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MONEY LAUNDERING IN BANGLADESH & THE RECENT IMPACT

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ABSTRACT

Money Laundering is the regular culture of least development countries.It createsmuch impact on economics and development.Globally anestimate 2 to 5% of global GDP – roughly $800 billion to 5.5 trillion is laundered annually **.**According to the Basel AML Index 2025, high-risk regions frequently include jurisdictions with poor financial transparency, such as Myanmar, Haiti, and the Democratic Republic of the Congo.

- **Emerging Threats:** Crypto-related laundering rose by over 80% between 2020 and 2023.
- **Regional Focus:** The European Union faces an estimated €110 billion in laundered money annually.

Key Words: Money Laundering, Inflation, Over Pricing

INTRODUCTION

Countries foreign currency reserve equilibrium the trade business. A specific reserve controls inflation and foreign currency rate. Money Laundering reduces the reserve. Lower reserve increases inflation. **$12-**15b laundered every year during the AwamiLeague rule i.e. $15 bX15 Year=$225 billion minimum in 15 years power. Of which $45 billion by trade business i.e. over pricing. $33 billion was laundered by unscrupulous manpower brokers who sent money abroad to get visas and work permits for seekers of overseas jobs. $112.5 billion was laundered every year through mobile financial services. Of which Only Singapore returned $9.3 million to

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Bangladesh in the Siemens case between 2007 and 2013 as the Singaporean government was cooperative.

DEFINITION

Money laundering has been addressed in the UN Vienna 1988 Convention Article 3.1 describing Money Laundering as: "the conversion or transfer of property, knowing that such property is derived from any offense(s), for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such offense(s) to evade the legal consequences of his actions"

In this definition money Laundering defined as offense. But it may give good result when it is taken back with interest.

In my practical experience I have seen one-personlaundered money to USA and he invest that money to his living country through US based company. Now he is getting profit on it and taking back to his living country.

WHAT CAUSES MONEY LAUNDERING

To invest in most developed country. Investment includes business, higher study, asset purchase, daily expenditure. It occurs for political harassment, showing higher status, to establish child into mostly developed countries to lead a secure and better life. Terrorist financing is another cause of laundering.

Money laundering path

A) **Over pricing:** To manage the foreign seller/buyer the concern decrease/increases the export/ import commodity.

B) **Hundi:** Hindi is an illegal, informal money transfer system operating outside conventional banking, relying on a network of agents to move funds across borders through trust-based agreements. Frequently used by migrant workers for faster, cheaper, and higher-rate transactions.

Mechanism: It acts as an informal value transfer system (similar to Hawala). An agent in one country (e.g., Middle East) receives local cash from a worker, while a correspondent agent in the destination country (e.g., Bangladesh) pays out the equivalent in local currency.

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Popularity Drivers: It is often preferred over official banking channels (like banks or Mobile Financial Services) due to better exchange rates, lower or zero fees, and enhanced speed

C) **Cash incentive**: Some countries Govt paying cash incentive regarding foreign currency remittance. People of that country sending money through several way and the foreign country person pays it through foreign currency.

D) **Credit Card:** Credit card is one of the ways of laundering. Higher amount can't be transferred through this system.

E) **Bit Coin:** To invest in bit Coin.

Bitcoin affects money laundering by providing a fast, borderless, and pseudonymous method to move illicit funds, allowing criminals to bypass traditional banking regulations. It simplifies the "layering" stage of laundering through mixers and unregulated exchanges, making it difficult to trace funds back to criminal activities.

Stages of Bitcoin Laundering

1. **Placement:** Illicit cash is converted into Bitcoin.
2. **Layering:** The Bitcoin is passed through multiple wallets, mixers, or gambling sites to conceal the audit trail.
3. **Integration:** The "clean" Bitcoin is sold on exchanges for fiat currency (USD, EUR, etc.), appearing as legitimate profit.

F) Data collection: A lot of money Laundering occurs due to collection secret data of foreign countries.

