Central Economic Intelligence Bureau

Annual Report 2018-19

(Every new beginning comes from some other beginning’s end)
Director General’s Report/Foreword

I am happy to present the First ever Edition of Annual Report of CEIB. At the outset, I would like to mention that the year 2018-19 has been extremely eventful for the Bureau and there have been substantial achievements in various items of work undertaken by the Bureau in the year 2018-19. During my interaction with various stakeholders, it emerged unanimously that there was an urgent need for strengthening coordination of information sharing amongst various agencies. The CEIB provided that much needed platform, through the mechanism of National Economic Intelligence Network (NEIN) and the Regional Economic Intelligence Councils (REICs). Following the meeting of Working Group of Intelligence Apparatus WGIA, on the directions of Revenue Secretary, an Information Sharing Protocol (ISP) was formalized in April 2018 between CEIB & Law Enforcement Agencies after due deliberation and receipt of feedback from individual agencies. Another important development during the year was the notification of CEIB under section 138 of the Income Tax Act, 1961 that provides Bureau a legal framework to receive search/seizure related information from Directorates of Investigation, CBDT.

The year 2018-19 saw overall improvement in quantity and quality of information collated and shared. From the figure of 43,009 offence cases in our data base till 31.03.2018 (w.e.f F.Y. 2007-08), the number as on 31.03.2019 stands at 65,470. If it is compared with the average annual data entered in NEIN (3910) over past 11 years, this represents a 574% increase. This is a commendable achievement. The number of cases (whether it be offence data, intelligence inputs, complaints or commercial information) shared with LEAs by CEIB during this period stands at 5600. Some of the cases where results of sharing are visible, are placed in the Report. Cases shared at the 30 REIC platforms across the country are approximately 1100. The outcome and the effectiveness of sharing is also visible on the REIC platforms, where coordinated investigation has resulted in strikingly successful results. Additional revenue realized as a consequence of sharing has been reported at Rs 123 crores so far.

The Bureau has continued its active participation in studies conducted or projects undertaken by other law enforcement agencies in the area of economic offences. CEIB is a part of the Task Force on Shell Companies, Multi-Disciplinary Centre of Economic Intelligence of the Election Commission and Committee on Large Value Bank Frauds.

Recognizing the importance of leveraging technology in checking economic offences and in order to achieve the mandate of coordinated sharing more effectively and in real time,
the Bureau has decided to migrate from the existing manual data base to a web-based application wherein data of economic offences could be fed by all LEAs and shared in a seamless manner too, for purposes of investigation and coordinated action. It will certainly help us achieve our mandate and also promote the common goals of every LEA.

The problem areas, to some extent, continue to be reluctance to share by some member agencies for which efforts have been made to reach out to them and underline importance of regular sharing of information. The Revenue Secretary has, personally made efforts towards this objective by chairing 2 video conferences with REIC Conveners/Members on 24.04.2018 and 25.02.2019. CEIB is attempting to get connected to REICs through videoconferencing on a regular basis.

The CEIB has also started the exercise of conducting meetings of Group on Economic Intelligence (GEI) on issues of concern to agencies, in order to have a coordinated approach amongst LEAs as also to devise corrective mechanisms required to tackle the issue. In pursuance of our role as a “think-tank” for the MoF, a report on timely detection & prevention of bank frauds was prepared and furnished to RBI, Department of Revenue, CBDT, DFS and NSA in January 2019. Thus, the Bureau’s contribution in identifying vital issues concerning economic offences including the latest trends and its attendant risks as well as its efforts to collaborate with other agencies in tackling the same is laudable despite the fact that the Bureau’s work is severely impacted due to availability of manpower.

As part of it’s outreach programme and an effort towards capacity building the Bureau has coordinated/ organized 8 training programmes/workshops which was attended by 263 officers/officials of various law enforcement agencies. The CEIB is committed to carryforward and also design relevant training programmes in future also, with the best resource persons/speakers.

In the first ever Annual Report, efforts have been made to highlight the major achievements of CEIB and the tasks that lie ahead. It is my earnest belief that this compendium would be found invaluable by stakeholders. I also take this opportunity to compliment the offices and staff of CEIB for their dedicated work.

(MITALI MADHUSMITA)
Director General, CEIB.
MISSION AND VISION STATEMENT

Mission:

To provide a holistic view of the entire spectrum/arena of economic offences including organised tax evasion and to suggest strategies and policy solutions to counter them.

Core Values:

Integrity, Professionalism, Confidentiality, Commitment & Excellence.

Vision:

Based on mission, core values and use of technology, the CEIB will focus on:

(i) To play a lead role in exchange/providing information on economic offences to other Partner /law enforcement agencies wherever there are implications perceived in areas related to them;

(ii) To act as “Think Tank” in its endeavour to provide a comprehensive view on violation of economic laws, conducting studies/research on the changing trends of economic offences with attendant risks and suggesting remedial measures including formulation or change in policies;

(iii) To develop a state of the art, repository of information relating to economic offences, equipped with analytical tools;

(iv) To act as a force multiplier to the efforts of LEAs and partner agencies, by supporting them through information and linkages, available with CEIB.
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CHAPTER- I

OVERVIEW OF THE ROLE AND MANDATE OF CEIB

1. The Central Economic Intelligence Bureau is the nodal agency on economic intelligence. It was set up in 1985 vide F.No.A.11013/9/85/AD-1 dated 20.09.1985, for coordinating and strengthening the economic intelligence and enforcement activities under the Ministry of Finance. The original mandate of the CEIB was not only to collect intelligence and information regarding aspects of black economy, keep a watch on different aspects of economic offences, prepare and maintain dossiers on smuggling gangs/individuals committing economic offences, act as a nodal agency for cooperation at international level with other customs, drugs, law enforcement agencies, but also to undertake programme of strengthening and modernizing the intelligence agencies under the DoR and issuing directions to the agencies for undertaking coordinated action and following integrated procedures. The Bureau is headed by a Director General who is under the overall supervision of the Revenue Secretary and is presently assisted by two Additional Directors General (JS-Equivalent), a Joint Secretary (COFEPOSA), five Additional/ Joint Directors/ Deputy Secretaries (DS/Director equivalent), three Under Secretaries, two Deputy Directors (US equivalent) and other staff. Against a sanctioned strength of 113 Officers & Staff, at present, its working strength is 66 only. The office is in New Delhi.

In terms of its existing revised charter, as per F.No. 50/107/2003/Ad-I dated 12.12.2003, the CEIB carries out the following functions:

a) The Secretariat for the Economic Intelligence Council (EIC);
b) Coordination between various agencies for coordinating action and repository of economic intelligence (ECOINT); and
c) Administer the COFEPOSA Act 1974 at Central Government Level;
d) Ensure prompt dissemination of intelligence having security implications among the NSCS, IB & R&AW;
e) Coordinate the functioning of Regional Economic Intelligence Councils (REICs);
f) Coordination with Multi Agency Centre (MAC);
g) Organize meetings of Working Group under the Chairmanship of Revenue Secretary at prescribed intervals and submit a report to the Chairman of the EIC after every meeting;
h) Act as a ‘think tank’ for the Department of Revenue, Ministry of Finance on all issues relating to economic offences, and undertake analysis of economic activities at the macro level.
The Secretariat for the Economic Intelligence Council (EIC):

Set up in the year 1990, the mandate of the EIC is to combat generation and laundering of back money through intelligence gathering, on issues relating to economic security, provide inter agency coordination and deal with economic offences in an effective manner. The EIC comprises of 18 Member agencies (CBDT, CBIC, ED, MHA, SEBI, RBI, DEA, Revenue Secretary, DCA, NSCS, CEIB, NCB, DRI, DGGI, Addl. Secretary, DoR, DGFT& FIU). The special invitees in EIC are DG NIA, Dir IB, Dir CBI, DG BSF, Secretary MEA and Secretary RAW. CEIB acts as the Secretariat to the EIC. EIC meets twice in a year. After a gap of a year and a half, the last meeting of the EIC was held on 15.11.2018. The Chairman of the EIC has desired that there would be regular meetings as per schedule, in future.

Coordination between various agencies for coordinating action and repository of economic intelligence (ECOINT):

CEIB maintains a database of Dossiers of Economic Offenders/ Suspected Tax Evaders called NEIN (National Economic Intelligence Network) on the basis of the inputs received from the Law Enforcement Agencies across the country. 8518 dossiers and details of 56,652 cases, booked by various agencies are available on NEIN. Thirteen member agencies are connected with CEIB data base, NEIN, through Secure Information Exchange Network(SIEN) a secured network platform for online exchange of intelligence.

Administers the COFEPOSA Act 1974 at Central Government Level:

COFEPOSA Wing deals with work relating to the COFEPOSA Act. Smugglers and foreign exchange racketeers are detained for a period of one year under the COFEPOSA Act, 1974, with a view to prevent them from indulging in prejudicial activities in future. On receipt of proposals from the DRI, Enforcement Directorate or the Customs Houses, the Screening Committee under Member (Investigation), CBIC considers and makes recommendations for detention. The detention order is issued by JS(COFEPOSA) at the Central Government level, which is placed before an Advisory Board consisting of three Judges of High Court and then confirmed by the Hon’ble Finance Minister. Detention orders are also issued by the State Governments. Detenues can make representation against their detention, which needs to be considered most expeditiously by the detaining authority and the Government. The powers to consider representation on behalf of the Central Government have been delegated to the DG, CEIB. During the Financial Year 2018-19, 51 detention orders have been issued, out of which 31 have been executed. Total number of detentions, inclusive of detentions in respect of
older, unexecuted orders are 43.

**Prompt dissemination of intelligence having security implications among the NSCS, IB & R&AW**

In the present era, interlink between economic offences and national security is generally funded by myriad manipulations of the economy; for example, terrorism is often found to be funded by money laundering. Bureau is prompt in disseminating intelligence having security implications to/from intelligence agencies and other LEAs. During the current FY, 248 numbers of such inputs were received and shared with concerned agencies.

**Coordinate the functioning of Regional Economic Intelligence Councils (REICs):**

The REICs were constituted in 1996 to coordinate work amongst Intelligence and Enforcement Agencies of Central and State Governments dealing with economic offences at the regional levels. There are 30 REICs spread across the country, being headed by officers of the rank of DGIT/Chief Commissioners of Customs Income Tax and local representation from all investigative and intelligence agencies. The Convenor’s office is the Secretariat for REIC concerned. Forms are in place to share information within REIC members and with CEIB. The Bureau convenes All-India REIC Conveners’ annual Conference to review the performance of the REICs by the Revenue Secretary and the DG, CEIB and to discuss the problems and issues commonly related to all REICs for better coordination of REIC activities. Two Video Conferences of REIC Conveners with constituent Designated Members were convened in FY 2018-19. Performance of REICs in the last four years, in a nutshell, is as under:

<table>
<thead>
<tr>
<th></th>
<th>FY 2015-16</th>
<th>FY 2016-17</th>
<th>FY 2017-18</th>
<th>FY 2018-19</th>
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<td>No. of Meetings held</td>
<td>136</td>
<td>130</td>
<td>132</td>
<td>149</td>
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<td>No. of cases shared by Sponsoring Agencies</td>
<td>1174</td>
<td>1082</td>
<td>1495</td>
<td>1093</td>
</tr>
<tr>
<td>Additional Revenue Realized (in crores)</td>
<td>184</td>
<td>49</td>
<td>141</td>
<td>123</td>
</tr>
</tbody>
</table>

**Coordination with Multi Agency Centre (MAC):**

SIEN is a secured network platform for online exchange of intelligence and information which connects thirteen law enforcement agencies with CEIB as central hub to communicate with each other. However, access to SIEN and
CEIB database lies with these 13 LEAs Headquarters located in Delhi only and this limits the utility of the network as the cases/offences are dealt by field formations of LEAs. As per the directive of NSA, upgradation and expansion of SIEN would be brought under the domain of Multi Agency Centre (MAC). Till that time, SIEN connectivity would continue. The Bureau sensitizes LEAs regarding the usefulness of SIEN in quarterly meetings.

Meetings of Working Group under the Chairmanship of Revenue Secretary:

The Government in 2001 constituted a Standing Working Group on Intelligence Apparatus (WGIA) under the Chairmanship of the Union Revenue Secretary. Last WGIA meeting was held on 06.03.2018. The objectives of the Working Group are as under:
(i) To monitor the progress of action on decisions taken by the EIC;
(ii) To monitor the working of REICs;
(iii) To examine the intelligence assessments compiled by the CEIB on the basis of inputs provided by various agencies, including the FIU;
(iv) To ensure suitable interaction with the NSCS on matters having a bearing on national and economic security.

Act as a ‘think tank’ for the Department of Revenue, Ministry of Finance

One of the mandates of CEIB as per the Revised Charter of 2003 is to act as a ‘think tank’ for the Department of Revenue, Ministry of Finance on all issues relating to economic offences, and undertake analysis of economic activities at the macro level. However, in the last several years, in the absence of a regular head at the level of Director General, coupled with severe manpower crunch, there has been no serious attempts at research and analysis of the economic offences, except bi-annual compilations on trends and recommendations on Fake Indian Currency Notes. The Bureau however, undertook a study on the genesis, reasons and possible amelioration of banking frauds. The report has been shared with concerned agencies and Government Departments. It is proposed to get many more studies conducted in the coming Financial Year.

Training on intelligence and relevant areas for DoR:

The Bureau also organizes training programmes in premier training institutions for officers of the Department of Revenue/ Member agencies of REICs. In the FY2018-19, apart from coordinating 8 training programmes wherein 263 officers/officials were trained, the Bureau has successfully
operationalized a new training on trade-based money laundering, in partnership with SBI Institute of Consumer Banking at Hyderabad. From time to time, in house training, including training on fire arms are provided to officers in CEIB.

**Coordination of GEP applications within MoF, MCA and other Intelligence Agencies/Regulators:**

The work of vetting Global Entry Program (GEP) applications within MoF, and other Intelligence/Law Enforcement Agencies is undertaken by the CEIB. CEIB is designated nodal point on behalf of Ministry of Finance to provide clearance report. For expedited clearances of GEP applications, an online GEP clearance cloud-based system has been developed. During the financial year 2018-19, 6834 GEP applications were processed by the Bureau.

**Coordination on matters relating to Narcotics Control:**

The Bureau coordinates with concerned field agencies for reporting on illicit opium cultivation in various States and destruction thereof. Bureau expects citizens to provide inputs on the issue and also imagery reports / information on opium cultivation from citizens through Whatsapp number +919868505002, which is available on NCB website and it is further planned to be given wide publicity on CEIB website.

**Measures taken to achieve Financial Action Task Force variable regarding “effectiveness of domestic cooperation”**

The national risk assessment (NRA) criteria in respect of the above variable are:

- The FIU, intelligence services, investigators of financial crime, asset forfeiture investigators, regulators, customs and tax authorities and, when appropriate, the prosecutors of financial crime, meet regularly to share information and discuss joint initiatives, especially when they have joint committees and structures that meet regularly to exchange intelligence and information;
- There is legal framework that allows for joint investigations by relevant investigative units and such investigations are undertaken, wherever required;
- There is an effective cooperation between relevant AML agencies and reporting entities; and
• There exists a fully functional interagency cooperation committee or similar high-level committee in AML area such as National AML/CFT coordination committee.

The CEIB provides the mechanisms of interagency joint initiatives and cooperation within the institutional framework of the EIC and 30 REICs. Important discussions are also held within CEIB in the Group on Economic Intelligence on economic offence issues impacting LEAs and suggestions are made to the various agencies.
CHAPTER- II

ADMINISTRATION IN CEIB

2. Administration Wing is responsible for personnel and office/general administration, preparation of BE/RE, implementation of the RTI Act, 2005, redressal of public grievances etc. The Administration Wing is handled by Joint Secretary (Admin & COFEPOSA) who is assisted by one Deputy Secretary (COFEPOSA and Admin) and two Under Secretaries. The Joint Secretary (Admin) is responsible for administration of the affairs of the Bureau and exercises his powers under the direction and guidance of the Director General, CEIB. The organizational set-up and the sanctioned strength & incumbency position of the officers/staff in the Bureau are depicted in the Annexure -I & Annexure -II.

During the year 2018-19, the Administration Wing undertook the following new initiatives/proposals in addition to its regular functions:

Revamping the old and obsolete website of the Bureau: In order to carry out its functions, the Bureau has to collect and disseminate certain basic information relating to the role, functions, effective implementation of certain Acts/ statutes associated with its functions etc. The previous website of CEIB http://www.ceib.nic.in/ceib.htm was developed long ago, presumably using minimum resources. Over a period of time, the Government of India developed common standards and guidelines with regard to the websites of the Government Ministries/Departments and its various organizations/agencies. It was observed that the previous website of the Bureau was not in compliance with the Government’s Guidelines for Indian Government Website (GIGW) as mandated by the Department of Administrative Reform & Public Grievance (DARPG).

