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WHITE COLLAR CRIMES AND BEYOND: THE DARK SIDE OF FINANCIAL CRIMES

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ABSTRACT

White-collar crime is a type of nonviolent crime that usually involves dishonest or deceptive practices, such as hiding information or manipulating facts, in order to gain or protect money, property, or other financial benefits for personal or business reasons which include fraud, misappropriation and embezzlement, insider trading, identity theft etc. With the help of technology, the offenders carry multifaceted and compound offences like misappropriation, mismanagement, embezzlement and theft. With the use of modern factfinding and investigative techniques which include digital forensics, data analysis and most importantly with the use of AI, it has significantly helped these agencies to detect and monitor such suspicious transactions and even to control these discrepancies in financial market. Therefore, in order to handle these white-collar crimes new and modern innovative techniques such as Digital Personal Data Protection Act, 2023 and programmes such as National Programme on Artificial Intelligence have been passed and undertaken by the Government of India.

Key Words: White-collar crimes, Fraud, SEBI, Companies Act, Information Technology Act, Supreme Court.

Introduction:

This term was introduced by sociologist Edwin Sutherland in 1939¹ and is usually referred to as non-violent offenses typically committed by individuals or organizations who hold such positions of trust, power, and social responsibility. The legal understanding of white-collar crime has broadened considerably whereby these offenses create different challenges for law enforcement agencies across the globe as these crimes include fraud, misappropriation, insider

¹ [https://study.com/academy/lesson/edwin-sutherland-the-study-of-white-collar-crime.html#:~:text=Edwin%20Sutherland%20\(1883%2D1950\),for%20the%20American%20Sociological%20Society.](https://study.com/academy/lesson/edwin-sutherland-the-study-of-white-collar-crime.html#:~:text=Edwin%20Sutherland%20(1883%2D1950),for%20the%20American%20Sociological%20Society.)

trading, money laundering etc. it can be said that these crimes have evolved in consort with economic and technological advancements. It has become increasingly challenging to recognize the minutiae and extensive consequences of such offenses for businesses and society as a whole.

Meaning of White-Collar Crimes:

The first step in understanding white collar crimes is to clearly define it within legal frameworks. Previous definition given by Sutherland was “respected individuals who are engaged in fraudulent activities.”² So in simple terms white collar crime can be defined as “a nonviolent crime often characterized by deceit or concealment to obtain or avoid losing money or property, or to gain a personal or business advantage”³. However, the room for these crimes has largely extended to include in its definition a wider variety of activities, including financial fraud which include financial instruments and accounting loopholes, corporate misconduct, cybercrimes to include digital manipulation, and intellectual property violations.

The motivation behind these offenses are financial gains which are characteristically committed by individuals, businessmen, or government professionals who are holding positions of trust and authority. White-collar crime is a type of nonviolent crime that usually involves dishonest or deceptive practices, such as hiding information or manipulating facts, in order to gain or protect money, property, or other financial benefits for personal or business reasons.

In simpler terms, it involves people in positions of trust or authority using tricks or lies to achieve financial gain, without using physical force. Examples include fraud, misappropriation and embezzlement, insider trading, identity theft etc.

Some of the white-collar crimes which are committed are:⁴

- 1. Securities Fraud:** In the financial markets the individuals or organisations including stock brokers involve in illegal practices intentionally where they provide false and misleading and fabricate the information by manipulating and embezzlements of the prices of stocks, misleading statements of the company’s financial status, bonds, insider trading or other investment securities. The chief aim of this is to gain financial

²<https://www.investopedia.com/terms/w/white-collar-crime.asp>

³<https://www.investopedia.com/terms/w/white-collar-crime.asp>

⁴<https://corporatefinanceinstitute.com/resources/esg/white-collar-crime/>

benefits at the cost of innocent investors. Such actions discourage the investors and diminish the trust in the financial system.

