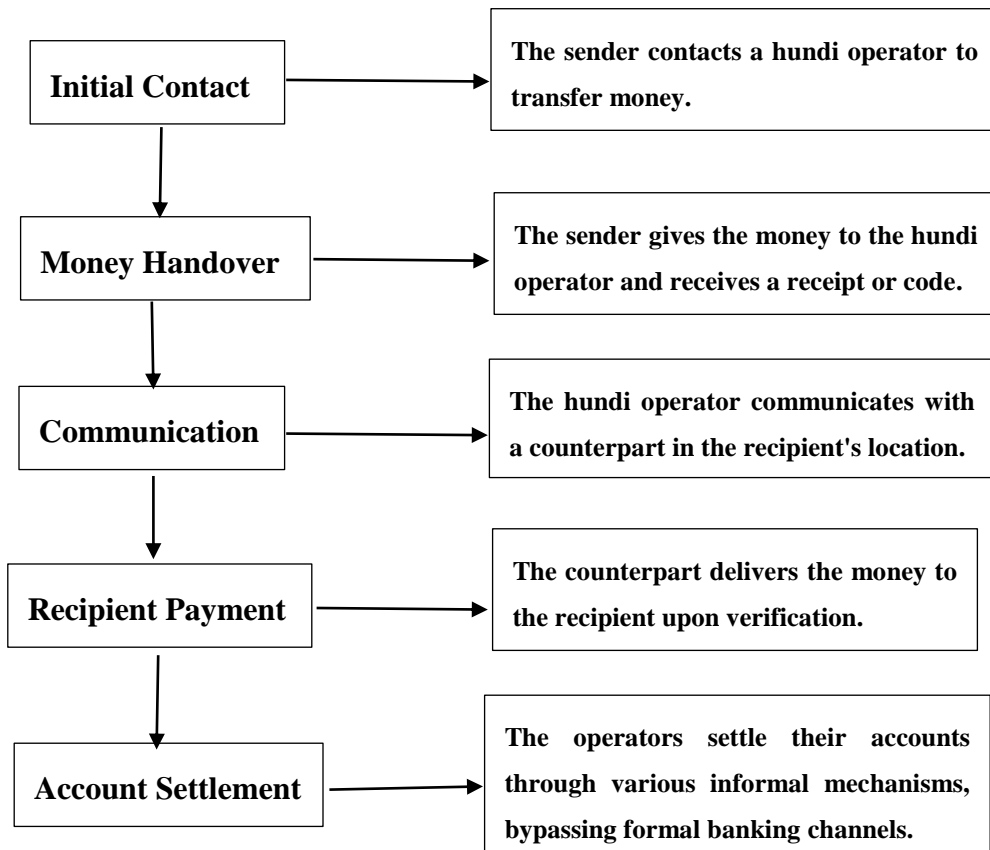
After the independence of Bangladesh in 1971, the newly formed nation inherited a complex economic landscape. The hundi system persisted as an informal financial tool amidst the developing formal banking sector. In the immediate post-independence period, Bangladesh faced significant economic challenges, including inflation and a lack of banking infrastructure in rural areas. Hundi continued to be a vital resource for transferring funds, particularly in areas with limited access to formal banking services.

**The Modern Context:** In recent decades, the hundi system has adapted to contemporary economic conditions while retaining its traditional characteristics. It remains a popular method for remittances, especially among the Bangladeshi diaspora. The informal nature of hundi provides advantages such as lower transaction costs and faster transfer times compared to formal banking channels.

### **How Hundi Works:**

1. **Initiation:** A sender approaches a hundi operator (also known as a hundi broker or hawala dealer) to transfer a certain amount of money to a recipient in another location, either domestically or internationally.
2. **Transaction Agreement:** The sender hands over the money to the hundi operator and provides details of the recipient. In return, the sender receives a receipt or a code.
3. **Hundi Network:** The hundi operator contacts a counterpart in the recipient's location and instructs them to pay the specified amount to the recipient. This network is built on mutual trust and long-standing relationships among operators.
4. **Payment:** The counterpart in the recipient's location delivers the money to the recipient, often on the same day or within a few days, depending on the distance and network efficiency. The recipient may need to provide the receipt or code received from the sender.
5. **Settlement:** The hundi operators settle their accounts through various means, such as reverse transactions, trade invoicing discrepancies, or other informal financial arrangements, without any formal documentation.