2.2.1 The official website of the Bureau was proposed to include the circulars/notifications, all tenders/notice, contact information etc. The website would aim at to promote the CEIB’s role as the premier Economic Intelligence agency which coordinates the functions & role of different law enforcement agencies. The proposed new website includes Background note, Vision and Mission statements of the Bureau, Organizational Setup, Organization Chart, List of Officers, Information regarding Wings/Division/Section, Training Calendar, Vacancies, Recruitment Rules, COFEPOSA Act 1974, SAFEM (FOP) Act, 1976, SAFEMA (FOP) Rules, 2006 and notifications, details of CPIOs and First Appellate Authorities in CEIB under RTI Act etc. Accordingly, in order to make the website of the Bureau fully compliant with the GIGW, a proposal was mooted for design,
development and maintenance of the new website. The proposal has been approved by the Department of Revenue. After following the tender process for awarding the contract for design, develop and maintain the new website, the development of the website is at the final stage of obtaining Website Quality Certificate from STQC and Security Audit Clearance.

**Finalization of Vision and Mission statement of the Bureau:** The Bureau has developed and finalized its Vision and Mission statement translating its mandate, core values and strategic & operational goals. The Vision and Mission of the bureau is indicated in this report and will also be uploaded on the new website of the Bureau after its finalization.

**Development of the new Logo of the Bureau:** It is desirable that each organization should have its own logo which is indicative of the goals and standards of the organization. Accordingly, the Bureau has designed and adopted its Logo in 2018 which has been selected through a competition held amongst the officers/staff of the Bureau itself. The Logo will be an integral part of the new website of the Bureau.

**Modernization/Renovation of CEIB Office:** The Bureau is currently situated over three floors of B-wing, Janpath Bhawan (erstwhile Indian Oil Bhawan), Janpath, New Delhi. The office building of the Bureau being very old, the proper management of record and sitting arrangement of officer/staff was getting increasingly difficult. The Conference room was inadequate to accommodate more than 20 persons. Toilets were in poor condition. It was very difficult for the Bureau to get its office modernized on its own resources, due to financial constraints. The Department of Administrative Reforms and Public Grievances (DARPG) is implementing a Plan Scheme of modernization of Government offices located in Delhi. Under this Scheme, 75% of the cost is borne by DARPG and remaining 25% is borne by the Concerned Ministry/Department/ Organization.In order to avail the benefit of DARPG’s Scheme of modernization of Government offices, a proposal to modernize/renovate 12 rooms, 06 toilets, waiting room and the Conference Room was initiated and overall financial implications for the proposed civil and electrical work has been worked out by CPWD which amounts to be Rs. 1,05,10,100. As per DARPG’s scheme, Rs. 26,27,525/- is to be borne by the Bureau. Rest of the estimated cost of the proposal would be borne by the DARPG. Accordingly, a detailed proposal has been sent to DARPG on 26.11.2018 for consideration and further action at their end.
Annexure-II

Sanctioned strength & incumbency position of the officers/staff in the Bureau

<table>
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CHAPTER – III

ECONOMIC INTELLIGENCE

3. Since its inception, the Bureau is continuously striving to achieve its objectives, despite severe constraints of manpower/resources. Major activities undertaken by the Bureau during the period of report are as follows:

Head of Agencies (HOA):

The Head of Agencies Committee comprises of Heads of Intelligence and Investigative Agencies under the Department of Revenue and discusses the trends of intelligence emerging in the economic field. It shares strategic intelligence in the areas of Customs, Central Excise and Service Tax, Income Tax, Hawala, Drugs and FICN and identifies other cases with inter agency ramifications, for joint and/or coordinated action.

In accordance with directions from WGIA during its meeting dated 17.12.2007 and subsequent endorsement of the same in EIC meeting dated 11.01.2008, it was decided that regular meetings (every month) of Heads of Investigative Agencies in the Department of Revenue should be convened by DG, CEIB and that these meetings should focus on the following aspects:

(i) Review important cases/information having inter-agency implications
(ii) Determine further lines of action
(iii) Monitor and review progress

Accordingly, first meeting of HOA was held on 19.02.2008 on the issue of identification of high value targets and the modalities of planning a joint coordinated multi-agency action was discussed.

Group on Economic Intelligence (GEI):

The Group on Economic Intelligence (GEI) provides a co-ordination platform for sharing of intelligence between the Member Agencies. Inputs shared through this platform help in pooling of resources, information and knowledge for coordinated action for combating economic offences, including predicate offences and the intelligence so gathered on various forms of Trade Based Money Laundering, Tax/Duty evasion is vital to providing inputs to LEAs implementing the various statutes, including Income Tax Act, CGST Act, PMLA & FEMA. The Bureau, on its own, also develops inputs in the field of economic offences and shares them with appropriate Intelligence and
Enforcement Agencies for further action.

The Group on Economic Intelligence (GEI) mechanism was formed w.e.f. 01.12.2005 in accordance with the directions from Economic Intelligence Council (EIC) during its meeting dated 23.11.2005. The GEI consist of officers representing different agencies and functions as the point for receiving and sharing information. As per the mandate of EIC, “each Department /Agency should share raw information on regular basis and GEI shall, with the approval of Director General CEIB, share that information with other Departments/ Agencies on a need to know basis on real time basis. Also the detailed analysis of information received from various Departments/Agencies is done periodically by CEIB and shared with the concerned agencies. These reports must draw on the intelligence inputs received from different agencies on the subject.”

With the change in mandate of CEIB to deal with “post-action” economic offences, as per approved recommendations of Committee set up to review the role, functioning and structure of CEIB, the work of GEI is focused on discussing matters critical to LEAs and suggesting a calibrated and coordinated approach in devising solutions to problems faced, including possible amendments in existing legislation or introduction of new legislation and in better monitoring of the respective fields by LEAs themselves. The matter relating to prevention of smuggling, foreign exchange manipulation, trade-based money laundering and terror financing was taken up by GEI during its meeting dated 22.09.2017.

During FY 2018-19, the first meeting of GEI was held on 11.01.2019 on commercial frauds & tax evasion by use of fake/bogus invoices, as detected by DGGI, to claim fraudulent Input Tax Credit. The actions taken are discussed in detail at para 3.9 herein after. One hundred & ninety-eight (198) cases of fraudulent ITC based on fake invoices of which 102 cases have tax implication of more than Rs.2700 crores (tax implications are yet to be quantified for 96 cases) have been studied in the Bureau and shared with jurisdictional DGIT (Inv.) and REICs. Moreover, REICs have been sensitized to study the issue by way of study groups and prevail upon the designated State GST authorities to share information related to fake invoice cases.

The issue of Trade Base Money Laundering (TBML) by way of inflation in value of imported diamonds & other precious stones and goods was taken up in the next GEI meeting held on 06.03.2019. From the inputs received in the Bureau, it was noticed that gross over-invoicing in importation of rough diamonds is the preferred modus operandi of Trade Base Money Laundering (TBML) to park black/illicit money abroad. Accordingly, a GEI was formed on
this issue consisting of all concerned agencies. RBI has subsequent to the meeting made available data on advance remittances for two years, without corresponding imports, which is being analyzed. The meeting is proposed to be reconvened shortly.

**Coordination regarding detection and destruction of illicit opium poppy cultivation:**

During EIC meeting dated 11.01.2008, Finance Minister had desired that satellite imagery technology should be used to get scientific estimates of the extent of the cultivation and production of the opium poppy and based on this, appropriate counter measures be taken. Further, Aviation Research Centre (ARC) was tasked to develop the satellite imagery report of illicit opium poppy cultivation in collaboration with Advanced Data Research Institute (ADRIN). Subsequently in a meeting dated 05.09.2013 to discuss the Action Plan for identification and destruction of illicit Poppy Cultivation held at NCB Hqrs New Delhi, CEIB & NCB were tasked to transmit the satellite images of illicit opium poppy cultivation to concerned states and CBEC through secured official e-mail.

CEIB has been coordinating in the subject matter between ARC and enforcement agencies i.e. Narcotics Control Bureau, Central Bureau of Narcotics etc.since 04.02.2015. So far, more than 100 satellite imagery reports pertaining to vulnerable districts of Jammu & Kashmir, Manipur, Bihar, Jharkhand, West Bengal, Odisha, Uttarakhand, Nagaland, Himachal Pradesh & Arunachal Pradesh have been procured and disseminated.

Further, in pursuance of recommendations of the Public Accounts Committee contained in their Ninety Sixth Report on “Management of Narcotics Substances” to develop a facility whereby an image of illegally cultivated area can be uploaded by anyone, a WhatsApp contact (+919868505002) has been provided by CEIB to receive images of illegally cultivated area from the citizens recently.

Intelligence inputs regarding drugs smuggling cartel from Afghanistan, Myanmar and Nigeria which are operating in India were received in the Bureau. As per media reports, Delhi Police in an operation arrested dozens of people and seized 83 Kgs of Heroin valued at Rs.350 crores. The matter was examined in the Bureau and further inputs about modus operandi, major routes and vulnerable areas etc. were culled out from the information received from BSF and were shared with DRI, NCB, CBN, NIA, DoR and DGPs of Bihar, Assam and Manipur.
Secure Information Exchange Network (SIEN):

As per a decision of the EIC in 2007, SIEN (Secure Information Exchange Network)—a secured network platform for online exchange of intelligence and information is fully operationalised in the Bureau which connects thirteen-member-agencies with CEIB as central hub (IB, Cab-Sec, NIA, FIU-IND, DRI, NCB, ED, CBI, CBDT, SFIO, NTRO, BSF & DGGSTI) to communicate with each other. Further, SIEN has been integrated with NEIN in 2017 to make details of the database of economic offenders, available to all the above agencies. The data is very useful, at headquarter level offices of LEAs, as search/query for a given entity reveals all offences received in the Bureau from multiple agencies and makes available at a glance, the history of offences committed. All sensitive communications are sent to intelligence agencies through SIEN and all correspondence are shared with LEAs, apart from normal channels, through SIEN. FIU has found it useful and has requested for additional nodes to access the NEIN database.

Dissemination of intelligence and offence inputs among LEAs:

Intelligence inputs developed by the Bureau as well as received from other agencies were disseminated to the law enforcement agencies for further action. During current FY 2018-19, 23591 number of intelligence inputs were received which were shared with the concerned agencies through SIEN, taking the total offence data available as on 31.03.2019 to 65470. The cumulative figure of inputs received last year stood at 4735. Year on Year, this represents a 400% increase vis a vis FY 2017-18. This is represented in TABLE 1.

Persistent efforts have been made on part of CEIB, by written communications with heads of LEAs, to share details of Nodal Officers in charge of sharing and offence cases. Further, following the Information Sharing Protocol (ISP), formalized during the WGIA meeting chaired by Finance Secretary on 06.03.2018, and issued by way of administrative orders, sharing by the LEAs and other intelligence agencies has grown substantially. The data sharing from side of Income Tax Department is expected to improve after the notification of CEIB under section 138 of the Income Tax Act, 1961 by the CBDT issued in July 2018. The highest inputs, in terms of sharing were received from CBIC, i.e. 4780.

In F.Y. 2017-18, Bureau received 2495 number of intelligence inputs from CBIC. Year on Year, this represents a 91% increase vis a vis FY 2017-18. The numbers of intelligence inputs are expected to grow further with the GSTI expanding its investigations.
The second highest, i.e. 2208 number of intelligence inputs represented NPA data and Bank Fraud data were received from Public Sector Banks, as part of DFS mandate to share and receive CEIB report on economic offences (prior to taking a decision on fraudulent aspects of NPAs). This has now become an important part of NEIN database, adding value to the Bureau’s reports to PSBs. The next largest inputs, were received from the ED, i.e. 1969.

Although preliminary reports/alert notices/ AE-II/DRI -II/ECIR, etc are being received in the Bureau from several agencies, there continues to be minimal amount of sharing relating to investigation/enquiry reports, SCN, properties seized/attached and further assessment/adjudication proceedings. The Revenue Secretary has proposed that the shared and shareable information on economic offences may henceforth be monitored by the EIC.

The inputs cover diverse fields such as smuggling including smuggling of FICN, Drugs, Hawala networks, Customs frauds, Excise Duty and Service Tax evasion, Income Tax evasion, Bank Loan Frauds, illegal mining, Multi-level marketing, corrupt and suspicious activities by officials, various forms of trade based and outright money laundering, manipulation of capital markets, share price rigging and ploughing back of concealed income by companies, etc.

Bureau has also developed 4776 number of inputs from the information shared by various LEAs and further shared them with concerned agencies, which is depicted in TABLE 2. This includes, for the first time, bank frauds (FIRs) which were analyzed from the angle of other statutes and accordingly were disseminated to concerned LEAs. Further, cases related to violation of FT (D&R) Act are now being shared with the concerned Customs authorities and Regional Economic Intelligence Council (REIC) forums.

Bureau also develops intelligence inputs from various sources. During the FY 2018-19, 822 of such intelligence inputs were shared against 93 during the FY 2017-18. This shows year-on-year increase at 784%. This is represented in TABLE 3.
TABLE 1: Number of Inputs received from various law enforcement agencies during last four years

<table>
<thead>
<tr>
<th>Year</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>4653</td>
<td>4256</td>
<td>4735</td>
<td>23591</td>
</tr>
</tbody>
</table>

TABLE 2: Number of Intelligence Inputs culled out from case details shared by various agencies & shared with concerned agencies:

<table>
<thead>
<tr>
<th>Year</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs</td>
<td>305</td>
<td>376</td>
<td>905</td>
<td>4776</td>
</tr>
</tbody>
</table>
TABLE 3: Comparative figures of inputs developed through various sources and shared by CEIB with various agencies

<table>
<thead>
<tr>
<th>Year</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>32</td>
</tr>
<tr>
<td>2016-17</td>
<td>54</td>
</tr>
<tr>
<td>2017-18</td>
<td>93</td>
</tr>
<tr>
<td>2018-19</td>
<td>822</td>
</tr>
</tbody>
</table>

Some major cases coordinated by the Bureau in various areas are as under:

(i) Dissemination of cases culled out from inputs/reports received in the Bureau in FY 2018-19:

In the FY 2018-19, the good cases developed by the Bureau from inputs which were analysed and shared with LEAs within the MoF and other Ministries/Banking Regulator/Market Regulators are as under:

(a) An information on misuse of Bank Loans and Technology Up-gradation Fund Scheme (TUFS) of more than Rs. 3000 Crores and violation of various statutes by a Group of Companies was developed and shared by the Bureau with CBDT, DGGI, CBI, ED, RBI & DFS etc. During the current year, additional inputs regarding fraudulent acquisition of Bank of Rajasthan (BoR) by one Group and fraudulent merger of BoR with ICICI bank were developed and shared with RBI, SEBI, CBI and DFS. 6 nos. of FIRs received from CBI against companies of this group were studied and since violations of various statutes were found, these have been shared with the concerned law enforcement agencies and with the concerned REICs. A detailed write up is available on this case in sub para (ii)(e) herein below.

(b) An information regarding money laundering was culled out from the case details shared by DRI and was shared with Directorate of Enforcement (ED). As per the information, the entity was involved in diversion of duty-free
imported gold to DTA from SEZ, suspected diversion of bank loans by fraud/cheating and non-realization of export remittance amounting to USD 129,207,970 (Rs.840 crores) for gold jewellery exported. Based on the information shared by the Bureau, ED, Lucknow Zonal Unit has registered a case under PMLA, 2002. The CBI, based on our information, has requested all members of consortium of lenders, SBI, Bank of Baroda, IDBI Bank, Bank of India to examine the aspect of criminality of the Company, as the loan accounts have not yet been declared fraudulent. Further, the SEZ authority has cancelled the license to operate in SEZ. DFS has been informed of these developments. IT Department has been requested to share findings of search action conducted in January 2017.

(c) In response to an information shared by Bureau regarding illegal transactions of foreign currency by a Mumbai based FFMC company, RBI has reported that they have initiated action against the company and subsequently cancelled the licenses for violation of KYC / AML guidelines, of the said company and 4 other FFMC companies, found indulging in similar activities. Further, it has been informed by RBI that another 5 FFMCs are also suspected to be involved in diverting foreign exchange to the exporters in a similar manner. Follow up is being done with RBI regarding these 5 FFMCs. The Bureau is actively engaged in the process of coordinating further investigations by the Customs/DRI in respect of the suspect passengers, in whose names the foreign currency has been released in amounts less than Rs. 50,000/-, MEA for securing additional details on the passengers, such as name/s, father’s name, DOB, addresses, etc. to aid and assist LEAs and Income tax Department, for examining sources of purchase of foreign currency.