G) Cloth laundering: A huge amount of money laundering occurs through cloth laundering. As per customs rule a specific quantity of cloth can be carried at the time of travel. This quantity of cloth is used as commodity in the foreign country. As per data Bangladesh laundered Tk. 234 crore through cloth laundering.

IMPACT

It has very bad impact on economics and development It causes higher inflation. It may also be the greater cause of world terrorism. Unemployment, GDP rate also effected by money Laundering.

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Is Money Laundering an Ethical Issue?

Clearly, money laundering causes myriad negative consequences. For nations interested in growing and stabilizing their economy, this is likely enough reason to support stringent AML laws. However, there is another aspect to money laundering for further investigation. More than merely an economic issue, it also poses an ethical issue.

Money laundering is not a stand-alone crime. It is only done because the money it cleanses is earned illegally, through other crimes such as the trade of drugs or arms. Certainly, these crimes are immoral—that is not up for debate. Instead, the critical question is if the act of money laundering itself is immoral. On its own, money laundering is merely a way to hide one's possession of certain money from the government—but can it be separated from the immoral acts that it relies on and propagates?

Interpretation of John Stuart Mill's ethical theory argues it is impossible to separate the morality of hiding funds through money laundering from the negative consequences it creates. In Mill's theory, it is moral to act in such a way as to maximize total happiness or utility in the world. Mill's ethical considerations are entirely rooted in consequences and outcomes. Thus, the economic consequences of money laundering are the direct bearer of its immorality. As shown in Section II, money laundering causes extensive negative real-world effects. Economic instability and collapse, for example, are major sources of stress, anxiety, and unhappiness for many people. This detracts from the world's overall happiness, which should be maximized. So, insofar as money laundering causes or enables this unhappiness, it is immoral. One cannot isolate the act of disguising money from the harm it creates in the real-world, because for Mill, it is nonsensical to isolate any act from its consequences—that is the exact source of moral worth.

Aristotle's philosophy also ties money laundering to its negative consequences, but in a different way than Mill. He defines a telos as an object or action's fundamental aim or purpose. The *telos* of a knife, for example, is to cut. Certainly, a knife has other qualities, such as durability and ergonomics. However, the fundamental idea of a knife is not rooted in durability or ergonomics, but in cutting ability. To describe or conceive of a knife without considering its cutting ability would be to fundamentally misunderstand something about the knife.

Instead of arguing that no action can be separated from its consequences, like Mill, Aristotle argues that no action or object can be separated from its *telos*. The *telos* of money laundering is to enable profit from crime by removing the money's ties to criminality. It would be a

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fundamental misunderstanding of the concept of money laundering to conceive of it without this end goal. It is not possible to say that money laundering can be separated into its mere privacy-maintaining actions without the immoral ends, because *there is no such thing as merely the action without the telos*. Consider the action of playing in a basketball game. A basketball player jumps, dribbles, and runs with the aim of winning the game. But were one to jump high, bounce a ball, and run fast without the *telos* or aim of scoring points to win the game, a player cannot be said to be playing basketball. Scoring points to win the game is the *telos* of playing basketball. The player acts in a way that resembles playing basketball but is not actually playing. Similarly, imagine an agent engaging in the actions of depositing money in increments and opening a foreign bank account. Without the end goal of protecting criminals and enabling crime—without pursuing the *telos* of money laundering—it is fundamentally a different act. The agent would not actually be said to be laundering money. This concept demonstrates how money laundering itself cannot be separated and is not merely an impartial means to its immoral ends.

To clarify this point, contrast money laundering with a pen that is used to write hate speech. This does not condemn the pen as immoral for its instrumental role in immoral hate speech. Though the pen has been used for hate speech in this specific instance, the pen's *telos* is not to write hate speech, but merely to write. The pen cannot be blamed for the immoral actions of the author. Conversely, the *telos* of money laundering is already steeped in its non-virtuous ends. To use it according to its nature, according to its *telos*, is already immoral.