**The Full Process of Hundi:**



**The Economic Impact of Hundi on Bangladesh:** Hundi, a traditional and informal system of transferring money, has significant repercussions on Bangladesh’s economy. Despite its historical and cultural roots, its unchecked operation undermines economic stability, tax revenue, and regulatory effectiveness. This section explores how hundi impacts Bangladesh’s economy destructively.

1. Revenue Loss and Tax Evasion

**Hundi transactions often evade formal taxation** due to their undocumented nature. According to the Bangladesh Bank, a significant portion of remittances is channeled through informal systems, including hundi (Bangladesh Bank, 2022). In 2021, it was estimated that approximately 30% of remittances were routed through informal channels, amounting to about USD 3 billion in that year alone (Islam, 2015). This substantial sum escapes official oversight and taxation, leading to a notable loss in government revenue.

**Implications:**

- **Tax Revenue Loss:** The Bangladesh government loses potential tax revenues from these unreported transactions. This revenue could have been used for public services, infrastructure, and development projects.
- **Economic Distortion:** The distortion in official financial data impacts economic planning and policy-making. The lack of accurate data makes it challenging for policymakers to make informed decisions regarding economic growth and resource allocation.

**2. Undermining Formal Financial Institutions:** Hundi's operation directly undermines the formal banking sector. The informal nature of hundi transactions reduces the volume of business for banks and financial institutions. According to a study by Ahmed (2017), the prevalence of hundi has resulted in reduced deposits and investments in formal banks, weakening their financial stability.

**Implications:**

- **Reduced Banking Sector Growth:** With a significant portion of financial transactions moving outside the formal banking system, banks experience lower deposit growth and reduced loan disbursements.
- **Weakened Financial Stability:** The informal channel's dominance leads to a decrease in the formal sector's liquidity, affecting its ability to function efficiently and securely.

**3. Facilitating Money Laundering and Financial Crime:** Hundi is often exploited for money laundering and other illicit activities. The system's lack of documentation and regulatory oversight makes it a preferred choice for criminals. According to Morshed and Rahman (2021), hundi channels are frequently used to launder money from illegal activities, such as drug trafficking and corruption.

**Implications:**

- **Increased Financial Crime:** The ability to bypass formal scrutiny allows criminals to move large sums of money without detection. This not only fuels illegal activities but also destabilizes the financial system.
- **Compromised Financial Integrity:** The integrity of the financial system is compromised as illicit funds are introduced into the economy. This undermines confidence in the formal financial sector and its ability to effectively manage and monitor transactions.

**4. Impact on Economic Growth and Investment:** The informal nature of hundi affects economic growth and investment. According to a report by the Bangladesh Financial Intelligence Unit (BFIU), the diversion of substantial financial resources through hundi reduces the availability of funds for legitimate economic activities (BFIU, 2023). This diversion affects investments in productive sectors, slowing economic growth.

**Implications:**

- **Reduced Investment in Key Sectors:** Funds diverted through hundi are not available for investment in critical sectors such as infrastructure, industry, and education. This hampers economic development and long-term growth prospects.
- **Economic Inefficiency:** The lack of regulation and oversight associated with hundi contributes to economic inefficiencies. Resources that could have been used for productive purposes are instead channeled through informal and often unproductive avenues.

**5. Erosion of Trust in Financial Institutions:** The prevalence of hundi erodes public trust in formal financial institutions. As people turn to informal channels for financial transactions, they lose confidence in the formal banking system. This trust erosion impacts the overall effectiveness of financial institutions and their ability to serve the public effectively.

