

Govt. taps RBI to track all transactions

In a move aimed at widening the crackdown on black money and following the money trail flowing in and out of thousands of shell companies, the Centre is planning to set up an information technology (IT)-based mechanism to keep a tab on all non-cash financial transactions in the country.

Highly-placed government sources involved in devising the initiative said the Reserve Bank of India (RBI) had been asked to develop the IT infrastructure for this purpose.

RBI as sole repository

There have been a series of interactions over the past one month to discuss the issue, with these parleys attended by top government officials from the Ministries of Finance and Corporate Affairs as well as RBI officials. Currently, the idea is to make the RBI the sole repository of such information, which will not be made available to other agencies such as the income tax department and the enforcement directorate as a default. Such agencies may be required to make specific requests to the central bank if they want information on a particular set of entities.

An official aware of the development said that although the data will be captured for all transactions irrespective of the size of the transactions, the large ones would be relevant for enforcement purposes.

Under the Prevention of Money Laundering Act, banks and financial institutions are already required to alert the Financial Intelligence Unit (FIU), under the Finance Ministry, to any suspicious transactions, cash or otherwise. Cash transactions of more than Rs. 10 lakh (including a series of transactions integrally connected to each other and exceeding Rs. 10 lakh in a month), need to be reported to the FIU.

All suspicious transactions need to be reported to the unit within seven days after it is concluded that those are suspicious in nature.

The move to track all financial transactions is the latest in a series to curb black money and identify shell companies, sources said. Following the 2016 demonetisation exercise that rendered more than 86% of the currency in circulation invalid, it was found there had been a significant spurt in the operations of shell firms that typically have no assets or active businesses.

The Centre has shut down more than two lakh such entities. More than two lakh other firms that have not been carrying out operations have been sent notices. Depending on their responses, a decision would be taken on how many would be deregistered. In FY17, the FIU had received more than 15.9 million Cash Transaction Reports and 4.73 lakh Suspicious Transaction Reports.

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