(d) Sharing of an intelligence input regarding evasion of Service Tax by a company which had cheated people through ponzi schemes and instead of repaying the investor’s money to the tune of Rs.7500 crore, had siphoned off a large amount of money to sister companies, was coordinated by the Bureau among various agencies. In this case, demand of more than Rs.900 crores has been raised by DGGI against the company. Two Directors of the company have also been arrested by Mumbai Police.

(e) An information regarding cheating over 5000 depositors to the tune of Rs.260 crores by Maharashtra based group was shared with ED, CBI & CBDT.

(f) Inputs regarding (i) Non-deposit of undisputed statutory dues with the appropriate authorities i.e. Income Tax/Service Tax etc. amounting to Rs.3,07,95,121/-, (ii) violations of FEMA, misuse of Global Deposit Receipts and manipulation of share price after issue of GDRs to enable cheap
buy back & (iii) misrepresentation of financials and misuse of book of accounts by an entity has been shared with RBI, ED, SEBI, DGCoA, SFIO, DGGI & CBDT for necessary action at their end. As per Auditor’s report, the unreported amount is approximately Rs.316 Crores. Later, Bureau received inputs from the Nepalese Embassy regarding unpaid statutory dues owed to Income Tax and VAT authorities in Nepal and shared with all above agencies and MEA.

(g) Details regarding alleged indulgence of a Telangana based Group of Companies in circular trading of goods without actual transfer of goods, manipulation of turnover to avail bank finance & funds and violation under other statutes had been shared by the Bureau. Further information regarding (i) CBI cases for bank frauds by one of the sister concerns to the tune of Rs. 71.46 Cr (Andhra bank), Rs 133.3 Cr (Central Bank of India) and Rs. 108.5 crores (Corporation Bank) & (ii) operation of at least 120 numbers shell companies by the owner of group was shared with MCA, CBIC, CBDT, DGGI, ED & RBI. MCA has directed its Regional Directorate for investigation under section 206(4) of the Companies Act, 2013 in respect of one group company and inspection u/s 206(5) of the Companies Act, 2013 in respect of another group company.

(h) Inputs regarding alleged bank loan fraud (PSBs & NBFCs) with collective amount more than Rs. 350 crores by a corporate group and its constituent companies were shared with Department of Financial Services (DFS) and further with SBI, IDBI & Bank of India to take appropriate steps to safeguard the interest of concerned Public Sector Banks in the matter.

(i) An information regarding financial irregularities, defrauding of foreign investors and channelizing money through web of shell companies to personal bank accounts, couching these amounts as receivables in order to obtain further credit and disguise the source of funds by an Indian national, was shared with MCA and R&AW. As per the input, the amount involved is Rs.75 crores which seems to be only a fraction of the total amount defrauded.

(j) An input regarding (i) fraudulent allotment of land worth approximately Rs.3000 crores for a below market consideration of Rs 94.5 crores and (ii) duping of investors by siphoning off approximately Rs.400 crores collected from them to other projects by a Gurugram based amusement park company was shared with ED & SEBI.

(k) An information was shared by the Bureau regarding Multi-level Marketing activities and foreign exchange manipulation by a Rajasthan based
company. As per feedback reported by Rajasthan Police, 2 persons have been found to run the scam and LoC has been opened against one of them.

(l) Inputs regarding irregularities in opening of saving bank accounts and operation thereof and violations of KYC norms by bank officials of a public sector bank in Karnal were shared with FIU, DFS & RBI. It has been intimated by RBI that inspection of the subject bank highlighted significant KYC deficiencies and poor conduct of transactions in the accounts and RBI is in the process of initiating appropriate action in the matter. RBI has also intimated suspected beneficiaries of the irregular accounts and this has been passed onto the Income Tax Department. The RBI further directed PNB to conduct a comprehensive KYC audit of the branch, which is reported to be under process. The findings of the audit are proposed to be placed before the Audit Committee of PNB Board of Directors, which would then decide the corrective actions, including examination of staff accountability.

(m) Intelligence regarding financial irregularities relating to evasion of Customs duty to the tune of Rs. 751 crores by diversion of duty-free imported goods, outstanding loan to the tune of Rs. 4375 crores and evasion of Service Tax to the tune of Rs. 4.23 crores by a Mumbai based group was shared with Directorate of Revenue Intelligence (DRI), DGFT, ED, REIC Mumbai and DGIT (Inv.) Mumbai.

(n) Inputs regarding (i) evasion of Central Excise duty mainly fraudulent availment of CENVAT credit amounting more than Rs. 130 crores & (ii) bank fraud to the tune of Rs. 2654 crores (consortium of 11 banks) by a Gujarat based group were shared with DGFT, DGCoA, DGIT, DFS, ED, REIC & DRI.

(o) Intelligence regarding financial irregularities, bank fraud & commodity trading by a listed entity was developed and shared by the Bureau with concerned law enforcement agencies and RBI. RBI has placed at least 9 loan accounts with banks in red flag category, with the total exposure to consortium being Rs 6606 crores. Later on, it was noticed from the inputs received in the Bureau from LEAs that the company along with other 14 companies was also involved issuing/receiving fake invoices to avail Input Tax Credit fraudulently, thereby causing loss to public exchequer amounting to crores. The matter is being coordinated by the Bureau amongst the concerned agencies. The RBI has been requested to examine the concerned bank accounts in detail.

(p) In a matter of financial irregularities (alleged siphoning off of funds around USD 100 Million in buying companies abroad) by a Kolkata based group, further intelligence was developed and shared with the concerned
agencies. The matter is being coordinated by the Bureau.

(q) Intelligence was gathered by the Bureau regarding alleged evasion of Income Tax by violating Place of Effective Management (POEM) regulations by a company which is apparently operating from Singapore but allegedly having POEM in India and is a subsidiary of an Indian company. This company is in the business of trading of metal scrap (ferrous and non-ferrous, chrome etc.) and all decision making and execution of decisions are controlled from India office only. The turnover of company is USD 100 Million recorded in March 2018. The information was shared with Income Tax Department, Delhi for necessary action.

(r) Bureau coordinated sharing of information in the matter of financial irregularities by a pan India based group. The flagship companies and promoters of the group were involved in diversion of substantial funds obtained from Banks/Financial Institutions as loan/credit facility through the way of showing huge bogus long-term capital gains, wrongful inflation of expenses (capital and revenue). Further it was revealed that such diverted money was ploughed back as share capital in the main companies/fully owned investment companies/non-genuine name lending companies, and a portion was found to be routed to the personal accounts of the promoters as exempt income. Investigation indicated that such diversions were the main reason for the loans to become sticky/bad thus requiring the restructuring and eventually written off by the banks/financial institutions affecting loss of the public money. Bankers have undertaken the forensic audit of the accounts of the Group companies which is underway. During investigations approximate amounts of bogus long-term gain and bogus share capital were estimated at Rs. 1245.6 crore and Rs. 4090 crores respectively. The group was also found to be involved in claiming fraudulent CENVAT Credit based on the fake invoices to the tune of crores.

(s) Information culled out from an information from Enforcement Directorate regarding raising, receiving & collecting funds domestically & abroad by separatist leaders through various illegal channels including hawala for funding separatist & terrorist activities in J&K was shared with concerned LEAs.

(t) A bank fraud case of Rs. 149.91 crores against one company was shared with DGCoA, REIC Hyderabad, CBDT, ED and CVOs of PSBs. In response, MCA has directed DGCoA to carry out inspection of the company under Section 206 (5) of Companies Act, 2013 and further report is awaited.
Bureau shared an information regarding a corporate fraud of Rs. 3000 cr. wherein the subject company fraudulently in connivance with old business partners foiled the bidding process during dissolution under direction of NCLT and quoted a much less amount than the actual worth of the dissolving company, with Income tax Department, Ministry of Corporate Affairs, ED and Competition Commission of India.

One case, which was developed by CEIB on intelligence inputs received, has been referred by MCA u/s 212(1)(c) of Companies Act 2013 to SFIO for an investigation. RBI has been informed that one of the bank loan accounts of the entity, exceeding Rs 50 crores, has been declared NPA.

222 number of bank fraud cases as received from CBI / Banks were studied from the angle of violation of other statutes and accordingly have been shared with CBDT, ED, REIC, DRI &DGCoA etc. Top 10 amongst them are as follows:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Name of Bank</th>
<th>Fraud Amount (Rs. Cr.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>6027.36</td>
</tr>
<tr>
<td>2</td>
<td>Bank of Maharashtra</td>
<td>5383</td>
</tr>
<tr>
<td>3</td>
<td>Punjab National Bank</td>
<td>4886.72</td>
</tr>
<tr>
<td>4</td>
<td>Central Bank of India</td>
<td>3814.39</td>
</tr>
<tr>
<td>5</td>
<td>Andhra Bank</td>
<td>2107.76</td>
</tr>
<tr>
<td>6</td>
<td>ICICI Bank</td>
<td>1730</td>
</tr>
<tr>
<td>7</td>
<td>PNB</td>
<td>1301.67</td>
</tr>
<tr>
<td>8</td>
<td>State Bank of India</td>
<td>824.15</td>
</tr>
<tr>
<td>9</td>
<td>UCO Bank</td>
<td>737.88</td>
</tr>
<tr>
<td>10</td>
<td>Central Bank of India</td>
<td>699.54</td>
</tr>
</tbody>
</table>

As per response received so far, based on the inputs shared from FIRs, it has resulted in initiation of action in 3 cases by Income-tax department, 34 cases by DGCoA & 1 case by DGGI. In addition to that, 11 cases have been referred by concerned REIC's to various LEAs and in 5 cases RBI has acknowledged the inputs from the Bureau and assured to use them in the supervisory inspection of banks.

564 number of complaints registered by ED were studied from the angle of violation of other statutes and accordingly have been shared with jurisdictional REICs, DGITs and DGCoA etc. The number of total inputs shared comes to 952.

The above cases are only representative of the cases shared with LEAs during FY 2018-19. The Bureau is presently seeking feedback in manual
form, which makes the task of follow up extremely cumbersome. It is expected that each LEA must have acted upon the inputs received from CEIB; however, the receipt of feedback continues to remain a big challenge.

(ii) Dissemination of cases culled out from inputs/reports received in the Bureau in FY 2017-18:

As a result of intelligence sharing of the information having inter-agency implication in the previous FY 2017-18, an amount of Rs. 3.5 crore has been realized by various agencies and demands/SCNs for an amount of more than Rs. 1100 crores were raised / issued by various departments. Some of the good cases are as under:

(a) Intelligence regarding evasion of Customs duty on import of various brand of beer through Mumbai Port (JNPT) and ICD Tughlakabad, Delhi by an Indian company, was developed in the Bureau and referred to the Customs authorities. As on date, demand of more than Rs.2 crores has been raised by various Commissionerates of CBIC. Special Valuation Branch, Mumbai has confirmed under valuation of the imports. This seems only a fraction of total revenue deferred, which is estimated to be more than Rs. 10 crores, as further investigation is in progress.

(b) Intelligence regarding Central Excise duty evasion at huge scale by 28 numbers of zip manufacturing units in UP on manufacturing of Polyester (CFC) ZIP without getting registered with the Central Excise authorities, was developed in the Bureau and shared with Central Excise authorities. The factual aspects of the intelligence are confirmed and amount of duty evaded would be quantified in due course.

(c) Information regarding money laundering by overvaluation of imported coal from Indonesia was referred to various agencies. Difference of the declared and correct value by an importer was noticed to the tune of approximately Rs.600 crores.

(d) CEIB developed intelligence inputs on corrupt activities being adopted post-demonetization and disseminated the same to the concerned law enforcement agencies.

(e) CEIB developed and shared information on misuse of Bank Loans and Technology Up-gradation Fund Scheme (TUFS) of more than Rs. 3000 Crores and violation of various Acts by a Group Company was recorded and developed in the Bureau. The Group consisting of 8 companies has taken more than Rs. 3000 Crores from various Public Sector Banks by submitting
forged/ fake documents and instead of investing this money in the projects has diverted more than 95% of the same for
- Buying Lands/ Flats/Building/Malls at various places across the country
- Buying shares;
- Jacking up prices of shares of listed companies;
- Parking of money overseas.

On the basis of information shared by the Bureau, Income Tax Department has raised demand for an amount of Rs. 1377.95 crores and total tax liability of Rs.169.41 crores. On some issues, the Department proposes to request Appellate Authorities for enhancement of income assessed. The CBI has filed charge sheets in 8 cases, which are at various stages of hearing. CEIB continues to monitor and coordinate these cases.

Studies in the Bureau and Reports of Inter-Ministerial Groups:

Export Outstanding (XOS) Statement:

The issue of non-sharing of Export Outstanding (XOS) Statement by RBI with the concerned Law Enforcement Agencies was raised during the EIC meeting dated 06.04.2016 and on the direction of Finance Minister, an Inter-Ministerial Group was constituted in CEIB with representation from RBI, ED, DFS and IBA to resolve the issue. Subsequently, on another platform, RBI suggested that the desired data can be obtained from CBIC as they share the XOS with CBIC on regular basis. Matter was taken up with CBIC and in the WGIA held on 06.03.2018 wherein DG (Systems) CBEC informed that export data received from RBI can be shared with ED. During the EIC meeting held on 15.11.2018, it was informed by ED that XOS was very useful and the present system of transmission of data through DG Systems was not satisfactory as certain vital fields were missing. Finance Secretary asked ED to evaluate the data as and when received and then come back to the CEIB if the desired data was still not available.

Sharing of data on FETERS:

In the WGIA meeting dated 26.09.2016, CBIC had desired various types of data from FETERS (Foreign Exchange Transaction-Electronic Reporting System) database of RBI and a group constituted in CEIB with representation from DRI, FIU-IND and RBI decided that Authorized Dealers would be instructed by RBI for pushing data as required by DRI to DRI and FIU on real time basis. Later on, RBI expressed difficulty in sharing the FETERS data due to limitations within the available statute. Accordingly, Finance Act was amended and corresponding Rules have been notified shortly to enable RBI
to share the FETERS data, with CBIC. During WGIA meeting dated 06.03.2018, it came up that remittance data would be received first April onwards from 16 banks. During the EIC meeting dated 15.11.2018, it was informed that FETERS was being shared by RBI with the DRI. However, the Principal Special Director, ED stated that data is yet to be received from DG Systems, CBIC. Chairman CBIC assured that the data will be made available to ED.

**Report on Banking Frauds:**

In February 2019, a 73 page report on “timely detection and prevention of bank frauds” was prepared and submitted to Secretary (R), RBI, CVC, NSA, Secretary, DFS, Director CBI and Chairman CBDT. The report analysed 146 cases of frauds reported by banks and found the following typologies and modus operandi adopted:

- a) Inflation of project cost/Incorrect projection of financial capability to fund the project;
- b) Fraudulent and inflated securities/collateral/guarantees presented to bank;
- c) Lack of due diligence at bank level/Non-appraisal of all facts by Credit Appraisal Committees of Banks;
- d) Diversion of borrowed funds for non-business purposes/Diversion of sale receipts for non-business purposes;
- e) Lack of monitoring of SWIFT by banks;
- f) Routing sale proceeds or business receipts to bank accounts of other banks, without informing/taking permission of lender/consortium and instead of repayment to lender;
- g) Treatment of receivables of more than 180 days (non-current assets) as less than 180 days (current assets) to enhance drawing power in CC accounts;
- h) Use of bank funds to finance equity in sister concerns;
- i) Overstatement of debtors/receivables/inventories in reporting to banks and subsequent write off;
- j) Misuse of Foreign Bank Guarantees (FBGs) issued to companies by Indian Banks;
- k) Complicity of Chartered accounts/Financial consultants/Auditors

The study proposed the following policy recommendations and systemic changes be put in place by the concerned banks and concerned authorities at different stages of the entire process of loan sanction, disbursal and NPA:
Pre - loan sanction stage: -

I. Physical appraisal of borrowers, their antecedents and credit worthiness by the banks;

II. Provision of offence data reports by CEIB to PSBs and PFIs within extended time frame of one month from present time frame of one week;

III. Sensitization of all LEAs/Regulators (Income Tax Department, CGST, SEBI, SFIO, CBI, ED, RBI) regarding sharing vital offence related information with CEIB as per Information Sharing Protocol to make sharing antecedent reports with banks more robust;

IV. Placing details of all loans above one crore on CRILC platform or alternative online platform alongwith details of all securities, guarantees (including personal guarantees), collaterals and assets pledged to the bank, all identifiers, such as PAN and Aadhar, monthly stock statements, details of all associates entities, with whom there are on-going or proposed financial transactions and monthly declaration of all such transactions;

V. Application of machine learning techniques to financial data of borrowers, macro and micro information (suggested in IV above) behavioral metrics and relevant key industry indicators to detect distress and fraud;

VI. In accordance with Principle 5 and 17 of the Basel Committee on Banking Supervision, banks to have internal guidelines for limits of exposure both at the level of single borrower/counter-parties/groups of connected counter-parties as also at the level of kind of business activity;

VII. Preferably, banks may try to maintain not only PAN as identifier to comply with KYC norms but also the Aadhar numbers of directors/partners/key-managerial personnel of larger borrower entities;

VIII. Banks to try and obtain a 360degree profile/verification of overseas buyers/financial institutions/banks including their past history, existence and credit rating;

IX. A suggestion was to seek details of parties from which sale remittances are to be received in the loan proposal itself. The CVC had also proposed that possibility of tripartite agreement with debtors/buyers/importers/clients be explored;

X. Banks to consider seeking notification u/s 138 of IT Act so that data relating to financial of the preceding years, stock statements disclosed in the financial statements and crucial assessment related information can be requisitioned from the Income Tax Department;
XI. The Concerned State or Central Govt. Authority (Land Records, Stamps & Registration Department) be designated as the nodal officer for providing vital land record information to PSBs.