2. **Insurance Fraud:** Insurance fraud is an act whereby an individual misleads the insurance companies by misrepresenting or providing fabricated information about the accidents or incidents to the insurance companies for paying out illegitimate and fraudulent claims. This deceit or fraud can be done by overstating; over valuing the extent of damage occurred; creating false losses, or incidents to receive financial compensation. Such practices in the insurance system deceive companies, policy holders and thus increases the insurance premiums for everyone. All these factors affect the integrity of the Insurance Industry.
3. **Credit Card Fraud:** This fraud is said to occur when a person secures unauthorized access and information to another person's credit card information. This enables him to make purchasing and withdrawing funds without the permission or knowledge of the owner of the credit card holder. It usually involves stealing of credit cards, hacking online account and acquiring card details. The fraudster misuses the finances ultimately leading to a heavy financial loss and risk to the victim's credit record.
4. **Embezzlement:** It is an illegitimate allotment of wealth or capital holdings by a trustworthy person. The said person, in lieu of managing the financial resources responsibly, he utilizes the same for personal benefit. Often such crimes comprehend theft by modifying the financial records, entries, or use any other deceptive method to conceal the malpractices. This leads to breach of trust.
5. **Insider Trading:** This is unlawful activities of buying or selling of stocks or other financial securities pertaining to secret, and sensitive and undisclosed information which influence the fair market value of those holdings. People dealing with such tracings usually acquire this confidential information by whatever means especially those who holds an important position within the company. By trading on this confidential and exclusive inside information before it comes in circulation. This helps them to get financial advantage over other investors, disrupting the transparency and causing turmoil in the markets.
6. **Money Laundering:** The goal of money of this process is to create a legitimate source of money which has been obtained by illegal transactions. The transactions are of many types such as bribery, drug trafficking, fraud. Criminals perform complex financial transactions comprising fake financial institutions or fake business organisations in order to conceal the origin of money. Thus helping themselves in integrating these

illegal funds into the legal economy thus creating a hindrance in detection by the authorities.

- 7. Tax Evasion:** This involves avoiding of payment of tax owed to the government by mishandling the financial records. Tax Evasion involves undervaluing the income, inflating the expenses of the business, keep secret the assets and hide the offshore accounts in order to reduce the income which may be taxable. Thus aiming to minimise the tax liabilities and cheating the system effectively leading to the deprivation of the rightful revenue to the government.
- 8. Bribery and Corruption:** this is said to happens or is said to take place when an individual offers money or special favors to a person who is in power— a government official, corporate executive, or law enforcement officer—to influence them for the work to be done. These are said to be unethical practices to obtain advantage, to bypass the legal processes and finally to achieve their personal outcome based on personal gains which may not be on merit or fairness. Such practices reduces the trust in institutions leading to illegal consequences. The after affect is the harm to the society and the rule of law.
- 9. Cybercrime:** Cybercrime involves an illegal activity carried out by means of internet or digital technology. This broad category includes crimes such as hacking, identity theft, online scams, and digital data breaches. Cybercriminals exploit technology to steal information, disrupt systems, or commit financial fraud, posing significant threats to individuals, businesses, and governments. This includes actions such as hacking into systems to steal confidential information, engaging in identity theft or digital fraud, or perpetrating online scams like phishing to trick individuals into revealing personal or financial details. The anonymity and borderless nature of the internet make it challenging to detect and prosecute cybercriminals, adding complexity to efforts to prevent and control these types of crimes.

Laws dealing with white collar crimes:⁵

1. Bharatiya Nyaya Sanhita Act, 2023

- Section 318: The legal provision defines cheating as fraudulently or dishonestly deceiving someone to deliver property, consent to retaining property, or act/omit in a

⁵ <https://authbridge.com/blog/white-collar-crime-meaning-types/#:~:text=Prevention%20of%20Corruption%20Act%2C%201988,2002%3A%20Targets%20money%20laundering%20activities.>

way that causes harm to body, mind, reputation, or property, with dishonest concealment of facts also constituting deception. Basic cheating is punishable by up to three years imprisonment, a fine, or both. If the cheating knowingly risks wrongful loss to someone whose interests the cheater was legally bound to protect, the punishment increases to up to five years imprisonment, a fine, or both. In cases involving inducing the deceived to deliver property or manipulate valuable securities, the punishment is more severe, with imprisonment of up to seven years and a possible fine.

- Section 319: A person commits cheating by personation if they deceive others by pretending to be someone else, knowingly substituting one person for another, or falsely representing themselves or another person as someone they are not. This offence applies whether the person being impersonated is real or imaginary.
- Section 336: Forgery involves creating a false document or electronic record, or part thereof, with the intent to cause damage or injury, support a claim or title, induce someone to part with property, enter into a contract, or commit fraud. The crime is justified by imprisonment up to two years or fine or both. If the forgery is done with an intention of cheating the punishment imprisonment of seven years and a fine. And when the forgery is done with an intention to harm the repute of a party the punishment involves imprisonment up to three years and a fine.