**Implications:**

- **Decreased Participation in Formal Financial System:** As people increasingly use informal channels, they may withdraw from or avoid engaging with formal financial institutions. This affects the banks' ability to mobilize savings and provide credit.
- **Impaired Financial Sector Development:** The erosion of trust hinders the development of a robust financial sector capable of supporting economic growth and stability.

**Literature Review:**

**Hundi and Money Laundering in Bangladesh: An Overview:** The informal remittance system known as hundi has long been a significant part of Bangladesh's financial landscape, often intersecting with money laundering practices. Understanding the role of hundi in financial crime and how to counteract, it requires a deep dive into various aspects of the system and its impact. This review discusses the key insights and findings from the literature on hundi and money laundering in Bangladesh.

**Impact of Informal Remittance Channels:** Anima, Nath, and Dalia (2023) explore the impact of informal remittance channels, particularly hundi on financial crime in Bangladesh. Their study highlights that hundi serves not only as a remittance method but also as a conduit for money laundering. This informal system circumvents regulatory frameworks and financial institutions, making it a preferred method for transferring large sums illicitly. The authors argue that the lack of transparency and regulatory oversight associated with hundi exacerbates the challenges of combating financial crime.

**Money Laundering Act: Current Scenario:** Saha's analysis of the Money Laundering Act in Bangladesh provides a critical perspective on the legal framework's effectiveness. The review notes that while the Act aims to curb money laundering, its implementation is often hindered by limited resources and enforcement challenges. The effectiveness of the Act is compromised by the persistent use of informal channels like hundi, which evade detection

by formal regulatory mechanisms. Saha's work underscores the need for stronger regulatory measures and better enforcement to address the gaps in the current legal framework.

**Proliferation of Money Laundering:** Islam's (2015) doctoral dissertation delves into the proliferation of money laundering in Bangladesh, focusing on legal and practical aspects. The study reveals that money laundering practices are deeply entrenched in the financial system, facilitated by both formal and informal mechanisms. Islam discusses the role of hundi as a significant facilitator of money laundering, emphasizing that its anonymity and lack of formal documentation make it a potent tool for illicit financial activities. The dissertation suggests that addressing money laundering effectively requires a multifaceted approach, including tighter controls on informal remittance systems.

**Trade-Based Money Laundering:** Morshed and Rahman (2021) offer a critical review of trade-based money laundering in Bangladesh. They argue that hundi is often used in conjunction with trade-based schemes to obscure the origins of illicit funds. The authors explain how the trade-based method involves over- or under-invoicing of goods, which, when combined with hundi, makes it difficult to trace and regulate the flow of money. This dual approach complicates enforcement efforts and highlights the need for comprehensive strategies to address both trade-based and informal money laundering methods.

**Financial Crimes and Money Laundering Offences:** Faysal and Arifuzzaman (2022) and Das, P. K., Shibli, M. J. S., & Ghosh, B. (2024) examine the various activities that constitute money laundering offences, including those facilitated by hundi. They emphasize that understanding these activities is crucial for developing effective anti-money laundering strategies. The paper discusses different forms of financial crimes, such as smuggling and corruption, which are often intertwined with money laundering. The authors advocate for a holistic approach that includes both legal reforms and enhanced investigative techniques to tackle the multifaceted nature of financial crimes.

**Anti-Money Laundering Requirements:** Ahmed (2017) provides insights into the practical application of anti-money laundering requirements in Bangladesh. The study highlights the disparity between the intended anti-money laundering measures and their effectiveness on the ground. Ahmed argues that the effectiveness of these measures is undermined by factors such as inadequate resources and insufficient infrastructure. The paper points out that the prevalence of hundi further complicates enforcement, as informal channels are not covered by existing regulations. Ahmed's findings suggest that improving the effectiveness of anti-money laundering efforts requires addressing these resource and infrastructure gaps.

