



CHINESE ENTITIES IN ‘HAWALA’ RACKET: ED

Focus: GS-II Governance

Why in news?

The Enforcement Directorate (ED) has initiated a money-laundering probe into a “hawala” racket allegedly involving some Chinese companies and shell entities that was unearthed by the Income-Tax Department earlier.

Details

- The Enforcement Directorate (ED) zeroed in on a Chinese national who had been living under a pseudonym holding a fake passport, and the department alleged that he used about 10 bank accounts, which were opened using fraudulent means.
- The agency said the operation was conducted on an information that some Chinese individuals and their Indian associates were involved in money laundering and “hawala” transactions through a several shell entities.

Illegal Betting

- The ED has registered a money-laundering case against a Chinese national and his three Indian accomplices, in connection with an illegal online gambling business involving transactions worth over Rs. 1,100 crore.
- The online gambling was being run by various entities, which functioned allegedly under the China-based “Beijing T Power Company.”
- It is alleged that those running the websites manipulated results, thereby cheating those placing bets.
- The funds were diverted to various accounts to evade detection.



What is Hawala?

- Hawala is an informal method of transferring money without any physical money actually moving.
- Hawala is used today as an alternative remittance channel that exists outside of traditional banking systems.
- Hawala sometimes referred to as underground banking has been used since ancient times, and today are widely found among expats sending remittances home.
- Hawala provides anonymity in its transactions, as official records are not kept and the source of money that is transferred cannot be traced.
- **India has made hawala illegal due to its informal nature and absence of regulation or oversight.**

-Source: The Hindu

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