2. Prevention of Corruption Act, 1988

The Prevention of Corruption Act, 1988, is to handle the corruption in the offices held by the public. To make the corruption as a crime engaged in bribery or accepting money by illegal benefits or abuse the authority for personal gains.

- Section 7 makes it an offense for public servants to accept bribes or any form of unauthorized gratification.
- Section 13 deals with criminal misconduct, covering the abuse of official positions for financial or personal advantage.

3. The Companies Act, 2013

The Companies Act takes care of corporate activities and undertakes matters like frauds in corporate or manipulation of financial records and also illegal management of accounts. It imposes fine on corporate leaders those who abuse their positions for misappropriation of finances.

- Section 447 – it criminalizes the activities, which are fraudulent like the illegal management of financial statements by using falsified records.
- Section 441- it states fines for companies or individual persons involved in fraudulent practices.

4. The Securities and Exchange Board of India (SEBI) Act, 1992

SEBI regulate Security markets of India. Its main aim is to focus on white-collar crimes such as insider trading, manipulation of the market, and use fraudulent means dealing in investment schemes. SEBI's Insider Trading Regulations prohibit the individual persons from exploiting confidential, private and secret information to be made public by unfair advantages in trading of securities.

5. The Prevention of Money Laundering Act (PMLA), 2002

This law deals with money laundering and is associated with white-collar crimes. It forbids making the money or assets legal which has been obtained illegally.

- Section 3 – States money laundering as a criminal act when associated to white-collar crimes.
- Section 4 – Enforces fines and imprisonment to the person found guilty.

6. The Financial Frauds Act, 2003

It tackles financial crimes especially within the banking sector. It handles bank loan fraud, misappropriation, and the mis-management of financial records. The aim of the act is to curb activities which are fraudulent in financial institutions.

7. The Information Technology Act, 2000

The IT Act presents a legal framework in order to combat cybercrimes. These crimes are associated to white-collar. It stipulates penalties or fines for illegal access, data theft, and other kinds of digital fraud.

- Section 66C – Identity Theft.
- Section 66D – Cheating by Impersonation Using Computer Resources:

8. The RBI Act, 1934

The Reserve Bank of India (RBI) Act maintains the stability and integrity of the financial sector. It addresses financial fraud and mismanagement in banks and financial

institutions. The RBI is empowered to supervise and manage the functioning of banks by use of severe standard for effective mechanisms. Thus, enabling to detect and prevent financial crimes.

RBI can impose penalties, revoke licenses and formulate legal proceedings of the executives involved in fraudulent activities. It ensures the financial institutions to maintain ethical practices.

Agencies for Regulation and Enforcement:

They play an important role in implementing and enforcing laws related to white-collar crimes: They are a few agencies in India.⁶

- **Central Bureau of Investigation (CBI):** The Central Bureau of Investigation (CBI) investigates crimes like corruption, mismanagement of financial records. CBI investigates into many hop notch and high-profile cases involving national and international repute. It maintains reliability within the public and corporate domains by exposing complex financial crimes and making accountable to those who abuse their power for personal gains. It operates under the jurisdiction of the Ministry of Personnel, Public Grievances, and Pensions. It is a very reputed organisation. The cases are also referred by State governments and Central government also. By its investigative methods it brings justice to white-collar crimes. Thus strengthens the governance and promotes transparency.
- **The Securities and Exchange Board of India (SEBI):** it is a regulatory authority in-charge of India's securities and capital markets. It maintains transparency and reliability in the financial markets by way of rules and regulations that prevent securities fraud. SEBI monitors market activities to ensure that the companies and investors adhere to lawful practices.
Its main function is to detect and prevent market mismanagement. The board enforces insider trading regulations. It protects the investors' interests
- **The Income Tax Department:** It is responsible for implement tax laws and ensure income tax regulations. It investigates tax evasion by means of audits, assessments, and investigations. Thus, uncovering financial discrepancies, hidden assets and fraudulent

⁶ [https://corridalegal.com/role-of-regulatory-bodies-in-combating-white-collar-crimes-in-india/#:~:text=Who%20are%20the%20regulators%20trying,Fraud%20Investigation%20Office%20\(SFIO\).](https://corridalegal.com/role-of-regulatory-bodies-in-combating-white-collar-crimes-in-india/#:~:text=Who%20are%20the%20regulators%20trying,Fraud%20Investigation%20Office%20(SFIO).)

practices with regard to income taxes. It takes legal action against offenders by imposing penalties, It safely guards the revenue of the government. It provides precision and liability in the financial system.