**Post loan sanction and disbursement stage: -**

I. It is absolutely critical that the physical stock taking should be conducted by the bank and result be cross checked with statements submitted on CRILC platform/Income Tax/GST etc. Banks must invariably undertake audit of stock at regular intervals;

II. To verify whether the bank funds have been utilized for the end use for which it was sanctioned, RBI proposed to include audit of end use of bank funds as part of its annual inspection. Alternatively, based on data of red flagged accounts, CRILC and CFR, RBI may consider devising an annual systemic audit for PSBs. RBI to also factor in violation of KYC/AML guidelines in annual inspection reports to be shared with FIU, ED and CEIB;

III. Banks may consider devising dedicated online platform for borrowers, relating to invoices raised, revenue realised, payments made and repayments of loan received so that the problem of manipulation of receivables to project increased drawing limits is addressed;

IV. Subject to compliances found in the online platform as also CRILC, vis a vis terms in loan agreement, next tranche of loan be disbursed by banks.

**Post Loan NPA stage: -**

I. To ensure strict compliance with its circular on detections of frauds in order to prevent ever-greening by banks, the regulator RBI, being the sole custodian of CFR cases, may consider putting in place adequate protocol in place to ensure that the master circulars are being diligently followed by banks in recognizing and reporting the bank frauds;

II. Make income tax deductions u/s section 36(1)(vii) of the Income Tax Act, presently available to banks, subject to conditionality of efforts made by banks to resolve and collect the outstanding loans, rather than evergreen these loans. This would lead to resolution of stressed assets and identification of fraud at the earliest;

III. Alternatively, deductions u/s section 36(1)(vii) of the Income Tax Act, should be made subject to bank producing concrete proof of non-fraudulent conduct on the part of borrower;

IV. If the above suggestions are not found feasible, the deductions granted may be subject to withdrawal and taxed in the year in which fraud is detected by the bank and intimated to the RBI in the CFR. This should be compulsorily reported by the bank in filings before ROC and in the
annual financial statements presented and approved by the bank board;

V. Make available deduction towards provisions for bad and doubtful debts at the rate of 10% of aggregate advances applicable only to rural branches u/s 36(1)(viia)(a) of the Income Tax Act;

VI. All Law and Enforcement Agencies/ MDIT must complete the investigation in the high-profile fraud cases so that the message is delivered to the borrowers that defrauding the banks would be a costly affair. CEIB to be associated with the MDITs;

VII. RBI may take a relook at circular number DBR.BP.BC.No.63/21.04.018/2016-17 dated 18.04.2017 to consider inclusion of tougher measures such as banning defaulting auditors from further statutory audit for any company (not just banking companies) in future. Further, mechanism for periodic inspection of auditors/valuers/empanelled professionals be considered by RBI;

VIII. Government may consider setting up a high-powered committee suggested by the Standing Committee to not only evaluate the role of the RBI as regulator but also enable RBI to excise effective control over PSBs, as it does in the case of Private Sector Banks on an “ownership neutral basis”;

IX. Recommendations in 68th Standing Committee report on IBC & NCLT reforms to be acted upon.

Information sought from CEIB

CEIB receives requests from Agencies like IB, FIU, SFIO, RBI, CBDT and DGCEI seeking information on economic offenders/offence(s), which are promptly responded to. The Bureau has sensitized the field formations across the country, through the REICs, on the valuable information available in CEIB, urging them to maximize its use.

Further, as per the guidelines issued by the Department of Financial Services, in pursuance of “Framework for timely detection, reporting, investigation etc. relating to large value bank frauds” of more than Rs. 50 Crores, report on prospective borrowers/NPAs are being sought from CEIB by Public Sector Banks (PSBs) & Public Financial Institutions (PFIs). Such reports are being furnished by CEIB as and when such references are received from banks and PFIs. In the last financial year 2017-18, CEIB received 810 such requests, which were furnished. In the financial year 2018-19, a total of 2492 requests (NPA -1537, Fresh Credit/Renewal – 955) have been received from PSBs/PFIs on offence status of prospective & NPA borrowers out of which 2441 have been replied to and remaining are in process.
Other Policy Suggestions by Bureau:

(i) As per DFS mandate, CEIB started receiving bank fraud/FIRs from PSBs in FY 2018-19, which account for more than 90% of such cases. It was felt that not only was the magnitude of the fraud very large but also it had a corrosive effect on a country’s economy, government, and social well-being, besides being inequitable for smaller borrowers, farmers, etc. It was also observed that bank frauds may provide lead to other LEAs for detection of offences like evasion of taxes arising out of fraudulent claims of depreciation (on assets not entered in books) or interest claimed on borrowed funds (when in reality, these funds had been diverted for non-business purposes) or sale outside books, manipulation of foreign exchange, siphoning of funds, violations of the Companies Act and culpability of officials etc. To prevent further offences, coordination among the concerned intelligence / investigation agencies is required and the Bureau has taken up the matter with all earnestness. During the period, 222 FIRs lodged by banks with CBI have been studied in the Bureau and were shared with the concerned authorities, including the REICs. In this regard, total 790 letters have been issued to multiple agencies.

(ii) The matter relating to use of fake invoices, without actual supply of underlying goods and services and fraudulent claim of Input Tax Credit (ITC) under GST regime, was discussed in the GEI meeting in CEIB in 2019. In pursuance of decisions of meeting of GEI on commercial frauds/fraudulent input tax credit by use of fake / bogus invoices, the following actions have been undertaken:

a. DGFT has been requested to share all cases regarding suspension/cancellation of Import-Export Code (IEC) so that the same could be studied and shared in/by the Bureau.

b. Suggestion has been made to SEBI to consider bringing the act of use of fake invoices by a listed entity under the ambit of Chapter VA: Prohibition of Manipulative and Deceptive Devices, Insider Trading and Substantial Acquisition of Securities or Control of the SEBI Act, 1992, in order to discourage the listed entities from indulging such practices.

c. DGGI has been requested that availment of ITC based on fake invoices can be plugged by ensuring release of ITC only after deposit of appropriate tax to the government exchequer. Further, it has been suggested that it would be prudent to immediately and simultaneously alert the concerned jurisdictional DGIT (Inv.) by way of sharing the alert notices along with CEIB.
d. CBDT has been requested to share bogus/fake billing/bogus transactions (sale or purchase)/shell companies used for circular transactions with CEIB, detected during search/survey & also to consider sharing fake invoices issued by the thousand odd high-risk tax payers enumerated in the CBDT Annual Report, with the DGGI.

e. RBI & DFS have been requested to ensure sharing cases where bogus billing detected, whether in red flagged accounts or later, in forensic audit reports commissioned by defrauded banks / PSBs respectively so that there is no delay in investigation by the agencies.

f. Department of Revenue has been requested for consideration of the cognizable and non-bailable offence under section 132(5) r.w.s 132(1)(b) & (c) of CGST Act, 2017, viz. offence of issuance of invoice or bill without supply of goods or services or both, in violation of the provisions of the said Act, as a predicate offence under PMLA, 2002.

( iii) A meeting of GEI on TBML through over-invoicing of imports of roughs/precious stones/ gemstones was held on 06.03.2019 under the chairpersonship of DG, CEIB wherein the following decisions have been taken:

a) DRI/Customs to consider issuance of Rules for clearance of import where Bills of Entry are accompanied by valuation certificate of roughs/gemstones imported from the country of origin.

b) RBI may consider reducing window of time period for advance payments towards imports.

c) KYC/AML non-compliance cases/fake IEC cases should be shared with CEIB /REICs concerned to be taken up with RBI (for KYC/AML) and fake IEC cases with CBDT (non-genuine PAN for verification by NSDL).

d) Officers of DRI/Customs/Income Tax may be considered for notification under PMLA by the competent authorities.

e) RTGS transactions totaling Rs.1 crore and above could be considered by CBDT for inclusion as a reportable transaction under Rule 114E of Income Tax Rules.

f) FIU may consider inclusion of RTGS transaction of corresponding credit and debit of more than Rs one crore within the same day or two and linkages to accounts where RTGS amounts are transferred, as one of the Red Flag Indicator (RFI) for STRs.
(iv) CEIB was made aware, on non-receipt of information relating to sharing of KYC/AML violations (as shared by RBI with FIU) and FEMA violations (as shared with ED) in accordance with our MoU with RBI, that following adoption of risk-based approach to supervision of Scheduled Commercial Banks (SCBs) by RBI, the recording of specific instances of KYC/AML violations had been dispensed with. However, this was against the Second Recommendation of FATF, i.e. member countries should have in place, an institutional arrangement for formulation of AML/CFT policies (considering contemporary risks identified from time to time) and the coordination and implementation thereof. Accordingly, CEIB requested RBI to reconsider the unilateral decision and henceforth include KYC/AML/CFT in their inspections of SCBs. RBI has, since informed that the system of recording individual account details of KYC/AML violations in SCBs, is under review.

(v) CEIB also took up with RBI and DFS, the suggestion to make suitable modification of the present policy of allowing international air passengers, personal carriage of unlimited foreign currency, subject to all such currencies at the Red Channel Counter of Customs at all International Indian Airports, as per RBI Notification No. FEMA 6/RB/-2000 dated 03.05.2000 and Para B of Circular No. A.P. (Dir Series) 45/2015-16 dated 04.02.2016. Instances were highlighted from cases available in the Bureau to impress upon the fact that free movement of unlimited cash currency, without restrictions, may provide easy tools to facilitate money laundering, terror funding, counterfeiting and other such unlawful activities, besides militating against the true spirit of legislations such as PMLA, UAPA, etc. The matter is under consideration of the DEA as FEMA is administered by DEA.

(vi) From the inputs received in the Bureau, large number of cases of frauds / irregularities / misutilisation of loan accounts etc. including non-observance of proper KYC norms/ AML standards and Customs Due Diligence (CDD) by the banks in violation of RBI were noticed. The matter was studied and RBI & DFS were suggested to make necessary amendments in Banking Regulation Act, 1949 (as amended) so as to provide for imposition of fiscal penalty as well as fastening criminal liability in deserving cases for non-compliance of KYC norms / AML standards/ CDD.

(vii) Bureau has been providing its opinion/suggestions/comments as and when sought by other Ministry/Department on various draft bills/reports/schemes with the prospective of protecting revenue and curbing the economic offences. During the period comments and inputs for/on following were provided by the Bureau:

(a) Inputs sought by the Department of Financial Services on possible misuse of the liberalized remittance scheme (LRS) of RBI;
(b) Inputs were provided as Member of the Multi-Disciplinary Centre on Economic Intelligence convened by the Election Commission of India for the general elections 2019. An Election Intelligence Cell has been constituted in the Bureau;
(c) Inputs were provided as Member agency in Committee on Combating Terror Financing, formed in the Ministry of Home Affairs;
(d) Member of the State level Coordination Committee (SLCC) for economic offences conducted by RBI;
(e) Member of Inter-Ministerial Task Force on Shell Companies.

**NEIN DATABASE**

CEIB maintains a database of Dossiers of Economic Offenders/Suspected Tax Evaders, on the basis of the inputs received from the Law Enforcement Agencies across the country. CEIB so far has more than 8500 dossiers. The Bureau periodically reviews the dossiers and seeks updates from concerned member agencies to keep data base current and relevant. Bureau also has details of over 56,900 offence cases, booked by various agencies. The Data Base of dossiers maintained in CEIB has been designed to capture the data subject-wise and stored accordingly, which could be instantly retrieved and viewed for the requesting agency. To make the system robust and user-friendly, hardware and operating system has been upgraded. Member agencies of Secured Information Exchange Network (SIEN) have been provided simultaneous access to National Economic Intelligence Network (NEIN) database for their utilization during investigation/intelligence development. The **TABLES 4 & 5** pictorially depict the data entry in NEIN database and the historical timelines of the database, respectively.

**TABLE 4: Number of case details fed in NEIN**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>4629</td>
<td>3145</td>
<td>4218</td>
<td>2991</td>
<td>22457</td>
</tr>
</tbody>
</table>

![Bar chart showing data for TABLE 4]
**Fake Indian Currency Notes (FICN):**

In pursuance of GOM Report tasking the NSCS to track the developments relating to Fake Indian Currency Notes and to alert concerned Agencies, the Central Economic Intelligence Bureau was directed vide the Cabinet Secretariat (NSCS) U.O. No.C-183/1/2001/NSCS (CS) dated 22nd May, 2001 to take steps to keep NSCS informed on a continual basis regarding the development as far as printing, smuggling and circulation of Fake Indian Currency were concerned. Accordingly, the Bureau collects data from all concerned Agencies and prepares a half yearly nationwide comprehensive analysis report on printing, smuggling and circulation of Fake Indian Currency Notes which is sent to the National Security Council Secretariat and shared with National Security Advisor (NSA), MEA, MHA, CBI, IB, ED, DRI and the Regional Economic Intelligence Councils operating in different parts of the country. Last report on FICN was circulated on 27.11.2018.