**Banking Sector and Money Laundering Risks:** Mevij (2011) explores money laundering risks in the banking sector, focusing on EXIM Bank Ltd. Rajuk Avenue Branch. The study highlights that while the banking sector is a primary target for money laundering, informal systems like hundi also play a significant role. Mevij discusses how hundi operations can intersect with formal banking activities, creating additional layers of complexity for

regulators. The study advocates for stronger controls and better coordination between banks and regulatory bodies to address these risks.

**Economic Impact of Money Laundering:** Reza and Islam (2024) analyze how money laundering hinders economic growth, emphasizing the negative impact of hundi on the economy. They argue that money laundering through informal channels like hundi diverts resources away from productive uses and undermines economic stability. The paper discusses how the unregulated flow of money affects investment and growth, highlighting the broader economic consequences of failing to effectively combat money laundering.

**Policies and Compliance:** Zafarullah and Haque (2023) examine the policies, compliance measures, and controls related to combating money laundering in Bangladesh. Their study reveals that while various policies are in place, the effectiveness of these measures is often limited by implementation challenges. The authors highlight that hundi remains a significant challenge due to its informal nature and lack of oversight. They call for improved compliance measures and more robust policies to address the persistent issues in combating money laundering.

**Terror Financing and Digital Means:** Sabriet (2022) explores terror financing through digital means across the Indo-Bangladesh border. The study highlights how digital platforms are increasingly used for financing terrorism, often in conjunction with informal systems like hundi. Sabriet's work emphasizes the need for cross-border cooperation and improved digital surveillance to counteract these threats. The paper suggests that addressing terror financing requires a coordinated effort involving both national and international agencies.

**Terror Financing in Bangladesh:** Kumar (2009) provides an in-depth analysis of terror financing in Bangladesh, focusing on how hundi and other informal channels are used to fund terrorist activities. The study reveals that terror financing often involves complex networks that exploit both formal and informal financial systems. Kumar's analysis underscores the need for targeted measures to disrupt these financial networks and prevent the misuse of hundi for funding terrorism.

**Social Organization of Hundi:** Rahman and Yeoh (2008) discuss the social organization of hundi, particularly its role in channelling migrant remittances from East and South-East Asia to Bangladesh. Their study provides insights into how hundi operates within social networks, facilitating remittances while also serving as a vehicle for money laundering. The authors highlight the challenges in regulating hundi due to its embeddedness in social structures and informal networks.

**Exploring Money Laundering Mechanisms:** Ahmmed (2023) explores money laundering mechanisms in Bangladesh's Ready-Made Garment (RMG) sector. The study highlights how hundi and other informal methods are used to launder money within this critical sector. Ahmmed's work underscores the need for sector-specific anti-money laundering measures and better regulatory oversight to address the vulnerabilities in the RMG sector.



**Gaps in the Money Laundering Prevention Act, Bangladesh:** The Money Laundering Prevention Act, 2012 (amended in 2015 and 2019), aims to combat money laundering and terrorist financing in Bangladesh. Despite its comprehensive approach, certain gaps remain that could hinder its effectiveness. Below are some identified gaps with explanations, referencing specific articles and sections of the Act.

### **1. Ambiguity in Defining Suspicious Transactions (Article 2, Clause n)**

**Gap:** The definition of "suspicious transaction" under Article 2, Clause (n) is somewhat vague and open to interpretation.

**Explanation:** The Act defines a suspicious transaction as one that appears unusual or inconsistent with the customer's known financial behavior. However, this broad definition can lead to inconsistencies in reporting, as what may seem suspicious to one entity may not be to another. This ambiguity can result in under-reporting or over-reporting of suspicious activities, thus undermining the effectiveness of monitoring mechanisms.

### **2. Inadequate Scope of Reporting Organizations (Article 25)**

**Gap:** Article 25 does not encompass all possible entities involved in financial transactions that could be prone to money laundering.