- **Enforcement Directorate (ED):** The Enforcement Directorate (ED) is a law enforcement agency in India. It investigates and combats financial crimes like money laundering, violations of foreign exchange and other related economic illegal acts. It operating under the Ministry of Finance. It enforces laws such as the Prevention of Money Laundering Act (PMLA) and the Foreign Exchange Management Act (FEMA). Its main function is to trace and investigate the source of illegal funds and be cautious that it is not transferred into the legal market. It exposes complex money laundering networks, the structuring of illegal funds, and take hold of assets acquired through illegal means. It addresses unlawful cross-border dealings and the mishandling of foreign currency.
By way of legal proceedings, freezing assets, and alliance with international enforcement agencies. Thus, keep up financial discipline, transparency, and upholds the India's integrity in financial systems. It strengthens the country's pledge towards global anti-money laundering and anti-corruption standards.
- **Reserve Bank of India (RBI):** The Reserve Bank of India (RBI) is the country's central banking authority. It controls the financial institutions to maintain stability and honesty within the financial system. It compliances with anti-money laundering (AML) laws. It lays down strategies and rules that the banks and financial institutions should pursue to prevent money laundering and illegal financial activities. It imposes "know-your-customer" (KYC) norms, to enable institutions to verify the identity of clients and monitor transactions for suspicious activities. It directs the reporting of large or unusual transactions that help in detecting and preventing the misuse of finances for laundering illicit funds. In this manner the RBI assures effective control and management of risk. Further, it conducts training programmes for financial institutions in order to help them to handle financial crimes. It also issues circulars to financial institutions about transactions involving money laundering and thus keeps them updated about the most recent Anti-money laundering rules and regulations so that they can combat money laundering activities. Thus maintains strong supervision and encourages best practices. On the whole the RBI performs a pivotal role in protecting financial ecosystem of India.

Case Laws relating to white collar crimes:

There have been numerous instances where the judiciary has adopted a tougher stance against white-collar crimes. Few of these cases significant cases are:

1. **Rana Ayyub v. Union of India**⁷

Facts of the Case:

- Rana Ayyub launched an online crowdfunding campaign between April 2020 and September 2021.
- The Enforcement Directorate (ED) initiated an investigation under the Foreign Exchange Management Act (FEMA), 1999.
- An FIR was registered against her under the IPC, Information Technology (Amendment) Act, 2008, and the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
- ED later issued a provisional attachment order on her bank account.
- A complaint was lodged under the Prevention of Money Laundering Act (PMLA), 2002, leading to the Special Court in Ghaziabad taking cognizance and summoning her.
- Ayyub challenged the summons by filing a writ petition under Article 32 of the Constitution, arguing that only the Special Court in Maharashtra had jurisdiction over the case.

Key Legal Issues:

1. Should the trial for a money laundering offence be linked to the trial for the scheduled offence?
2. Did the Special Court in Ghaziabad have the legal authority to hear the case, or was it outside its jurisdiction?

Supreme Court's Decision:

- The Court noted that under Section 44 of the PMLA, if different courts take cognizance of the scheduled offence and the money laundering offence, the case must be transferred to the Special Court handling money laundering matters.
- It clarified that money laundering can involve multiple locations and cannot be limited to where the bank account is located.
- The Court determined that the issue of jurisdiction involved factual disputes that should be decided by the Special Court in Ghaziabad.

⁷(2023) 4 SCC 357

<https://www.scconline.com/blog/post/2024/01/08/10-important-white-collar-law-judgments-of-2023/>

- Accordingly, the writ petition was dismissed, but Ayyub was allowed to raise the jurisdictional argument before the Special Court in Ghaziabad.