**Summary of the bi-annual FICN Report (Jan-June 2018):**

The Summary of the report on the seizures/detections in major cases during the six-month period under report (from January to June 2018) indicated the following trends:
a. After demonetization, it is noticed that FICN seized by LEAs are printed with the help of high-quality printers/scanners in all parts of the country but are of low quality. Fraudulent persons tried to gain undue benefit as poor people were not aware of the security features of new notes. During the period, no FICN in denomination of Rs. 500 (new) and Rs. 2000 has been detected in currency chest of banks. This indicates that seized/detected FICN in denomination of Rs. 500 and Rs. 2000 is of low quality.

b. During the period, 1,13,217 notes in denomination of Rs. 100 were detected in banking channel. Therefore, security features of notes in denomination of Rs. 100 needs to be upgraded eventhough new notes in denomination of Rs. 100 and Rs. 50 have been issued.

c. Frequent seizures of large value of FICN by BSF alongside the Indo-Bangladesh Border areas (05 cases of FICN seizures having face value of Rs. 24,66,000/- were effected during this period) indicated that Malda, Uttar Dinajpur, Murshidabad districts of West Bengal and Dhubri, Barpeta districts of Assam have become the main transit points for circulating FICN to various cities in India. The instances of seizure of FICN are gradually increasing, 88 no. of FIRs in West Bengal and 60 FIRs in Assam were registered during January 18 to June 18. As per intelligence inputs, Distt. Dhubri in Assam is now becoming most vulnerable place for FICN smuggling after Malda. There is a long porous border with heavy legal and illegal traffic between both the countries. The inhabitants on both sides of the border are poor and it is becoming very difficult for Law Enforcement Agencies to keep check over it.

d. In many cases of FICN seizure by BSF it is noticed that FICN was thrown over the IBB fence from side of a neighboring country to Indian side which was to be collected by Indian smugglers. This confirms that India is extremely vulnerable with regard to FICN from the neighbor. Certain operators based in this country act as recipients of FICN from another neighboring country as well as act as conduits for the distribution channels in India through porous land border.

e. Intelligence inputs shared by LEAs indicate that a neighboring country has made another neighboring country as its base to supply counterfeit notes. In some recent cases of FICN seizure at the border, it is noticed that ink and paper used in printing of seized FICN is of high quality. In some recent seizures, it is noticed that FICN has been printed on cigarette paper.

f. As per report submitted by RBI, most of the FICN detected in banking channel is from Northern and Western states of the country. The figures of FICN of demonetized currency (Rs. 500 and Rs. 1000 for the period November 2016 to March 2018) confirms the same. The details of top 5 states is as under:
g. As per report submitted by RBI, 12,623 pieces of FICN in denomination of Rs. 2000 and 8100 pieces of Rs. 500 (new notes) total amounting to Rs. 2,92,96,000 have been detected in banking channel. The same needs to be checked out (regarding quality of seized notes) by bank and enforcement agencies regularly.

h. Recent seizures in New Delhi and Hyderabad indicate that Malda based FICN smugglers had made both cities as their main centre to dispose FICN in Indian Economy. The seized FICN has been brought to Delhi (via Patna) and Hyderabad through rail network. The same needs to be checked out by enforcement agencies.

i. Seizures of huge FICN from various cities of the West Bengal, Assam, Maharashtra, Madhya Pradesh, Gujarat, Andhra Pradesh, Telangana, Karnataka, Rajasthan, Uttar Pradesh, Punjab & Delhi indicate that circulation of FICN has spread over in most parts of the Country and generally trains are utilized to transport the FICN and Railway Stations are the transit points for transportation of FICN to different parts of the Country.

j. Reports received in the Bureau from various States indicate that residents of bordering districts of West Bengal i.e. Malda, Kaliachak, Murshidabad etc. and Assam i.e. Dhubri, Barpeta are involved in the smuggling/ circulation of FICN and have been arrested in many places other than West Bengal like Gujarat, Maharashtra, Delhi, Telangana, Bihar, UP etc. This shows origins of large FICN operatives from bordering districts of WB which are having pan-India ramifications. Though Bureau has been receiving reports of FICN detection in Banking Channels from these areas, the instances of FICN seizures by Enforcement Agencies is very low.
Recommendations of CEIB:

a. In meeting of the Working Group on Intelligence Apparatus (WGIA) held on March 06, 2018, Executive Director RBI informed that Private Sector Banks are reporting more quantum although the private banks don’t check the genuineness of currency notes at counter while transacting with the customer and they scrutinize the currency only at the end of the day. Secretary, DFS expressed his concern that this is an alarming situation and suggested that the RBI may look into this urgently. However, the situation does not seem to have improved. It is felt that instructions in this regard may be issued by DFS in respect of Private Sector Banks.

The FICN detected and reported by banks in Specified Bank Notes deposited during November 2016 to March 2018 (post demonetization) is as under:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Rs. 500</th>
<th>Rs. 1000</th>
<th>Total pieces</th>
<th>% Share (out of total detection in bank branches)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Bank</td>
<td>64,089</td>
<td>67,084</td>
<td>1,31,173</td>
<td>35.94</td>
</tr>
<tr>
<td>HDFC Bank</td>
<td>22,123</td>
<td>23,376</td>
<td>45,499</td>
<td>12.47</td>
</tr>
<tr>
<td>Axis Bank</td>
<td>17,734</td>
<td>17,508</td>
<td>35,242</td>
<td>9.66</td>
</tr>
<tr>
<td>SBI</td>
<td>17,668</td>
<td>16,400</td>
<td>34,068</td>
<td>9.34</td>
</tr>
<tr>
<td>Kotak Mahindra Bank</td>
<td>8,653</td>
<td>10,212</td>
<td>18,865</td>
<td>5.17</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>8,568</td>
<td>6,558</td>
<td>15,126</td>
<td>4.14</td>
</tr>
<tr>
<td>IDBI Bank</td>
<td>4,659</td>
<td>4,581</td>
<td>9,240</td>
<td>2.53</td>
</tr>
</tbody>
</table>

b. A huge amount of FICN in banking channel is detected at currency chests of banks and RBI regional offices. Therefore, FICN detection machines/gadget should be provided to bank branches located at village level, semi urban areas, cooperative bank branches so that the FICN could be detected at branch level. (by teller), and undue benefit going to FICN smugglers/suppliers be prevented. Public Sector Banks need more improvement in providing FICN detection machines/gadgets. To start with, due to the widest reach of SBI, the government may consider installing such detectors at all branches of SBI. The details of FICN detected in currency chests of SBNs from banks during November 2016 to March 2018 (post demonetization) is as under:
c. In some cases, it is noticed that FICN has been deposited in cash depositing machines. The same needs to be checked by RBI through issue of appropriate instructions to all banks.

d. MHA may consider taking up issue of non-reporting of FICN by banks to State/UT police with the DFS (due to low figures of such reporting)

e. DFS may consider directing all banks to report FICN data on the FICNIS of the NCRB, under the MHA.

f. Know Your Money campaign run by RBI should be extended to village and tehsil level to enable poor people about the distinction between genuine and fake notes which will curb the dumping of FICN in our economy

g. Digital payment in our country is increasing significantly. After demonetization, there is huge increase in number of digital payments. More steps should be taken to motivate digital payment in order to curb FICN circulation and to form a cashless economy.

**TABLE 6**(Value of detected / seized FICN (in Rs. thousand for last 5 years)
TABLE 7 Detection and seizure of FICN (Jan-June 2018)

<table>
<thead>
<tr>
<th>Value (Rs in thousands)</th>
<th>Number</th>
<th>Seized by LEAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>50000</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>1068</td>
<td>1049</td>
</tr>
<tr>
<td>20</td>
<td>16522</td>
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<td>500</td>
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</tr>
<tr>
<td>1000</td>
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<td></td>
</tr>
<tr>
<td>2000</td>
<td>197843</td>
<td>130036</td>
</tr>
<tr>
<td>500000</td>
<td>74657</td>
<td>78929</td>
</tr>
</tbody>
</table>

TABLE 8 (Jan-June 2018)

Number of FICN (Denomination wise)
Coordination with FIU-IND:-
The inputs commissioned from FIU-IND are analysed and disseminated for further action by the Bureau after due process. The inputs are found useful for economic intelligence. FIU-IND has recently appreciated the inputs available in the CEIB database.
**Global Entry Program (GEP)**

GEP is a program for expedited clearance of travellers arriving at US airports which has been operationalised with effect from 03.07.2017. In order to complete the vetting process, two designated nodal points i.e. Ministry of Home Affairs (MHA) and Ministry of Finance (MOF) have been empowered. ADG (EI), CEIB has been designated as nodal officer on behalf of Ministry of Finance to provide clearance report to MEA in the form of CLEAR / NOT CLEAR.

For expedited clearances of GEP applications, an online GEP clearance cloud-based system has been developed by NIC with Virtual Private Network (VPN), OTP (One Time Password) and digital signature enabled inputs for verification of credentials of applicants from Member Agencies. The highlight of the system is its ability to reach even a small formation anywhere in India and it has been expanded to Zonal offices of NCB. Expansion to zonal / regional offices of other agencies is under consideration. The system provides an online, interactive powerful communication platform and alerts can be passed to sub offices of several Member Agencies. Accordingly, besides vetting the GEP applications, the system is further being developed to be used as medium for secured exchange of information in a quick and robust manner. Further, the processing of GEP applications has helped in developing better databases of offenders for most agencies.

As on 31.03.2019, total registered GEP applications on the online system are 9508 out of which CEIB has processed 6834 nos. of applications and given online clearance.

**National Economic Offence Records (NEOR):** For seamless flow of offence details / information to/from CEIB and to make a more comprehensive database, NEOR – a web based application with capability to reach the grass-root level offices, is being developed by the Bureau. In the proposed NEOR, both quality of data and efficiency of building the database of economic offenders would become better as the entry of case details can be ensured as per the stages of the Information Sharing Protocol and the possibilities of the manual error could be avoided while data entry which will be done at the field formation level, who are the owner of the data. Further, NEOR is proposed to have two-way access to the field formations of the agencies as they can enter the data generated by them and simultaneously have access to the data fed by them or by the other agencies, if needed during investigations. Presently, System Requirement Specifications (SRS) for the project is under process with NIC.
Integration of Secured Information Exchange Network (SIEN) and Multi Agency Coordination (MAC): SIEN is available in Delhi only and further expansion of the same is not found to be feasible in the wake of heavy expenses that needs to be incurred. Besides, MAC, which is a Network available across the nation has all the agencies of SIEN connected except CEIB, SFIO and DGGI. Therefore, the idea of integration of SIEN with MAC was mooted in a meeting and stands approved. A working group consisting of the officers from the CEIB, and concerned agencies has been formed to work out the actual plan to integrate the SIEN with MAC to meet the needs and requirements of all the stakeholders.
CHAPTER- IV

COORDINATION & EI-II

ECONOMIC INTELLIGENCE COUNCIL

The Government of India constituted Economic Intelligence Council (EIC) under the chairmanship of Finance Minister in 1990 to combat economic offences in an effective manner through coordination amongst the enforcement agencies dealing with economic offences. The EIC oversees the emerging scenario of economic offences to evaluate and approve suitable coordinated policy responses.

The functions of the EIC are as under:-

- Consider various aspects of intelligence relating to economic security and evolve strategy for effective collection and collation of such intelligence and its dissemination to identified user agencies and Department.
- Review measures to combat economic offences and formulate coordinated strategy of action by various enforcement agencies.
- Review important cases involving inter-agency coordination and approve modalities for improving such coordination.
- Consider and approve measures to strengthen the working of individual intelligence and enforcement agencies under the Ministry of Finance.
- Examine the changing dynamics of economic offences, including new modus operandi for such offences, and approve measures for dealing with them effectively.
- Advise on amendments of laws and procedures for plugging loopholes in taking effective action against economic offenders.
- Review measures to combat the generation and laundering of black money and approved strategy for dealing effectively with black money operators and tax evaders.
- Interact through its Secretariat, with the National Security Council Secretariat (NSCS) on matters having bearing on national security and economic security.
- Consider and approve annual tasks, including their periodical updating, for each of its agencies in consultation with all user departments and agencies, including the IB, R&AW, and direct its secretariat to make available the task lists to the NSCS.
- Consider and suggest appropriate budgeting of all agencies under its control.
The EIC has the following Constitution:
Finance Minister - Chairman
Minister of State (Revenue) - Vice Chairman

Members:
Governor, Reserve Bank of India
Finance Secretary/Secretary, Department of Economic Affairs
Home Secretary
Revenue Secretary
Secretary, Department of Company Affairs
Secretary, Financial Sector, Department of Economic Affairs
Secretary, National Security Council Secretariat
Chairman, Securities & Exchange Board of India
Chairman, Central Board of Direct Taxes
Chairman, Central Board of Indirect Taxes & Customs
Director General, Central Economic Intelligence Bureau
Director General, Narcotics Control Bureau
Director General, Directorate General of Revenue Intelligence
Director General, Directorate General of Goods & Service Tax Intelligence
Additional Secretary, Department of Revenue
Director, Directorate of Enforcement
Director General, Directorate General of Foreign Trade, Ministry of Commerce
Director, Financial Intelligence Unit-India
Director General, National Investigation Agency

Special Invitees:
Secretary, Ministry of External Affairs
Secretary, R&AW
Director, Intelligence Bureau
Director, Central Bureau of Investigation
Director General, Border Security Force
The EIC may also invite any other official or person whose views/participation is considered beneficial for the furtherance of its objectives.

Secretariat for the EIC
CEIB has been mandated to act as the Secretariat for the EIC and the Director General, CEIB acts as the Member Secretary of the EIC. The CEIB performs the following functions:
- Provide all necessary support and assistance, including infrastructural support to the EIC in discharge of its functions.
- Organize meetings at prescribed intervals
- Coordinate the progress of implementation of all decisions taken by the
EIC

As the Secretariat for the EIC, the CEIB is expected to improve coordination between the enforcement/intelligence agencies dealing with the economic offences and the agencies under the DoR. The CEIB has been mandated to convene meeting of EIC twice in a year. The last meeting of Economic Intelligence Council under the Chairmanship of Hon’ble Finance Minister, was organized by the Bureau on 15.11.2018.

The CEIB collated inputs from the member Agencies of the EIC on issues of national ramifications relating to economic security “for evolving strategies for effective collection and collation of intelligence and its dissemination to identified agencies and Departments and to review measures to combat economic offences”. Detailed Agenda notes were prepared for the meeting, and progress of the follow up action taken by the concerned Agencies on the decisions taken by the EIC was monitored and the updated action was reported to the Council.

During the meeting, deliberations on various agenda points took place and many policy decisions were taken. The meeting was attended by the following Members:

- Minister of State Revenue, Finance Secretary, Secretaries of Ministry of Corporate Affairs, Department of Economic Affairs, Department of Financial Services, Ministry of Electronics and Information Technology, Special Secretary (BM), Ministry of Home Affairs, Special Secretary Revenue, Chairman Central Board of Direct Taxes, Chairman Central Board of Indirect Taxes and Customs, Dy. NSA, NSCS, Directors General of CEIB, DRI, DGFT & DGGI, Directors of Intelligence Bureau and SFIO, Executive Director of RBI, Chairman SEBI, Principal Special Director Enforcement Directorate, Interim Director CBI, Drug Controller General of India, Comm.(Inv.), CBDT, Deputy Directors General of NCB and Department of Posts, Additional Directors of FIU-IND, & IB and OSD to MoS amongst others.
WORKING GROUP ON INTELLIGENCE APPARATUS

On the recommendations contained in the Group of Ministers’ report, relating to Intelligence Apparatus, pertaining to Central Economic Intelligence Bureau, the Government had constituted a Standing Working Group under the Chairmanship of the Union Revenue Secretary.

The objectives of the Working Group are as under:

- To monitor the progress of action on decisions taken by the Economic Intelligence Council (EIC);
- To monitor the working of Regional Economic Intelligence Councils (REICs);
- To examine the intelligence assessments compiled by the CEIB on the basis of inputs provided by various agencies, including the FIU;
- To ensure suitable interaction with the National Security Council Secretariat on matters having a bearing on national and economic security.

The constitution of WGIA, as revised till date, is as under:

Revenue Secretary - Chairman
Chairman, CBDT - Member
Chairman, CBIC - Member
DG, CEIB - Member
Director, Enforcement - Member
Additional Secretary (R&AW) - Member
Addl. Secretary (Financial Sector) - Member
Director General, DRI - Member
Director General, DGGSTI - Member
ADG, CEIB - Member
Dy. Director General (Enf.), NCB - Member
Joint Secretary (IS), MHA - Member
Joint Secretary, Deptt. of Company Affairs - Member
Joint Director, IB - Member
Joint Director, EOW-III, CBI - Member
CGM, SEBI - Member
Additional Director (Taxation), SFIO - Member
Director, FIU-IND - Member

The Working Group can co-opt any Member as Special Invitee as may be deemed necessary.

Last Meeting of the Working Group on Intelligence Apparatus pertaining to EIC under the chairmanship of Finance Secretary was held on 06.03.2018, which was attended by Secretary DFS, Secretary MEITY, Special Secretary DEA, Addl. Secretary Revenue, Chairperson CBDT, Chairperson CBEC, DGs of DGFT, GSTI, DRI & NCB, Directors of SFIO, FIU-IND, ED, MHA(CFT) & DCA, DIG of BSF, NIA & CBI, Executive Director RBI and representatives from NTRO, SEBI, Ministry of Health and Family Welfare, DoR& IB.

During the meeting, the actions taken on the decisions arrived at in the previous meetings of EIC and Working Group were reviewed and the issues pertaining to intelligence gathering and coordination were discussed. The performance of the REICs was also reviewed and appropriate directions were given to improve the coordination amongst the agencies.

**INFORMATION SHARING PROTOCOL**

In the WGIA held on 06.03.2018, Finance Secretary impressed upon all investigating agencies dealing with fiscal offences that they should regularly share information with the CEIB to enable it to fulfil its mandate for assessing the economic intelligence and disseminating the same to the Law Enforcement Agencies (LEAs) concerned, and also for suggesting policy changes for dealing with economic offences.
On the basis of decision taken in WGIA and as directed by Finance Secretary, an Information sharing Protocol (ISP) was finalized by CEIB, after circulation of a draft ISP for feedback from LEAs, specifying the information as well as the time-frame within which the LEAs have to mandatorily share the information with CEIB in a specified time frame. The same was circulated to the LEAs of the WGIA, Central Vigilance Officers of the Public Sector Banks and Financial Institutions and 35 Directors General of Police of the States and Union Territories for compliance.