**Explanation:** The Act mandates certain financial institutions and businesses to report suspicious transactions. However, non-banking financial institutions (NBFIs), real estate businesses, and emerging financial technologies like cryptocurrency exchanges are not adequately covered. These sectors can be significant conduits for money laundering activities and should be included within the scope of the Act.

### **3. Insufficient International Cooperation Framework (Article 24)**

**Gap:** Article 24 outlines the role of the Bangladesh Financial Intelligence Unit (BFIU) but lacks detailed procedures for international cooperation.

**Explanation:** While the Act allows BFIU to exchange information with foreign counterparts, it does not provide a robust framework for such cooperation. Detailed protocols for information sharing, mutual legal assistance, and joint investigations are essential to tackle money laundering effectively, given its transnational nature.

### **4. Limited Authority of BFIU (Article 24, Section 4)**

**Gap:** The authority granted to BFIU under Article 24, Section 4 is somewhat limited.

**Explanation:** The BFIU has the mandate to collect and analyze information related to money laundering but lacks prosecutorial powers. This limitation can delay the enforcement of anti-money laundering measures, as BFIU must rely on other agencies for prosecution, which may not always be timely or effective.

### **5. Weak Enforcement Provisions (Article 25, Section 2)**

**Gap:** Article 25, Section 2 outlines penalties for non-compliance but may not be stringent enough to deter violations.

**Explanation:** The fines imposed for failing to report suspicious transactions range from taka 50,000 to 25 lacs, which may not be a significant deterrent for large financial institutions. Moreover, the Act lacks provisions for holding senior management accountable, which can lead to a lack of accountability at the highest levels of organizations.

## **6. Inadequate Provisions for Emerging Financial Technologies (No Specific Article)**

**Gap:** The Act does not specifically address emerging financial technologies such as cryptocurrencies and digital payment systems.

**Explanation:** With the rise of cryptocurrencies and other digital financial innovations, the Act needs to be updated to include specific provisions that address the risks associated with these technologies. The lack of regulation in this area creates a loophole that can be exploited for money laundering activities.

## **7. Insufficient Provisions for Customer Due Diligence (Article 25, Section 1)**

**Gap:** The requirements for customer due diligence (CDD) are outlined but lack specific guidelines and enforcement mechanisms.

**Explanation:** Article 25, Section 1 requires reporting organizations to maintain information about customer identities, but the Act does not provide detailed guidelines on how CDD should be conducted. This gap can lead to inconsistencies in the application of CDD measures, reducing their overall effectiveness.

## **8. Lack of Comprehensive Training and Resources for Implementation (No Specific Article)**

**Gap:** There is no specific provision in the Act that mandates comprehensive training and allocation of resources for the effective implementation of anti-money laundering measures.

**Explanation:** Effective enforcement of the Act requires well-trained personnel and adequate resources. The absence of mandated training programs and resource allocation can lead to gaps in the implementation and enforcement of anti-money laundering measures.

## **Probable Strategies to Address Gaps in the Money Laundering Prevention Act 2012 to Prevent Hundi**

To effectively combat hundi and other forms of money laundering in Bangladesh, it is crucial to address the gaps in the Money Laundering Prevention Act, 2012. Here are some strategies to enhance the Act and strengthen the fight against money laundering:

### **1. Clarify the Definition of Suspicious Transactions**

**Strategy:** Amend Article 2, Clause (n) to provide a clearer and more detailed definition of "suspicious transaction."

**Implementation:** Develop comprehensive guidelines that include specific examples and criteria for identifying suspicious transactions. Conduct regular training sessions for financial institutions to ensure consistent understanding and reporting.

## **2. Expand the Scope of Reporting Organizations**

**Strategy:** Broaden the definition of reporting organizations under Article 25 to include non-banking financial institutions, real estate businesses, and cryptocurrency exchanges.

**Implementation:** Amend the Act to explicitly list these entities and establish reporting requirements tailored to their specific operations. Implement sector-specific training and awareness programs to ensure compliance.