2. Nirav Modi Punjab National Bank Case (2018)

Facts of the Case:

- In February 2018, Punjab National Bank (PNB) was implicated in a massive fraud amounting to approximately ₹11,000 crore involving billionaire Nirav Modi and his uncle, Mehul Choksi. Nirav Modi, engaged in the diamond trade, sought buyer's credit from PNB for diamond imports. However, PNB officials issued Letters of Undertaking (LoUs) without requiring collateral, violating banking norms.
- Two employees of PNB exploited the bank's SWIFT system, which was not integrated with the Core Banking System (CBS), allowing unauthorized transactions to go undetected.
- Between 2011 and 2017 many fraudulent activities were undertaken at the Brady House branch of Punjab National Bank (PNB) in Mumbai. This scam was exposed in the month of January 2018 when the officials of PNB detected irregularities in a loan application which was connected with Nirav Modi's companies. The bank lodged a complaint with the Central Bureau of Investigation (CBI) on January 29, 2018, instigating a large-scale investigation to be conducted which involved several agencies, including the Enforcement Directorate (ED).

Key Legal Issues:

- **Fraudulent Banking Transactions:** The case involved unauthorized issuance of LoUs, leading to financial losses for PNB and other banks.
- **Regulatory and Oversight Lapses:** The absence of internal controls and compliance failures enabled fraudulent transactions over an extended period.
- **Legal Consequences for Involved Entities:** Legal action was for financial misrepresentation and money laundering. against Nirav Modi, Mehul Choksi, bank officials, and corporate entities

Judicial and Investigative Developments:

- They uncovered fraudulent Letters of Undertaking (LoUs) issued to three

companies: Diamond R US, M/s Solar Exports, and M/s Stellar Diamonds.

- The fraud escalated to nearly ₹14,356.84 crore by May 2018.
- Nirav Modi escaped from India but was arrested in London in March 2019. The extradition case is still continuing in UK.
- Usha Ananthasubramanian - former Allahabad Bank MD and CEO, her services were terminated and impelled to face legal consequences.
- Assets of Nirav Modi worth ₹1,400 crore were seized by the Enforcement Directorate under the Prevention of Money Laundering Act (PMLA).
- This affected the share market by the decline of share prices in multiple banks - PNB, Axis Bank, and State Bank of India.

Conclusion:

The scam of Punjab National Bank (PNB) exposed conspicuous insufficiency in banking regulations. It drew the attention for strong internal controls, regulate scrutiny and monitor mechanisms in transactions. This case serves as an example to prevent financial fraud and the importance of proactive risk management.

3. V. Senthil Balaji v. State of T.N.⁸

Facts of the Case:

- On investigation ED found Senthil Balaji connected with the cash-for-jobs scam. Later he was summoned and interrogated by the officials of ED. Under Section 17 of PMLA his residence was raided on June 13, 2023 and arrested him on June 14, 2023 under Section 19 of the PMLA. Despite being informed of the grounds for his arrest, he refused to acknowledge them. His family members were notified of his detention. Subsequently, he complained of chest pain and was admitted to a government hospital.
- On the same day, his wife filed a habeas corpus petition before the Madras High Court, while the State sought his judicial custody for 15 days. The Principal Sessions Judge extended his judicial custody until June 28, 2023. After his bail application was dismissed, the State requested further custody for investigative purposes and was granted an additional eight days. Meanwhile, legal challenges

⁸ 2023 SCC OnLine SC 934...

<https://www.scconline.com/blog/post/2024/01/08/10-important-white-collar-law-judgments-of-2023/>

arose against the Principal Sessions Judge's orders. The State also sought to exclude the period of hospitalization from the custody duration.

- A Division Bench of the Madras High Court delivered a split verdict on the habeas corpus petition. The case was referred to the Chief Justice, who ruled in favor of ED, stating that the period spent in the hospital should not be counted as part of the 15-day ED custody. The High Court also held that habeas corpus petitions are maintainable only in exceptional circumstances, which were not applicable in this case. The matter was then escalated to the Supreme Court.

Issues:

1. Whether the habeas corpus petition was maintainable in light of Senthil Balaji's arrest under the PMLA.
2. Whether the ED's arrest and subsequent judicial custody complied with the statutory requirements under the PMLA and CrPC.
3. Whether the period of hospitalization should be excluded from the 15-day remand period granted to the ED.
4. Whether the provisions of Section 41-A of the CrPC apply to arrests under the PMLA.
5. Whether a writ of habeas corpus could be used to challenge a judicial remand order.