The following thumb rules are provided in the ISP for sharing by LEAs with CEIB:

1. Nodal Officer responsible for ensuring that reporting is done regularly, to be nominated by the Head of the Agency/Department. Name, designation & contact numbers to be provided.
2. All cases where offence is detected, irrespective of the nature of offence, which involves contravention of any economic statute, are to be shared within a week of such detection/adjudication (unless specifically mentioned in the attached annexure). It may be noted that even if any order by any agency is placed in the public domain/website, a copy still needs to be sent to CEIB.
3. In cases where inter-agency ramifications noticed during course of investigation, that agency should be informed directly to save time (alongwith all supporting facts & figures) but invariably, a copy be enclosed to CEIB.
4. For the time being, sharing may be done through (Secure Information Exchange Meeting) SIEN or hard copy till the necessary secure message sharing platforms are put in place by CEIB.
5. So far as context of information is concerned, the primary details would be identity (such as PAN/PP No., IEC, GSTIN, CIN, DIN etc.) name, address of the entity, relevant statute, date of action, details of seizure and the modus operandi adopted to violate the statute. Care must be taken to see that the modus operandi adopted must be spelt out in great clarity, so that any inter-agency ramification is brought on record. The information to be shared and the timelines of sharing are placed in the Annexure to this Report.

As per the ISP, 15 agencies including DRI, DGGSTI, CBDT, CBIC, SFIO, CBI, ED, NIA, NCB, EOW (State Police), RBI, Banks, FIU, SEBI & DGFT have to appoint Nodal Officers responsible for ensuring that reporting is done regularly to CEIB and all cases involving detection of contravention of any economic statute, irrespective of the nature of offence, are to be shared within a specified time frame of such detection/adjudication with CEIB.
CEIB will further disseminate the information and share it with other LEAs, as required.

After implementation of ISP, with a great deal of follow up by the Bureau, the receipt of intelligence inputs has increased w.r.t. certain LEAs which can be seen from the table below, although there is considerable scope for improvement:

<table>
<thead>
<tr>
<th>Agency</th>
<th>Inputs received in FY 2017-18</th>
<th>Inputs received in FY 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBIC</td>
<td>1192</td>
<td>4780</td>
</tr>
<tr>
<td>CBDT</td>
<td>93</td>
<td>853</td>
</tr>
<tr>
<td>CBI</td>
<td>55</td>
<td>186</td>
</tr>
<tr>
<td>ED</td>
<td>660</td>
<td>1969</td>
</tr>
<tr>
<td>NCB</td>
<td>0</td>
<td>41</td>
</tr>
<tr>
<td>NIA</td>
<td>13</td>
<td>29</td>
</tr>
<tr>
<td>BSF</td>
<td>797</td>
<td>213</td>
</tr>
<tr>
<td>IB</td>
<td>17</td>
<td>29</td>
</tr>
<tr>
<td>R&amp;AW</td>
<td>36</td>
<td>23</td>
</tr>
<tr>
<td>Banks</td>
<td>108</td>
<td>3514</td>
</tr>
<tr>
<td>SFIO</td>
<td>104</td>
<td>361</td>
</tr>
<tr>
<td>DGFT</td>
<td>157</td>
<td>429</td>
</tr>
<tr>
<td>SEBI</td>
<td>1</td>
<td>730</td>
</tr>
<tr>
<td>Police</td>
<td>1</td>
<td>1659</td>
</tr>
<tr>
<td>NSR</td>
<td>47</td>
<td>30</td>
</tr>
<tr>
<td>GEP Adverse</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>COFEPOSA</td>
<td>150</td>
<td>NA</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3435</td>
<td>14851</td>
</tr>
</tbody>
</table>

As discussed during the Video Conference of Conveners of Regional Economic Intelligence Councils (REICs) on 25.02.2019, the Bureau has sought details of shareable cases as per ISP and actual number of cases shared by the LEAs with CEIB.

**Other initiatives regarding information sharing**

CEIB has appraised CBDT regarding the tax benefit obtained from Income Tax department on matters settled by SEBI under the consent mechanism. Many entities have paid settlement charges to SEBI and claimed these amounts as tax deductible business expenditure under the Income Tax Act, 1961. A High-Level SEBI Committee has proposed that SEBI may write to Central Government to request appropriate changes in the Income Tax Act, 1961, on the lines of the US Internal Revenue Code to explore seeking an undertaking from an applicant, to be reproduced in settlement order in respect of non-tax reimbursable amount. The views of the High-Level SEBI Committee were brought to the notice of CBDT to take necessary action.
CEIB had requested CBDT for sharing information with CEIB regarding detection of bank loan frauds/unauthorized collective investment schemes etc. It was requested that many a time during the course of investigation, instances of non-compliance to KYC norms, inflation of stocks vis-a-vis physical stock primarily designed to attract higher credit limits from banks and diversion of bank loan funds are found, which would be very useful to the bank credit department & management, to arrest the fraud from being committed and the same may be shared with CEIB. The aspect of Collective investment scheme being carried out without taking necessary approvals of SEBI to also be kept in mind by the AO and the same also be shared so that regulator can effectively address the issue of refund to the investors. Consequent to the flagging of the issue by CEIB, CBDT has issued instructions to its officers directing them to share such information detected during the course of income tax proceedings with the CEIB. The Bureau is committed to share the same with DFS and RBI, which is certain to improve the overall coordination between LEAs.

CEIB has also requested Chairman CBIC to sensitize the field formations working under CBIC to make reference to concerned banks/Financial Institutions in case of irregularities of high magnitude/mis-utilization of funds detected during the investigation to help bank take corrective measure. DGGI has circulated Bureau’s above referred request letter amongst all their field formations/LEAs viz. All Zonal Units of DGGI, DRI and Pr. Chief Commissioner and Chief Commissioners of Customs, CGST and Central Excise for information and necessary action. The Bureau has shared the same with DFS.

Private Safe Deposit Vaults (PSDVs) being unregulated, pose security threats in as much as they are found to be used for drugs, black money, unreported financial transaction/benami property details and valuables and had come up for discussion in WGIA of March 2018 and in both the Video Conferences with REIC Convenors/Members. Bureau had made suggestions to FIU-IND/DoR to make PSDVs as reporting entities under PMLA 2002 and for having a regulator for having robust legal powers for regulation, supervision and imposing of sanctions in respect of PSDVs.

Bureau had given suggestions to regulate the Multi State Cooperative Societies (MSCSs) to FIU subsequent to which MSCSs registered under the Multi State Co-Operative Societies Act, 2002 have been notified under section 2 of the Prevention of Money Laundering Act, 2002, as Reporting Entities and they are now required to file applicable reports as prescribed under the PMLA to FIU.
A request has been made to SFIO, requesting that LOCs (Look Out Circulars) issued by MHA on specific complaint of SFIO be shared. CEIB has been informed that the same will be shared. It will add value to the database.

TRAINING

Training is one of the interventions of human resource development process for cultivating competence, and for the critical goal of raising the standard of an organization’s performance.

The Bureau has taken up the task of coordinating training programmes with various specialized agencies on different subjects for upgradation of the capacity and skills of the Officers under the Department of Revenue/Member agencies of REICs. The programmes conducted during the year 2018 are as under:

- ‘Legal Aspects & Legal Matters’ at National Law University, New Delhi.

The objectives of the course are:

- To familiarise revenue officials with general procedural safeguards while dealing with court matters.
- To make basic procedure as part of Standard Operating System so that cases pass the test of court proceedings.

The topics covered include:

Protection of bonafide official acts, Procuration, Preservation and Presentation of Electronic Evidence, Effective Prosecution of Economic Offences, Arrest & Preventive Detention under Tax Laws and COFEPOSA, PMLA, Collection of Evidence and Examination of witnesses in Economic Offences, Procedure relating to Search, Seizure, Arrest and Destruction of seized property under NDPS Act, Investigation of cyber offences, Detection, Investigation and Prosecution of Account Frauds, Forensic Audit and Law, Serious Frauds and Investigations by SFIO, Insolvency and Bankruptcy Code, Presenting the Evidence, Insight on skills of drafting, framing questions of law.
‘Banking Operation & Fiscal law Enforcement’ at State Bank Institute of Consumer Banking, Hyderabad.

The purpose of the programme is to appraise the participants about the Banking Frauds through banking channels with new technologies, Forensic Audit, PMLA/FEMA violation, cyber-crimes, etc.

The Course Content includes:

Anti Money Laundering measures for Combating Financial Terrorism; banking practices & various enactments relating to Banking in India; significance & scope of Forensic Audit; disclosures made in Financial Statements & how Financial Statements are manipulated; cyber frauds and E-investigation methods; modus operandi of frauds committed in imports and exports; implications of FATCA & LRS; frauds committed through banking channels; various payment & settlement platforms.


The purpose of the programme is to inform the participants about various types of securities market manipulation/frauds and detailed processes of Investigations therein. National Institute of Securities Markets (NISM) is an Indian public trust and an educational institute and staff college of SEBI established in 2006 by the Securities and Exchange Board of India (SEBI) the regulator for the securities market in India.

The Course Content includes:


‘Intelligence Gathering & Intelligence Tradecraft’ at Cabinet Secretariat Training Institute, Gurgaon.

This course mainly focused on Intelligence Gathering: What is Intelligence, How is it gathered, Skill of Intelligence, Types of Intelligence, Intelligence related analysis, Sharing & Coordination of gathered information with concerned Law Enforcement Agencies, etc.
➢ ‘Intelligence Gathering & Intelligence Tradecraft’ by Intelligence Bureau at National Intelligence Academy, New Delhi.

The objective is to build the capacity and skills amongst Revenue Officers in respect of gathering intelligence and process of investigation.

**The Course Content includes:**
Intelligence Concept & Methodology; Terror Funding; Secret Enquiry-Definition, Scope, Utility, Types, process of gathering, channel; Interrogation: Types & Techniques; Technical Intelligence; Essential Commodities; Cyber Security (how to secure data); NGO-Case Studies; FICN; Surveillance : Types & Techniques; Foreign Investment – Security Prospective.

➢ ‘Trade Based Money Laundering’ at State Bank Institute of Consumer Banking, Hyderabad.

TBML is an important money laundering technique that has received limited attention from policy makers and bankers. With increased international trade, TBML route is becoming increasingly popular tools among launderers. Front line Revenue Officers investigating export and import transactions need to be trained about what constitute a suspicious activity of laundering.

The Course Contents includes:

Overview of TBML; Fundamentals of Money Laundering in International Trade; Key participants associated with TBML and their roles; Management of risks associated with TBML; Important Regulatory Framework and TBML; experience sharing by LEAs; Group Discussion – Case studies/experience sharing/presentation by participants.

**Existing and future training programs:** It is through the efforts of CEIB that the last mentioned TBML course could materialize. It is turning out to be a hugely popular and sought-after course. CEIB had also taken up with the DG, National Academy of Direct Taxes, Nagpur, to conceptualize and design a course on “forensic accounting and techniques of investigation using digital forensics” and with National Institute of Financial Management for a course on “prevention of commercial frauds and tax evasion”. NADT has now confirmed the module (with 40 slots) for course on “forensic
accounting and techniques of investigation using digital forensics “to be conducted from 15-18 October 2019. The other modalities, such as dates etc are being worked out. To make course content relevant to participants, efforts are underway to include live case studies and identify the best guest faculty from LEAs who have themselves conducted the investigations in relevant/focus subject areas. A New Management Development Programme on “Collection/Preservation/Presentation of Digital Evidence” at National Institute of Financial Management, Faridabad is under process.

With a view to having a database of effective faculty/speakers at CEIB, details of speakers/lectures have been sought/obtained from LEAs. This database would be utilized/shared with the training institutes/Academies for availing the services of eminent speakers/best resource persons available for taking sessions in the programmes to be organised on behalf of CEIB for officers of various LEAs.

Photographs from some training programmes
Programme For CEIB Officials
At State Bank Institute of Consumer Banking, Hyderabad. From 29 - 10 - 2018 to 30 - 10 - 2018
Agency wise breakup of the participants attending the training programmes coordinated by the Bureau (TABLE 11)

<table>
<thead>
<tr>
<th>Agency</th>
<th>FY 2017-18</th>
<th>FY 2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEIB</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>CBDT</td>
<td>36</td>
<td>82</td>
</tr>
<tr>
<td>CBIC</td>
<td>109</td>
<td>173</td>
</tr>
<tr>
<td>ED</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>FIU-Ind</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>SFIO</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>RBI</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>State Tax (VAT)</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
**Year 2018:** Particulars of trainings conducted in the calendar year 2018 are tabulated as under:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Training Programme</th>
<th>Schedule/dates</th>
<th>Name of Institute</th>
<th>No. of Trainees (Agency-wise detail)</th>
</tr>
</thead>
</table>
| 1.      | Legal Aspects & Legal Matters  | 5<sup>th</sup> to 10<sup>th</sup> April, 2018 | National Law University, New Delhi | CDBT - 15  
CBIC - 16  
FIU-IND – 01  
**Total = 32** |
| 2.      | Banking Operation & Fiscal law Enforcement | 4<sup>th</sup> to 10<sup>th</sup> June, 2018 | State Bank Institute of Consumer Banking, Hyderabad | CDBT - 05  
CBIC - 22  
RBI - 01  
ED - 01  
**Total = 29** |
CBIC - 24  
FIU-IND – 01  
**Total = 40** |
| 4.      | Intelligence Gathering & Intelligence Tradecraft | 06<sup>th</sup> to 10<sup>th</sup> August, 2018 | Cabinet Secretariat Training Institute, Gurgaon | CDBT - 05  
CBIC - 18  
**Total = 18** |
| 5.      | Intelligence Gathering & Intelligence Tradecraft | 23<sup>rd</sup> to 28<sup>th</sup> September, 2018 | Intelligence Bureau, National Intelligence Academy, New Delhi | CDBT - 16  
CBIC - 25  
FIU-IND – 01  
**Total = 42** |
| 6.      | Trade Based Money Laundering | 29<sup>th</sup> to 30<sup>th</sup> October, 2018 | State Bank Institute of Consumer Banking, Hyderabad | CDBT - 11  
CBIC - 23  
RBI - 01  
SFIO - 01  
State Tax (VAT) - 01  
**Total = 37** |
| 7.      | Legal Aspects & Legal Matters  | 3<sup>rd</sup> to 7<sup>th</sup> December, 2018 | National Law University, New Delhi | CDBT - 05  
CBIC – 19  
**Total = 24** |
| 8.      | Trade Based Money Laundering | 25<sup>th</sup> to 26<sup>th</sup> February, 2019 | State Bank Institute of Consumer Banking, Hyderabad | CDBT – 10  
CBIC – 26  
**Total = 36** |

**Grand Total = 263**
**Year 2017:** Particulars of trainings conducted in the calendar year 2017 are tabulated as under:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of the Training Programme</th>
<th>Schedule / dates</th>
<th>Name of Institute</th>
<th>No. of Trainees (Agency-wise detail)</th>
</tr>
</thead>
</table>
| 1.    | Investigating Economic Crime in Securities Market | 24<sup>th</sup> - 28<sup>th</sup> April, 2017 | National Institute of Securities Markets, Mumbai | CEIB - 01  
CBDT - 07  
CBIC - 27  
ED - 02  
FIU - 01  
**Total = 38** |
| 2.    | Banking Operation & Fiscal law Enforcement | 19<sup>th</sup> – 23<sup>rd</sup> June, 2017 | State Bank of Staff College, Hyderabad | CEIB - 01  
CBDT - 05  
CBIC - 14  
FIU - 01  
**Total = 21** |
| 3.    | Intelligence Gathering & Intelligence Tradecraft | 07<sup>th</sup> – 11<sup>th</sup> August, 2017 | Cabinet Secretariat Training Institute, Gurgaon | CBDT - 02  
CBIC - 27  
CEIB - 02  
ED - 02  
**Total = 33** |
| 4.    | Legal Aspects & Legal Matters | 18<sup>th</sup> – 23<sup>rd</sup> September, 2017 | National Law University, New Delhi | CBDT - 07  
CBIC - 25  
CEIB - 01  
SFIO - 01  
**Total = 34** |
| 5.    | Intelligence Gathering & Intelligence Tradecraft | 20<sup>th</sup> – 24<sup>th</sup> November, 2017 | Intelligence Bureau National Intelligence Academy, New Delhi | CBDT - 15  
CBIC - 16  
ED - 01  
**Total = 32** |

**REGIONAL ECONOMIC INTELLIGENCE COUNCILS (REICs):**

**Overview of REICs:** REICs were set up in March, 1996 (F.No. 60011/22/95-CEIB dated 12.03.1996) at 18 places for ensuring regional operational coordination amongst the different enforcement and investigation agencies in the field of economic intelligence. The REIC Forum comprises of designated officers from CBDT, CBIC, DRI, DGGI, NCB, ED, CBI, IB, RBI, local heads of RoC, EOW of State Police and State Tax Authorities etc. The Department of Revenue vide Instruction F.No.50/81/2003-Ad I dated 01.10.2003 mandated that REICs would gather economic intelligence on trade and industry in the region, examine trends on intelligence and changing dynamics of economic offences, including new modus operandi, for such...
offences and suggest measures for dealing effectively against economic offenders.