## **3. Enhance International Cooperation Framework:**

**Strategy:** Develop a detailed framework for international cooperation under Article 24.

**Implementation:** Establish clear protocols for information sharing, mutual legal assistance, and joint investigations with foreign financial intelligence units (FIUs). Negotiate bilateral and multilateral agreements to facilitate seamless cooperation.

## **4. Strengthen the Authority of BFIU:**

**Strategy:** Grant prosecutorial powers to the BFIU under Article 24, Section 4.

**Implementation:** Amend the Act to enable the BFIU to initiate prosecutions independently. Provide the BFIU with additional resources and training to handle these new responsibilities effectively.

## **5. Increase Penalties for Non-Compliance:**

**Strategy:** Increase the fines and introduce more stringent penalties for non-compliance with reporting requirements under Article 25, Section 2.

**Implementation:** Amend the Act to impose higher fines and introduce penalties that include imprisonment for severe violations. Implement measures to hold senior management accountable for compliance failures.

## **6. Regulate Emerging Financial Technologies:**

**Strategy:** Introduce specific provisions to regulate cryptocurrencies and digital payment systems.

**Implementation:** Amend the Act to include guidelines for monitoring and reporting transactions involving cryptocurrencies. Establish a dedicated regulatory body or task force to oversee compliance in the digital financial sector.

## **7. Strengthen Customer Due Diligence (CDD) Requirements:**

**Strategy:** Provide detailed guidelines for customer due diligence (CDD) under Article 25, Section 1.

**Implementation:** Develop comprehensive CDD guidelines that outline specific steps for verifying customer identities, monitoring transactions, and maintaining records. Ensure these guidelines are regularly updated to reflect evolving risks and best practices.

## **8. Mandate Comprehensive Training and Resources for Implementation:**

**Strategy:** Include provisions in the Act that mandate regular training programs and allocate resources for effective implementation.

**Implementation:** Amend the Act to require annual training programs for financial institutions, law enforcement agencies, and regulatory bodies. Allocate sufficient resources for training, technology upgrades, and staff expansion to ensure robust enforcement.

## **9. Enhance Monitoring and Reporting Mechanisms:**

**Strategy:** Improve the monitoring and reporting mechanisms to ensure timely and accurate reporting of suspicious activities.

**Implementation:** Implement advanced technology solutions such as artificial intelligence (AI) and machine learning (ML) to detect unusual patterns and anomalies in financial transactions. Establish a centralized reporting system that facilitates real-time data sharing and analysis.

## **10. Increase Public Awareness and Engagement:**

**Strategy:** Launch public awareness campaigns to educate individuals and businesses about the risks and legal consequences of using hundi.

**Implementation:** Collaborate with media, civil society organizations, and educational institutions to disseminate information on the dangers of hundi and the importance of using formal banking channels. Encourage public participation in reporting suspicious activities.

## **11. Establish a Whistleblower Protection Program:**

**Strategy:** Introduce a whistleblower protection program to encourage reporting of money laundering activities.

**Implementation:** Amend the Act to provide legal protections and incentives for whistleblowers. Establish confidential reporting channels and ensure the safety and anonymity of individuals who report suspicious activities.

## **General Recommendations for All Stakeholders to Prevent Hundi:**

### **1. Financial Institutions**

- **Enhanced Due Diligence:** Implement stringent customer due diligence (CDD) and know-your-customer (KYC) protocols to identify and monitor suspicious transactions. Regularly update these protocols to reflect new risks.
- **Training Programs:** Conduct regular training for employees on the latest anti-money laundering (AML) techniques and the risks associated with hundi.

- **Transaction Monitoring:** Utilize advanced analytics and technology to monitor transactions for unusual patterns indicative of hundi activities.
- **Collaboration with Regulators:** Maintain open communication with regulatory bodies and report suspicious activities promptly.