Judgment:

The Supreme Court ruled that a habeas corpus writ is intended only for cases of illegal detention. The Court clarified that a judicial remand order cannot be challenged through a habeas corpus petition unless there is a failure to comply with mandatory statutory provisions or a lack of judicial application of mind. It highlighted that when a remand order is based on valid grounds it should be challenged by statutory remedies instead of appealing under Article 226 of the Constitution.

The arrests under Section 19 of the Prevention of Money Laundering Act (PMLA) must be strictly adhered to statutory rules and regulations. The PMLA is a special legislation for investigation, arrest, and prosecution. The Court stressed that PMLA is essential for maintaining fairness.

The Court reaffirmed that while procedural lapses in PMLA-related arrests could result in action against the responsible officers under Section 62 of the PMLA, such lapses would not automatically invalidate an otherwise lawful arrest.

Ultimately, the Supreme Court dismissed the habeas corpus plea and reiterated that legal remedies exist for challenging remand orders, but they must be pursued through the appropriate statutory framework.

4. *Enforcement Directorate v. Aditya Tripathi*⁹

Facts of the Case:

- The Enforcement Directorate (ED) challenged the orders of the Telangana High Court that granted bail to the accused (first respondents).
- The case originated from an FIR filed by the Economic Offences Wing (EOW), Bhopal, against about 20 individuals/companies for alleged tampering with e-tenders of the Madhya Pradesh Water Corporation, worth INR 1769 crores. The charge-sheet proposed charges under the IPC and PCA, which are scheduled offences under the Prevention of Money Laundering Act (PMLA).
- Consequently, ED initiated a money-laundering investigation, leading to the arrest of the first respondents on 19-1-2021.

Issues:

- The primary issue was whether the High Court erred in granting bail to the accused without fully considering the rigours of Section 45 of the PMLA, especially when the ED's investigation was still ongoing. ED argued that the High Court's decision was based on the completion of the EOW investigation, ignoring the fact that the money-laundering probe was not concluded.
- The accused, however, contended that since all other accused were acquitted/discharged in the predicate offences, they too should be granted bail.

Judgment:

- The Supreme Court observed that the seriousness of allegations and the ongoing investigation under Section 45 of the PMLA were not properly considered by the High Court.
- It held that the mere filing of a charge-sheet for the predicate offences did not justify bail for scheduled offences under PMLA that were still under investigation.

⁹2023 SCC OnLine SC 619

<https://www.scconline.com/blog/post/2024/01/08/10-important-white-collar-law-judgments-of-2023/>

- The Court allowed ED's appeals, directing the accused to surrender within a week and remitted the bail applications back to the High Court for fresh consideration.

5. **M/S. Satyam Computer Services Limited, vs Directorate of Enforcement (2018)**¹⁰

Facts of the Case:

This scam was also known as "India's Enron". In January 2009, Ramalinga Raju, the Chairperson of Satyam Computer Services disclosed that he had exceedingly manoeuvred financial records. He disclosed that he inflated the revenues, profits, and cash reserves of the company by almost, amounting to INR 7,136 crores. Consistently he has been falsifying the financial statements to maintain a stable stock price in order to solicit investment. All these gave way to fraudulent activities like creating fake invoices, fabricating bank statements, setting forth cash balances which were not existing. All these paved way to a sharp decline in stock prices of the company, expunging considerable wealth of the investor. All these finally damaged the reputation of the supremacy of the corporate sector in India.

Important Issues Involved:

- This scandal exposed the shortcomings in corporate governance. The board of directors of the company were imperceptible and they could prevent the fraud happening within the company.
- The external auditor responsible for the financial lapses in the company were unsuccessful in recognizing the discrepancy in the financial records, This highlighted the issues like the independence of the auditors posing question to their professional accountability.
- The consequences of the scam were very extensive and distressing. It affected considerably the shareholders, employees, customers, and ultimately the financial situation.
- All this resulted in the mistrust in corporate transparency.

Judgment:

In April 2015, the Central Bureau of Investigation (CBI) delivered its verdict:

¹⁰<https://indiankanoon.org/doc/174473481/>

- Under the IPC - Ramalinga Raju, nine others, brother and senior executives, were found accountable for cheating, criminal conspiracy, forgery, and betrayal of trust.
- Ramalinga Raju and other accused were punished with sentence of seven years imprisonment and also a fine of INR 5.5 crore.
- The PwC was barred from auditing listed companies in India for two years for its failure to detect the fraud.