Following the restructuring of Income Tax and Customs & Central Excise departments and creation of three new states, Uttarakhand, Chattisgarh and Jharkhand, as decided in the EIC meeting dated 23.11.2005, 3 more REICs (Dehradun, Raipur & Ranchi) were added in 2005. REIC Goa was added in April 2008 following decision in the Working Group Meeting dated 28.04.2008.

The exponential growth of the economy, wide geographical spread of some REICs, extensive cadre restructuring in the Income Tax Department and Custom & Central Excise Department, more intricate linkage between economic offences and National Security and consequent enhanced need for more intricate and active coordination amongst all Agencies, led to creation of 8 more REICs at Allahabad, Amritsar, Meerut, Nagpur, Rajkot, Vishakhapatnam, Jodhpur and Indore in 2014, taking the total number of REICs to 30.

**Functioning of REICs:** The forum meets bimonthly and exchanges information concerning economic offences. The Bureau monitors the performance of all 30 REICs. It also convenes Zonal Conferences of the Conveners of the REICs wherein the performance of the REICs is reviewed. The Bureau circulates alerts/circulars/guidelines time and again to the REICs for their effective functioning. The Bureau has also instituted a comprehensive reporting system through which the working of the work of the REICs can be effectively monitored. The Bureau reviews the performance of all REICs on half yearly basis.

**Redesignation of REICs/Inclusion of new Designated Members:** Due to introduction and implementation of CGST, structural changes took place in the State and Central taxation authorities. Further, restructuring took place in CBDT. Similarly, new designations were also introduced in various departments like Enforcement Directorate, DGGSTI, DGFT and others. All these variations were reflected in the attendance sheets of various REICs where it was found that the members who were attending REIC Meetings were not in accordance with REIC Manual 2015. Hence, a need arose to redesignate the existing members from CBIC & DGGSTI. While conducting the exercise of redesignating the existing designated members and restructuring in various REICs, the possibility of inclusion/exclusion of various agencies, based on their importance/involvement in the sharing and coordination in REIC forum was also analyzed. Accordingly, proposals were obtained from all 30 REICs. The proposals received in the Bureau were examined and suggestions made to the REICs after reviewing nearly 800 authorities.
Taking into account the importance of Economic Offence Wing of the State Police, it has been included as a designated agency in respective REICs. The EOW is a Nodal Agency of the State Govt. to deal with Economic Offences relating to Land Scams, Bank Frauds, Cheating, Forgery, Criminal Breach of Trust, misappropriation of public deposits by unauthorized Non-Banking Financial Companies/Chit Fund Companies, etc.

Similarly, Director of Income Tax (Intelligence & Criminal Investigation) was included as designated member in all the REICs as it is entrusted with the work of collection, collation of information and dissemination of actionable intelligence to its field formation as also identification and investigation of cases of tax evasion arising out of criminal matters.

**Review of the performance of REICs:** Bureau has analyzed the performance of the REICs based on the Minutes received for the F.Y. 2017-18 and 2018-19 by considering the factors like number of cases sponsored/review of the action taken on the cases shared earlier/attendance of Designated Members/ frequency of meetings/review of NOG, sub-groups and discussion of Permanent agenda items. Bureau has communicated the shortfalls to the REICs.

The statistics pertaining to meetings and percentage participation of designated members vis-a-vis the last three years is depicted by way of

**Tables 12**

![No. of meetings held](image-url)
Information Exchange in REICs: The violation of one law may lead to the violation of other laws too. Many of the cases involving economic crimes have interdepartmental ramifications and such cases need immediate sharing among LEAs to curb economic offences in a comprehensive manner. The economic offenders are adopting new modus operandi and the LEAs concerned need to be apprised for taking appropriate action timely. The REIC forum has served the objective by sharing the information among other Members in the Forum which results in the increase in Revenue realization. The following TABLES 14 & 15 show information sharing and sponsoring of cases at REIC forum by member agencies, cases picked up for further action by all member agencies and additional revenue detected and realized. The graph in Table 14 shows Additional Revenue detected & realized over last four Financial Years 2015-16, 2016-17, 2017-18 and 2018-19, as a result of sharing at various REIC fora. The additional revenue detected as a result of such sharing is manifold of actual revenue realized.
## TABLE 14

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of cases sponsored</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>1174</td>
</tr>
<tr>
<td>2016-17</td>
<td>1082</td>
</tr>
<tr>
<td>2017-18</td>
<td>1495</td>
</tr>
<tr>
<td>2018-19</td>
<td>1865</td>
</tr>
</tbody>
</table>

## TABLE 15

<table>
<thead>
<tr>
<th>Year</th>
<th>Additional Revenue Realized (in Rs. Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>184</td>
</tr>
<tr>
<td>2016-17</td>
<td>49</td>
</tr>
<tr>
<td>2017-18</td>
<td>141</td>
</tr>
<tr>
<td>2018-19</td>
<td>124.5</td>
</tr>
</tbody>
</table>
The Bureau circulates alerts/circulars/guidelines from time to time to the REICs for their effective functioning. An important development regarding which the REICs were appraised was the Order dated 04.08.2017 of the Rajasthan High Court in S.B. Sales Tax Revision / Reference No. 318 / 2011 in 318/2011 in CTO Vs Anand Minerals. In the above referred case, the Hon’ble High Court (Jaipur Bench) observed that REICs had been constituted by the Government of India for exchange of information between various agencies. It took note of the lack of co-ordination amongst the intelligence agencies and tax departments dealing with tax matters/economic offences. The heads of agencies were required to file affidavits regarding suggestions for improving the functioning of REICs as per the REIC Mandate. The Hon’ble High Court directed that not only information would be passed on, but the Officer concerned having information in his possession, is duty bound to transmit even the incriminating material collected during the course of search/survey so that other Tax Department, without wasting further time, acts on such incriminating material rather than calling again and again from the official concerned under whose possession the said incriminating material is lying seized. Further, the information must be forwarded/transmitted within a period not later than 3 months and in case information is not passed then the said officer would be held personally liable of the consequences which may follow. It also observed that it is expected that in REIC, the Heads of various Tax/ or other Departments should be available in meetings rather than junior officials of some of the Departments, which came to notice of this court on perusal of the earlier reports provided by the Commissioner, Commercial Taxes.

The Bureau has sensitized all the 30 REICs and 7 Member Agencies of the EIC about this Order and also the need to follow the guidelines of the Bureau in conducting the REIC meetings and sharing intelligence on real-time basis.

After persistent efforts and follow-up, CEIB was notified as an agency under Section 138(1)(a)(ii) of the Income Tax Act, 1961 by CBDT (Notification number 34/2018 issued vide F.No. 225/245/2018-ITA-II dated 25.07.2018). The REICs were informed about this Notification.

**Video Conference with REIC Conveners/Members**

Two Video Conferences with all 30 Conveners and the designated members of the respective REICs were organized on 25.04.2018 and 25.02.2019 by the Bureau. They were chaired by the Finance/Revenue Secretary and also attended by the heads of various Agencies, highlighting the concern at the
highest levels regarding need to ensure that the REICs regain their effectiveness. The Finance Secretary, Chairman CBDT, Chairperson CBIC, Member (Budget) CBIC & DG, GSTI, Director ED, DG DRI, Joint Director & DIG (CBI), DD (NCB), DG CEIB interacted with the REIC Conveners and sought their feedback and suggestions on improving the performance and effectiveness of REICs. DG, CEIB made presentation on the performance of the REICs, issues of concern and the expectations from the REICs. The Conveners highlighted the key aspects of their performance during the year and also provided useful feedback/suggestions, which are considered for implementation. It has since been decided to issue fresh guidelines on the functioning, reporting and performance appraisal of REICs, which would make them more result oriented and active. Separately, the REIC Manual, which was last issued in year 2015, is being revised and issued. Soft copy of the same will be placed on the website.
**REIC Database Software:** New REIC database software was developed in F.Y. 2017-18 and the same was made functional. 375 REIC meeting minutes pertaining to all REICs for the F.Y. 2015-16 (100), 2016-17 (79), 2017-18 (67) and 2018-19 (129) have been entered in it.
Considering that substantial intelligence is shared in the REIC Forum, the Bureau has also taken a new initiative from F.Y. 2018-19, of entering data in respect of cases shared in the REIC into the NEIN database. During F.Y. 2018-19, 2327 cases shared in the REIC were entered in NEIN database.

Sample cases showing the efficacy of sharing in the REIC Forum during the years 2017-18 and 2018-19:

a) In REIC, Delhi, a CESTAT order in a case on the issue of below market price value of calls provided by the telecom company to its employees and their relatives involving implications of ‘Fringe Benefit Tax’ and ‘Service Tax,’ was circulated by CEIB for examination of application of same modus operandi by other telecom service providers. CGST informed detection of Rs. 31.75 cr. in 08 cases leading to realization of additional revenue of Rs. 4.81 cr.

b) In Bangalore REIC, case of a prominent builder and developer was sponsored by Income Tax and picked up by DGGSTI. Following admission of undisclosed income of Rs. 235.06 crores to IT Wing, investigation by DGGSTI has resulted in detection of additional demand of Rs. 8 cr.

c) In Bangalore REIC, information was shared by DGGSTI and was picked by Income Tax. Survey was conducted in respect of the shared information (32 cases) leading to detection of TDS default of Rs. 24.49 cr.

d) A case from Bangalore was sponsored by DRI regarding huge unaccounted cash (including Demonetized notes) secreted at a premises. Search was conducted by DIT (Inv), Bangalore, leading to detection and seizure of unexplained cash of Rs. 3.81 Cr. and Gold bullion of value Rs. 59.00 lakhs.

e) RBI Hyderabad sponsored information in a case which was further picked up by DGIT(Inv). The party was involved in trading in gold and had not maintained complete set of books of account. During the course of survey, excess stock of 23.4kg was found in addition to other irregularities. Additional income of Rs. 86.82 crores was declared and Rs.47.97 cr. was paid as taxes.

f) In REIC, Jaipur, information was shared by DIT(Inv) Jaipur regarding an assessee engaged in Manufacturing of Tobacco products, FMCG, Stationery, Real Estate, PVC pipes fitting, hospitality and entertainment. The same was picked up by Central Excise & Service Tax Dept. Rs 3.71 Crore
Service Tax with Interest Rs 1.43 Crore and Penalty Rs 0.56 crore (Total Rs 5.70 Cr) has been recovered.

g) In REIC, Jaipur, a case was sponsored by DIT(Inv), Jaipur, who informed that the Director admitted to have extended cash advances for purchase of land and bogus sundry creditors. The case was picked up by IG (Registration & Stamps) and a demand of Rs 8.71 Cr has been raised as Additional Revenue.

h) In REIC, Jaipur, information was shared in a case by Central Excise, Jaipur which was further picked up by Commercial Tax. The assessee was engaged in clandestine removal of manufactured goods on kachiparchi and kanta slip, suppression of production and clearance of excisable goods without payment of duty. On investigation, Rs. 4.85 Cr was raised as additional revenue.

i) In REIC, Jaipur, information was shared in a case by Directorate of Enforcement and picked up by Pr CIT-1 Jaipur for further action. The assessee was indulging in non-realization of export proceeds, obtaining fraudulent loans from banks on the basis of forged documents, huge cash deposits in the accounts of creditors from whom the amount is shown to have been taken for purchase of house. Assessment was completed and Rs 17.22 Cr was raised as additional revenue.

j) In REIC, Jaipur, joint search operations against the gang saw owners and persons/firms engaged in illegal mining of sand stone in Bharatpur District, were carried out by various teams consisting officers from ACB, State DRI, Mining, FOREST, Local Police and DGGI. Sand Stone measuring 114448.158CFT and 6778.6273 MT have been placed under seizure. Assessee also admitted shortage of goods of Rs. 1,26,12,160/- and paid GST of Rs.6,30,608/- on the same. Cash in INR Rs.10,39,200/- was also seized during the operation.

k) In REIC Ranchi, a case was shared by Income tax and picked up by CGST where the assessee was involved in introducing money from the paper companies in the form of Unsecured Loan and Share Premium from paper companies. The investigation resulted in detection of additional revenue Rs. 13 Cr, out of which Rs. 1.3 Cr has been collected so far.

l) In REIC Rajkot, a case was sponsored by Central Excise, Rajkot and picked up by Pr. CIT, Jamnagar. The case involved clandestine removal of excisable goods (Brass sheets and copper sheet). The investigation by Pr. CIT Jamnagar resulted in additional demand of Rs. 5.06 Cr.
m) In REIC Vadodara, a case was sponsored by DGCEI, Vadodara and picked up by DIT(Inv) Surat. The unit had indulged in clandestinely removing goods without payment of Central Excise Duty i.e. they had cleared goods at lesser price than actual MRP. The investigation resulted in additional revenue realization of Rs. 3.87 Cr.

**Sharing of Intelligence inputs:**

The Bureau, in its role as a coordinating agency for various Law Enforcement Agencies, receives inputs from public & open source intelligence and utilizes such intelligence inputs which involve numerous aspects of economic offences. During the Year 2018-19, the Coordination Section disposed and shared 539 such inputs received from various LEAs/individuals. For sharing the intelligence inputs with various LEAs, a total of 456 letters were sent.

**RTI Matters:** The Coordination section deals with RTI matters pertaining to the entire CEIB including COFEPOSA. The Appellate Authority, CPIO and CAPIO are from the Coordination section of the Bureau. During the F.Y 2017-18, the designated officers received 17 RTIs and 03 first appeals. All the RTIs and appeals were disposed. The Quarterly and Annual Returns have been submitted to Department of Revenue timely.

**Some major cases coordinated by EI- II/Coordination:** The section, being involved in economic intelligence, shares inputs received from various sources with different LEAs. During the year 2018, the section shared 28 cases with relevant LEAs.

a) A company along with its seven other associate companies was engaged in providing accommodation entries of bogus expenditure to other companies. The beneficiary companies also made huge payment to some Kolkata based companies for alleged contractual jobs mainly supply of soil, rubbish etc. Further, these companies did not do the job directly but subcontracted the jobs to various other companies. All these companies who had been given sub-contract job, were found to be paper/shell companies. The beneficiary companies deducted tax at source to give a colour of genuineness of the transactions. But the "contractor-companies" did not deduct any tax at source claiming that the transactions were not “contractual” but merely purchase. Bureau had shared the case with MCA which in turn had ordered further investigation in 08 cases and instructed its regional offices to conduct enquiry and submit report in three months.

b) In one case, specific findings of SEBI in the interim order dated 07.03.2018, led to restraint on 3 directors of a company registered in Mumbai, from accessing the security market and from buying/selling/dealing with securities, directly or indirectly. SEBI had ordered independent forensic
audit of the books of accounts of the company. The findings of the SEBI order were as under:
(i) Manipulation of books of accounts and prima facie bogus claim of losses of Rs. 163 crores in the books for F.Y 2016-17.
(ii) Misrepresentation of financial and business operations of the company.
(iii) Wrongful diversion/siphoning of company funds through related party transactions.

SEBI had passed a confirmatory order on 16.11.2018, following directions of Securities Appellate Tribunal, wherein the earlier order for forensic audit of the company from F.Y 2011-12 onwards till 07/03/2018 was confirmed. The said order was passed after taking into account the objections/submissions filed by the entities, as it was felt that the actual utilization of the funds by the trusts for stated objects and actual revenue generated, were highly doubtful. It was also found that no satisfactory explanation had been furnished for the sudden drop in the company’s profit from Rs. 60.87 crores in 2014-15 to Rs.6.77 crores in 2015-16. This SEBI order had significant implication from the point of view of Income tax assessments. Hence the findings of the order were shared with CBDT.

c) In another case with respect to a company in Bengaluru, SEBI in its order confirmed the fact regarding diversion of Rs. 655.55 Crores from a company to its tie-up manufacturing units (TMUs) or project related entities (PREs) ostensibly to provide advances for business expansion or projects between 2010 to 2013, which in turn transferred these funds to company’s group entities. The matter was analyzed from the angle of fraud, as envisaged u/s 447 of the Companies Act, 2013, and was forwarded to MCA for examination by SFIO, of omission & concealment of facts & abuse of position committed by Directors and Key Managerial persons, in order to deceive, injure the interest of the company & its shareholders.

d) Following information received from MCA that a particular company registered in Odisha, is a shell company, certain investigations were carried out by SEBI and a detailed order passed, inter alia directing BSE Ltd. to appoint an independent forensic auditor to verify the misrepresentation of financials and possible misuse of funds. SEBI also found that
i. Despite having huge interest-bearing loans worth about Rs.119.68 crores, the said loans were defaulted and loans/advances of Rs. 461.31 crores were made. No link for business purpose was established for justifying the said loans/advances.
ii. Sundry debtors of Rs. 56.37 crores were written off out of total write off Rs.93.06 crores.
iii. The company had also failed to provide contract wise surplus/loss
continuously from F.Y 2013-14.