## **2. Regulatory Authorities:**

- **Robust Regulatory Framework:** Update and strengthen AML regulations to cover emerging financial technologies and non-traditional financial sectors.
- **Regular Audits:** Conduct frequent and thorough audits of financial institutions to ensure compliance with AML regulations.
- **Capacity Building:** Provide training and resources to law enforcement and regulatory staff to effectively identify and combat money laundering activities.
- **Public Awareness Campaigns:** Launch initiatives to educate the public and businesses about the dangers of hundi and the importance of formal financial channels.

## **3. Law Enforcement Agencies:**

- **Interagency Collaboration:** Foster cooperation between different law enforcement agencies and financial regulators to share information and coordinate actions against hundi networks.
- **Specialized Units:** Establish specialized units focused on financial crimes and money laundering to enhance investigative capabilities.
- **International Cooperation:** Engage with international counterparts to track and dismantle transnational money laundering and hundi operations.

## **4. Businesses:**

- **Compliance Programs:** Develop and implement comprehensive AML compliance programs tailored to the specific risks of each business sector.
- **Employee Training:** Regularly train employees on AML compliance, emphasizing the risks and legal consequences of participating in hundi activities.
- **Internal Controls:** Establish robust internal controls to detect and prevent money laundering, including regular audits and transaction monitoring.
- **Ethical Business Practices:** Promote a culture of ethical business practices and transparency to discourage engagement in illegal financial activities.

## **5. Non-Governmental Organizations (NGOs) and Civil Society:**

- **Advocacy:** Advocate for stronger AML regulations and greater enforcement of existing laws to combat money laundering and hundi.
- **Public Education:** Conduct outreach programs to educate the public about the negative impact of hundi on the economy and the importance of using formal financial channels.
- **Support for Victims:** Provide support and resources for individuals and businesses affected by money laundering and financial crimes.

## **6. International Organizations:**

- **Technical Assistance:** Offer technical assistance and resources to help Bangladesh strengthen its AML framework and enforcement capabilities.

- **Information Sharing:** Facilitate information sharing between countries to track and combat cross-border money laundering and hundi activities.
- **Capacity Building:** Provide training and resources to help build the capacity of Bangladeshi institutions to effectively tackle money laundering.

#### **7. General Public:**

- **Awareness and Vigilance:** Stay informed about the risks of hundi and the benefits of using formal financial channels. Be vigilant and report any suspicious activities to the authorities.
- **Use Formal Channels:** Encourage the use of formal banking channels for remittances and financial transactions to ensure transparency and accountability.
- **Support Anti-Money Laundering Efforts:** Participate in public awareness campaigns and support efforts to combat money laundering and hundi.

**Conclusion:** Addressing the pervasive issue of hundi and money laundering in Bangladesh requires a concerted effort from all stakeholders, including government agencies, financial institutions, and the public. Hundi, with its deep historical roots and informal nature, presents significant challenges to the country's financial integrity and economic stability. Despite its origins as a traditional remittance system, hundi has evolved into a sophisticated mechanism for illicit financial activities, undermining the formal financial sector and facilitating money laundering.

To break the chain of hundi and its associated risks, a multi-dimensional strategy is essential. Strengthening the regulatory framework is critical to closing existing gaps in the Anti-Money Laundering Act, 2012. Enhanced enforcement and monitoring mechanisms will help detect and disrupt hundi operations more effectively. Promoting financial inclusion through expanded banking services and digital financial solutions can reduce reliance on informal channels. Public awareness campaigns and improved reporting mechanisms will foster a culture of transparency and accountability.

Moreover, international cooperation and partnerships will be crucial in addressing the cross-border aspects of hundi and money laundering. By adopting these strategies and working collaboratively, Bangladesh can mitigate the impact of hundi on its economy, uphold the integrity of its financial system, and ensure a more secure and transparent financial environment for its citizens.

The commitment to tackling hundi and its ramifications not only supports economic stability but also reinforces the broader fight against financial crime on a global scale. Through sustained efforts and strategic interventions, Bangladesh can safeguard its financial future and strengthen its position in the global economy.

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