This is one of India's biggest corporate frauds. It drew the immediate attention for strong financial regulations in dealing with finances, enhance corporate governance and practice stringent auditing standards so as to prevent similar unpleasant happenings in future.

Aftermath Consequences:

- Tech Mahindra acquired the company and changed the corporate image of the company as Mahindra Satyam. It helped in bringing back stability to the company and protecting the jobs of the employees.
- This scandal was a wakeup call for India's corporate governance. The Indian government introduced several means to enhance transparency, accountability, and financial reliability within the corporations. It implemented strict auditing standard as financial statements reflect a company's financial health. It also prevented the mis-handling of financial records. This scam mandated companies to provide a detailed and accurate information about their financial performance, internal controls, and other related-financial transactions. These measures were planned to improve the quality of financial management.

A significant outcome of these regulatory changes was the establishment of the National Financial Reporting Authority (NFRA) was created to look into the auditing and accounting practices of large corporations and public interest entities. The NFRA's formation was a significant move to reinforce corporate governance and restore investors' confidence in the Indian market.

All these measures promoted a culture of ethical conduct and accountability.

The Digital Edge: Technology's Impact on White-Collar Crime Prevention:

In the digital era, technology helps in playing a dual role in the domain of white-collar crimes where helps the criminals in committing these white collar crimes in a very efficient and effective manner and in similar manner to the law enforcing authorities in enforcing and controlling these crimes. With the help of technology, the offenders carry multifaceted and

compound offences like misappropriation, mismanagement, embezzlement and theft. With the use of encrypted communication and the other technology like blockchain and digital obscurity it makes the authorities very challenging to identify and trace these illegal activities by criminals.¹¹

At the same time, this technology plays a powerful tool in the hands of law enforcement and law regulatory agencies. With the use of modern factfinding and investigative techniques which include digital forensics, data analysis and most importantly with the use of AI, it has significantly helped these agencies to detect and monitor such suspicious transactions and even to control these discrepancies in financial market. These tools of AI help the authorities to make a plan of action in real time to identify and control these fraudulent methods. This also enables the investigators to collect critical evidence from these electronic devices and the data analytics help in identifying the source from which such illegal and unlawful funds flow from across the financial market networks.

Nonetheless, these technological advancements pose significant threats and challenges to these law enforcement agencies. These criminals have come up with new, advanced and secured tactics, and communication platforms to cover up and conceal their illegal actions. Hence, there is a constant demand on these enforcement agencies to come up and quickly adapt to maintain effectiveness against these emerging threats and offences.

It has been observed that when these crimes are committed it affects the economy of the country and the trust of the public. When it comes to punishing such offenders for the crime they have committed the existing laws are inadequate. The legal authorities have to frame strategies for controlling these crimes by taking stringent action and making sure that they not only prevent these crimes but also, use corrective measures such as compensation to the victim and reformation of the accused. However, there is a criticism and a general argument that those offenders who are involved in white collar crimes and such offenders, especially wealthy and influential, either receive lesser punishment or go for settlement and avoid imprisonment. This discrepancy when perceived in justice can often lead to loss of public trust and confidence in the system. This shows that there is a pressing need for more stringent and consistent laws against white collar crimes.

¹¹ <https://www.adfsolutions.com/adf-blog/the-role-of-technology-in-crime-prevention?srsltid=AfmBOoqvtlJGXUO3w2rVMwJJCokM1t4qNKtjha4RFG8EB7gB128ePxXq>

Challenges Faced by Law Enforcement Agencies in Combating White-Collar Crime

With the evolving nature of technology, the white-collar crimes also has undergone a significant changes which involves more multifaceted and compound challenges to the legal fraternity. And with the use of cyber space which had become inevitable there has been a rapid spread in cyber-crimes and cyber frauds. The criminals are using unconventional and cutting-edge technology where they use malware, trojan, data breach, worms, bug etc to take advantage and exploit the system and the law, where sometimes their illegal activities are not traceable. With the obscurity provided by the internet complicates the enforcement agencies to identify and prosecute the criminals.¹²

Globalisation is also one of the factors which has contributed to the rise in white collar crimes. With the incorporation and amalgamation of financial market at the international level the cyber frauds are committed very effortlessly and seamlessly across the globe. All the financial crimes which comprise of complex international transactions are very difficult to tract by the law enforcement agencies. These criminals often exploit these lacunae by transferring funds to offshore accounts by taking advantage by which ever country has lenient laws for such crimes. Another substantial challenge is the rise in the financial transactions in the economy where complex investment schemes are exercised by the fraudsters to deceive the investors in the market. The fraudsters promise high returns to the investors and also deceiving the old investors by paying money from the new investors. To examine and exercise control over these schemes specialized knowledge and financial expertise is required to detect and scrutinise these financial transactions. It is clear that without such expertise the legal and enforcement agencies find it difficult and struggle to formulate a strong case against such fraudsters.