Immanuel Kant's moral system does not directly tie money laundering's real-world consequences and its morality like Mill and Aristotle. In his *Groundwork of the Metaphysics of Morals,* he deduces his theory of morality with no consideration of consequences, effects, or anything specific to the human condition (instead, he considers only the very idea of a rational will). Kant infamously claimed that even if your friend is in your house taking refuge from a murderer, if the murderer knocks on your door asking if she is inside, the demand of morality prohibits you from lying to him. Clearly, he does not consider even direct, horrible consequences of an action as affecting its morality. So, if the real-world effects of money laundering are not considered, on what grounds could it be considered a moral wrong?

Kant's philosophy is not consequentialist, but deontological. An action's moral worth is evaluated not based on its consequences, but according to a set of rules. Thus, for it to be considered immoral, the action of money laundering must violate the moral rules Kant sets out. He establishes his overarching categorical imperative in the *Groundwork of the Metaphysics of*

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Morals: an action is only moral if a rational will could wish the maxim to be universal law, to be followed by all other rational wills. An action is immoral if it either cannot be willed to be universal because such a world would be logically impossible, or because such a world would be necessarily undesirable to a rational will.

As noted above in the example of the murderer, Kant argues that lying is unacceptable no matter the circumstances; this is derived from the categorical imperative. A rational will cannot wish the maxim "I will deceive others to get what I want" to be universal because such a world cannot exist: in a world in which everyone lies, no one would trust anyone else's word because everyone is lying. However, it is impossible to engage in deceit at all if the other person does not take your word in the first place. Thus, it is impossible to "universalize" the maxim of lying, and the action must be immoral.

On a macro scale, money laundering is deceiving the government about the true source of the money in question. A basic Kantian argument against money laundering, then, would deem it immoral because it violates this prohibition against lying. However, this argument is not as comprehensive as Mill's or Aristotle's. While some steps of money laundering are overt lies, such as a shell company's falsification of receipts, others are less so. It is not obvious that making deposits in small increments, for example, is a lie. Such a debate relies on the uncertain distinction between lying and withholding the truth. This in itself is an entire branch of philosophy without a clear answer.

This issue identifies the challenge of applying Kant's categorical imperative: a maxim can be formulated in many different ways, to the point where it is not clear whether it conforms to the categorical imperative or not. In the evaluation of deposits in small increments, one could reasonably use the maxim "I will deposit money in small increments" *or* "I will deceive others." The first maxim would conform to the universalization test, though the second would violate it.

In conclusion, application of Kant's categorical imperative does not condemn money laundering based on its negative consequences. Instead, Kant's deontological ethical system deems it immoral for violating a prohibition against lying. On a grand scale, money laundering is the act of deceiving others, and that is unethical. However, the argument against it is not as strong and clear as Mill's and Aristotle's. Though some steps or methods of money laundering also violate this principle (shell companies), others (deposits in small increments) do not, for they are not

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explicit lies. This draws an unclear line between moral and immoral and exposes one major difficulty with Kant's system.

ETHICS

The Governments Department of Audit&Financial institutions play a pivotal role in the global economy, not only as facilitators of commerce and trade but also as gatekeepers of the financial system. Their ethical responsibilities are manifold and critical in combating money laundering. These institutions are entrusted with the power to move vast sums of money across borders and between entities, making them prime targets for illicit activities. The ethical mandate for these institutions is clear: they must act not only within the legal framework set forth by regulators but also within a moral compass that guides them to prevent the misuse of their services.

From the perspective of **regulatory compliance**, financial institutions are required to adhere to a strict set of guidelines known as **Know Your Customer (KYC)** and **Anti-Money Laundering (AML)** policies. These are designed to ensure that they know the true identity of their customers and the nature of their business, which helps in detecting and reporting suspicious activities. However, beyond compliance, there is a broader ethical obligation to actively prevent their platforms from being used for financial crimes.