Enforcement of the law relating to white collar crimes is even more difficult because of the complexity of the financial transactions and misappropriations involved as criminals use very innovative methods and practices to conceal their actions. These criminals often tend to exploit legal and technical loopholes to avoid any kind of detection. Hence the investigation officers require not only legal knowledge but should have deep understanding and technical know-how of financial transactions, accounting and the emerging technological advancements.

¹² <https://lawfullegal.in/the-legal-challenges-of-white-collar-crime-and-corporate-fraud/>

In essence it can be said that these law enforcement agencies face many challenges to tackle these white-collar crimes and to overcome them these agencies require specialised training and cooperation both at the national and international level so that these agencies come up with technical knowhow and legal framework to keep up with these advancements and crimes. With advanced investigations techniques and promoting public awareness these authorities and agencies can effectively improve and combat these white collar-crimes thereby, protecting the financial and economic systems of the nation.¹³

Conclusion:

With the rise of white-collar crimes, the enforcement agencies shall make stringent laws and regulations to combat these offences and threats. With the advancement in technology such as Artificial intelligence more opportunities are created for financial crimes and threats. Also, with globalisation of the economy it has lead to an increase in cross-border offences, which is highlighting the pressing need for more stringent laws and collaboration with international agencies to control these multifaced crimes effectively. Therefore, to exercise control and face these challenges the government and legal authorities should make strategies to make secure investment training with the use of technology and resources which are equipped with law enforcement agencies to combat frauds and misappropriation of finances in this fast-paced world.

With the advanced nature of these white-collar crimes, it poses a new and unexplored challenges to the legal system. The legal authorities must upgrade and adapt itself to the changing nature of the technological advancement and economic conditions to deal gradually at the grass root level to these financial practices. Though many significant changes have been made in regulating and governing these white-collar crimes and offences still there remains persistent innovations and technological advancements and international cooperation to tackle these offences and misappropriations. With the advancement of these white-collar crimes, these not only upset the financial stability but also wear down the trust of the public in financial institutions and other organisations. This in turn put a pressing need on the law enforcement agencies to come up with new strategies and implement them so as to make such offenders accountable and provide justice and rule of law in the society.

¹³ <https://corporatefinanceinstitute.com/resources/esg/white-collar-crime/>

The consequences of white-collar crimes have a far-reaching effect on the financial institutions, organisations and the trust of the public. The after effects of these financial losses in turn affect the economy of the country were public fears investments. When faced with these difficulties the pressure builds on these regulatory agencies and anti-corruption bureau to handle these cases. Hence law enforcement agencies ensures that these offenders of the white-collar crimes are faced with severe punishments like imprisonment and fine. With the severity of these offences, it can be said that the traditional methods of tackling white collar crimes seems insufficient.

Therefore, in order to handle these white-collar crimes new and modern innovative techniques such as Digital Personal Data Protection Act, 2023 and programmes such as National Programme on Artificial Intelligence have been passed and undertaken by the Government of India. The main purpose and aim of the Digital Personal Data Protection Act, 2023 is to protect and safeguard the personal information and data and also maintain and enhance the transparency and accountability in the data management.¹⁴ This can be done by regulating the process of data collection and its storage process. This method can considerably reduce the risk of theft and fraud of data related to financial crimes.

In the meantime, with the launch of the National Programme on Artificial Intelligence, it gives leverages to AI to protect and enhance the surveillance, detection of anomalies in the financial transactions for fraudulent activities. It also significantly helps the legal authorities in tracing the origin and identifying the patterns and giving a systematic approach to the offenders which exploit them. This together with international agencies cooperation and other law enforcement agencies these measures would play a very important role in regulating these financial crimes and maintaining the honesty and integrity of the financial system.

¹⁴ <https://www.juscorpus.com/role-of-artificial-intelligence-in-preventing-white-collar-crimes/>