1. **Due Diligence and monitoring**: Financial institutions must conduct thorough due diligence on their clients to understand the risk profile and monitor transactions for any unusual patterns that may suggest money laundering. For example, a bank might notice frequent large transactions in an account of a small business that typically would not require such amounts, prompting further investigation.

2. **Employee Training and Awareness**: Employees at all levels should be trained to recognize the signs of money laundering and understand their role in preventing it. An example of this is the case of a teller who identifies a customer consistently making deposits just below the reporting threshold, a technique known as "smurfing."

3. **Ethical Culture and Leadership**: The tone at the top is crucial. Leadership must foster an ethical culture where integrity and compliance are valued over profits. A case in point is when a bank's executive board decides to terminate a profitable client relationship due to the risk of money laundering associated with the client's activities.

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4. **Transparency and Reporting**: Institutions must be transparent in their operations and diligent in reporting suspicious activities to the relevant authorities. An instance of this would be a financial advisor reporting a client who seeks advice on moving funds to a high-risk jurisdiction without a legitimate reason.

5. **Collaboration with Law Enforcement**: Proactive collaboration with law enforcement and other financial institutions is essential in tracing and stopping the flow of illicit funds. This can be seen when banks work together through information-sharing initiatives to track the assets of a criminal network.

6. **Innovation and Technology**: Leveraging **technology to enhance** AML efforts is an ethical imperative. Financial institutions can use advanced analytics and machine learning to detect complex laundering schemes, as was the case when a bank identified a shell company network through pattern recognition algorithms.

7. **Customer Education**: Educating customers about the risks and signs of money laundering can empower them to be part of the solution. An example here is a bank providing online resources and seminars to small business owners on how to safeguard their operations from being exploited by launderers.

The ethical responsibilities of financial institutions in combating money laundering are extensive and multifaceted. They encompass a commitment to legal compliance, proactive prevention, and a culture of integrity. By fulfilling these responsibilities, financial institutions not only protect themselves but also contribute to the integrity of the entire financial system.

METHODOLOGY/EFFECT

Bangladesh laundered Tk.6830 core to foreign country regarding over pricing

Tk 6830 crore equal 56 core dollars(dollar rate Tk122)

Present foreign currency reserve dollar $21,394.00Crore.

Laundered money + Current Reserve =Total Reserve

$56 crore +$ 21,394crore=$21,450 crore.

Dollar rate=122

Then dollar rate increased =dollar rate /current reserveX total reserve

I.E. 122/$21,393croreX $21450 crore=122.32

Inflation for pee dollar =122.32-122=.32

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As per world integrated trade solution total import at 2024, $48,048,710 thousand and total export was at 2024, $31,734,162 thousand.

Then trade difference= Total import -total export

i.e, $48,048,710thousand -$31,734,162 thousand=$16,314,548 thousand.

Loss for inflation i.e. over pricing i.e. laundering= trade difference X inflation per dollar

i.e. $16,314,548 thousand X .32=Tk.5,220,655 thousand.

Total Black Money (1972–2025): The aggregate amount of black money (undeclared income/assets) generated since independence is estimated to be over Tk 16,96,60,870 million equals 1,69,66,087 crore which equal$1,39,066 crorewith a significant portion being transferred abroad.

If we calculate again:

Current reserve $21,394 crore +$1,39,066crore=$1,60,460 crore.

Dollar rate comes to 122/21394X1,60,460=Tk. 915

Difference in one dollar =915-122=Tk.793

Trade difference $16,314,548 thousandX 793=Tk.12,93,790 crore.

If we assume rate of return 5% per yearTk.64,689 crore and assume for 30 years. Result comes to Tk.19,40,685 crore.

Principal+ Return (12,93,790+19,40,685) =Tk.32,34,475 crore.

Total Budget during 2025 was Tk.7,90,000 crore.

It means the laundered money could cover minimum 4 fiscal year budget.

CONCLUSION

Money Laundering is always bad for economics. But if the person returns beck the laundered money with profit in country might be better.

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