This SEBI order had significant implication from the point of view of Income tax assessments. Hence the findings of the order were shared with CBDT

e) CBDT had shared gist of search on an entity at Nagpur, which resulted in seizure of cash of Rs. 19 Lakhs and jewellery of Rs. 108.15 Lakhs. The search also resulted in unearthing evidences of discrepancy on account of excess production of goods/cables. The quantum of excess production on estimate basis was around Rs. 35 crores for the period of A.Y. 2012-13 to A.Y. 2018-19. Further, the issue of bogus expenses of around Rs. 20 Crores claimed on account of sales commission and packaging material was also found. As per the report the quantum of undisclosed income was Rs. 42 Crores without taking into account estimated out of books production and sales made by the company. The findings of the report of CBDT were shared with CGST Nagpur.

f) SEBI found that for the F.Y. 2011-12, a manufacturing company registered in Mumbai had netted off Loans and Advances against short term borrowings, against all norms of Accounting Standards, the balance outstanding of which was Rs. 169 crores and the same increased to Rs. 1353 crores as on 31.12.2012. SEBI has also noted from the confirmation of parties to whom loans and advances were given by the company that the same were for the purposes of real estate, which is a non-core activity of the company. Moreover, it was apparent that the company transferred borrowed money to companies trading in bullion, which amounts to diversion of funds, as it is not related to the core business. FIRs have been filed by the CBI on complaints filed by various banks.

This SEBI order had significant implication from the point of view of Income tax assessments. Therefore, the findings were shared with CBDT with the request to direct the AO to examine whether the fact of diversion of borrowed funds for non-business purposes, as per SEBI order and CBI chargesheets in the above case for FY 2011-12 onwards would call for disallowance of interest, not being an expenditure specified u/s 36(1)(iii) of the Income Tax Act.

g) DGGI had initiated action/investigation and found that a company with its office at Haryana, failed to file their GST returns from March 2018 to May 2018 and deposited amount of Rs 26.77 Crores towards their anticipated GST liability. In addition to above, it was also gathered that Police had arrested Chairman and Managing Director of said entity, and seized Rs 200 crore from
the company accounts with various banks. The matter had multi agency ramifications, therefore the said matter was shared with REIC Chandigarh, RBI, SEBI, DGP of Telangana, MCA and Chief Secretary of Haryana.

h) Illegal gypsum mining was taking place at many locations within 7 Kms of International Border, in Khajuwala Sub division of district Bikaner as forwarded by DIG (BSF). As any activity connected to mining within 80 KM of International Border should be referred to the Ministry of Defense for security clearance, the matter was forwarded to Ministry of Mines of State Govt. of Rajasthan and Central Government.

i) The SEBI had conducted preliminary examination and observed that a company having headquarters at Gurugram, had initially advanced loans in the form of Inter Corporate Deposits (ICD) to 3 Indian Companies to the tune of Rs. 576 Cr. during December 2011. The verification of bank statements of the 3 borrower companies during December 2011 (when initial ICDs were given) showed that the ICD amount was transferred to promoters/promoter connected entities. SEBI had appointed its own Forensic Auditor and found that the allegations were substantiated and the provisions of exceptional loss of Rs. 445 Cr. during FY 2017-18 in its unaudited financial results was entirely due to diversion of funds to promoters and promoter related entities of the company. SEBI is proceeding with a further detailed investigation in the matter. The complaint with the state EOW against the promoters has been registered for various offences including cheating, criminal breach of trust, misappropriation of funds of Rs. 740 Cr., fraud and forgery and criminal conspiracy. The Bureau shared the case with RBI for further action. The matter is also receiving the attention of the Hon’ble Supreme Court of India

j) SEBI passed an order restraining a company having head office at Mumbai from collecting money from investors through existing/new schemes. SEBI found that the Company had collected substantial amounts from investors through its various holiday plans. It is suspected that instead of returning the money to the investors on maturity, a large amount of money was diverted to other companies. SEBI had imposed a four-year ban on the Company for illegally raising over Rs.2656 crores in the grab of ‘time share’ holiday plans. Bureau shared this information with DGP, Maharashtra, CBI and DGCEI. Consequently, EOW Maharashtra has registered a case against Directors of the company and their investigations are in progress. During the investigation, EOW has arrested 2 directors of the company.
k) SEBI investigated the irregularities committed by the company in the issuance of optional fully convertible debentures (OFCDs) amounting Rs. 14,106 crores between 1998-2009. Company also made false statements in the prospectus filed before RoC. This SEBI order was shared with MCA for action in relation to violation of various sections of the Companies Act.

l) SEBI found out the discrepancy in the cost of the land shown in the consolidated financials of the company having head office at Chennai and the actual cost as per sale deed. It was also observed that the advances of Rs.19.44 crores were not in the interest of public shareholders. Company also failed to give explanation regarding trade receivables of Rs.6.80 crores, write-off and write back in the books and income of Rs.1.44 crores from operations. The SEBI order was shared with MCA and Income Tax Department.

m) A company, having its registered office at Indore, had illegally mobilized huge funds from general public without registration from SEBI in the name of real estate business. SEBI’s order in this case was perused and the extracts were shared with EOW, Bhopal, Member (Inv.) & Secretary, MCA.

n) SEBI found that a company registered in Delhi had raised Rs.35.41 crores from investors in violation of provisions of SEBI Act, Companies Act and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and directed the company to refund the money. In the event of failure to refund the money, SEBI would make reference to MCA for winding up of company and to State Government/Local Police to register civil/criminal case for offence of fraud, cheating, criminal breach of trust and misappropriation of public funds. On Company’s failure to refund money to the investors, SEBI levied penalty of Rs. 1 crore on the company. This information has been shared with MCA for further progress in winding up of company and Pr. CCIT Delhi for information regarding assets of the company to facilitate refund on investors’ money.

o) Intelligence inputs received from findings in a search by DGIT(Inv.), Mumbai regarding bogus purchase, in F.Y. 2017-18 of Rs. 20.16 crores of diamonds shown in the books of the company from a proven entry provider, was shared with DRI.

p) A company based at Mathura was engaged in illegal mobilization of funds from the public through Collective Investment Scheme (CIS), without obtaining a certificate of registration from SEBI. SEBI had directed winding up of the schemes and refund of money to the investors. SEBI also imposed
a penalty of Rs 50 lakhs for illegal mobilization of funds. This order was shared with PCCIT Kanpur for sharing details of assets of the company so as to secure the interests of the investors.

q) Inputs were received from SEBI that, being shareholders of a connected group, various entities/individuals had indulged in trade of a particular company in miniscule quantities repeatedly at prices higher than last traded price, resulting in fraudulent manipulation (rise) in the price of the share of the company. Analysis of the findings pointed to generation of huge bogus long term capital gains by some identified beneficiaries. The information was shared with CBDT for further appropriate action.

r) SFIO conducted investigation against a company because the company had suspended trading for all contacts, except e-series contracts on 31.07.2013. This gave rise to payment default of Rs. 5600 Crores. SFIO investigated the role played by Group companies, defaulting entities, Commodity brokers and Traders. The modus operandi in the instant case allowed finance to be infused into a group from buyer traders/ members, who had money to invest while ensuring that there was no need of actual physical delivery as the bogus commodities underlying the trade were squared off at final settlement between the group companies using offline paper transactions while at the same time ensuring that the buyer trader/ member, on completion of the longer leg of the paired contract received back his initial payment with fixed return. Several charges were recommended for sanctioning prosecution under the Companies Act 156 & 2013 and the Indian Penal Code, 1860. Bureau had sought feedback/action taken from the LEAs/organizations viz. MCA, SEBI, CBDT, CBIC, EOW, ICAI, ICSI &RBI, with whom SFIO recommended sharing of the report.

s) SFIO investigated a company, which was in the business of collection of deposits from public from the year 1996 and the rate of interest offered on investment was higher in comparison to the returns offered by banks and other private companies. To lure public to make deposits, deposits schemes were formulated under FD/MIS/RD to establish credibility in the market as a tactical strategy. The money collected from public in cash was not always deposited in the bank account of the company but was deposited in the other group companies. SFIO observed falsification of financial statements by under/over stating cash and bank balances, fictitious entries of related party transactions and misclassification of loans and advances etc. with the motive to camouflage actual transactions or diversion of funds from the companies under investigation and professional misconduct of statutory auditors with regard to falsification of financial statements. Several charges were recommended for sanctioning prosecution under the Companies Act 1956 &
2013 and the IPC 1860 and Bureau had sought feedback/action taken from the LEAs/organizations viz. CBI, SEBI, CBDT, RoC and ICAI, with whom SFIO recommended sharing of the report.

t) SEBI imposed a penalty of Rs.1 Crore on a company and 3 of its directors as they were soliciting subscriptions from public for secured and unsecured optionally fully convertible debentures in violation of the statutory requirements. The order was shared with PCCIT Kolkata with a request to share details of movable and immovable assets of the company and its directors as per Income Tax records with SEBI.

u) SEBI imposed a penalty of Rs.50 lakhs on a company and 5 of its directors as they were engaged in illegal mobilization of funds from the public by floating, sponsoring or launching schemes, which falls under the ambit of Collective Investment Schemes, without obtaining a certificate of registration from SEBI. The order was shared with PCCIT Kanpur with a request to share details of movable and immovable assets of the company and its directors as per Income Tax records so that SEBI can address the issue of refund to the investors.
CHAPTER – V

COFEPOSA WING

5. The various measures both administrative and legal, taken by Government from time to time to prevent smuggling of goods into or out of India and to check diversion of foreign exchange from official channels have been under constant review. Unless the links which facilitate violations of foreign exchange regulations and smuggling activities are disrupted by immobilising by detention the persons engaged in these operations, anti-smuggling measures would not have substantial impact.

Smuggling, foreign exchange racketeering and related activities have a deleterious effect on the national economy and thereby a serious adverse effect on the security of the State. The Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 was enacted to immobilise by detention the persons engaged in those operations and to disrupt the machinery established for furthering smuggling and foreign exchange manipulations, with all their ramifications. The effective administration and realisation of the purposes of the Act have been rendered difficult by reason of the clandestine activities in which the persons engaged in those operations carry on their activities and the consequent difficulty in securing sufficient evidence to comply with rigid standards insisted upon by Courts. Some persons against whom orders were made under this Act were released because orders of detention were held to be void as some of the grounds were considered by Court to be vague, irrelevant or otherwise invalid. In a few cases difficulties were experienced in the administrations of the Act by reasons of the detenu obtaining release on the bail or otherwise. In view of urgency of the matter, the President promulgated on 1.07.1975, the Conservation of Foreign Exchange and Prevention of Smuggling Activities (Amendments) Ordinance, 1975 to remove the aforementioned difficulties and to make special provisions in respect of persons whose detention is necessary for dealing effectively.

COFEPOSA Act is one of the powerful weapons for disrupting organized activities of smugglers and foreign exchange racketeers to effectively putting out of commission, the kingpin, the financiers, the masterminds and their links and associates who cannot be reached under the normal law for want of evidence strong enough to stand the rigours of the Evidence Act in the court of law.

The object of law of preventive detention, in relation to conservation and augmentation of foreign exchange and prevention of smuggling activities is
not punitive, but preventive. Having regard to the persons by whom and the manner in which such activities of smuggling are carried out clandestinely, it is necessary for the effective prevention of such activities to detain a person. Through the element of detention is a common factor in cases of preventive detention as well as punitive detention, there is a vast difference in their objective. Punitive detention follows a sentence awarded to an offender for proven charges in a trial by way of punishment and has in it the elements of retribution, deterrence, correctional factor and institutional treatment in varying degrees. On the contrary preventive detention is an extraordinary measure resorted to by the State on account of compulsive factors pertaining to maintenance of public order, safety of public life and the welfare of the economy of the country.

Preventive detention unlike punitive detention which is to punish for the wrong done, is to protect the society by preventing wrong being done. Though such powers must be very cautiously exercised so as not to undermine the fundamental freedoms guaranteed to our people, the procedural safeguards are to ensure that yet these must be looked at from a pragmatic and common sense point of view.

COFEPOSA Act, 1974 does not provide for issue of any guidelines. However, with a view to ensure uniformity of approach in regard to the general policy to be followed for preventive detention, certain guidelines finalised by the Committee of Secretaries were issued to all the State Government Union Territories, Commissioners of Customs and Central Excise, Directorate of Enforcement in 1974. In these guidelines it was indicated that the need for such an extra ordinary measure has been felt as law enforcement agencies entrusted with the task of combating smuggling and preventing the leakage of foreign exchange had been handicapped due to the clandestine nature of such activities and the close knit nature of the organisation of the smuggling gangs, this additional weapon was intended to be a part of an overall strategy against the smuggling and such foreign racketeers as having nexus with smuggling. These provisions therefore to be enforced effectively to immobilise the big operators and racketeers particularly those who act behind the scene. Besides, preventive detention is also to be used against persons who are engaged in buying or selling of foreign exchange illegally or carrying of rackets on compensatory payments. Though specific contravention of economic laws has to be dealt with by departmental adjudication proceedings or prosecution in courts as provided in prosecution laws, experience shows that such proceedings under normal laws do not prevent a regular smuggler or foreign exchange racketeer from continuing his illegal activities because even after arrest, he usually comes out on bail and remains free to continue his operations as before. It was
basically to meet this object in view that the COFEPOSA Act was enacted as a supplement to and not as a substitute for ordinary law and it is this law which the main organised operators are afraid of rather than prosecution which at times takes years to complete.

Under section 3(1) of the COFEPOSA Act, both the Central and State Governments are empowered to pass detention orders. Apart from the Government an officer of the Central Government not below the rank of Joint Secretary or an officer of State Government not below the rank of Secretary to that Government specially empowered in this behalf can pass detention order with a view to prevent a person from:

(i) smuggling goods or
(ii) abetting smuggling of goods or
(iii) engaging in transporting or concealing or keeping smuggled goods or
(iv) dealing in smuggling goods otherwise than by engaging in transporting or concealing or keeping smuggled goods, or
(v) harbouring persons engaged in smuggling goods or in abetting the smuggling of goods

Section 3(2) specifies that every State Government shall forward a report to the Central Government within ten days from the date of issue of a detention order by it. Section 3(3) states that the Grounds of detention on which the Detention Order has been made should be served within five days or within 15 days in exceptional circumstance and for reason to be recorded in writing. This provision has been made in conformity with the fundamental right provided to a citizen under Article 22 of the Constitution of India.

Article 22 (5) of the Constitution provides that: “When any person is detained in pursuance of an order made under any law providing for preventive detention, the authority making the order shall, as soon as may be, communicate to such person grounds on which the order has been made and shall afford him the earliest opportunity of making a representation against the order.”

The detention Order issued under section 3 of the COFEPOSA Act 1974 is executed in any place in India in the manner provided for the execution of warrants of arrest under the Code of Criminal Procedure, 1973. The statutory provisions under the COFEPOSA Act also stipulates that no detention Order shall be invalid or inoperative merely by reason that the person to be detained is outside the limits of the territorial jurisdiction of the Government or the officer making the order of detention or that the place of detention of such person is outside the said limits.
Section 7 provides for actions to be initiated against absconders. Firstly, under Sub-Section (b) a notification in the official Gazette is published directing the absconder to surrender before the Police within 7 days from the date of publication of the notification. If the person fails to do so, thereafter under Sub-Section (a) a complaint is lodged in the Court of the concerned District Magistrate to issue a ‘proclamation’ against the absconder and initiate actions under Sections 82, 83, 84 and 85 of Cr.PC, i.e. attachment of his properties.

Section 8(a) specifies about the constitution of the Advisory Board. It lays down that the Central Government and each State Government shall constitute one or more Advisory Boards each of which consist of a Chairman and two other persons as Members. The Advisory Board consists of the senior three Judges of the High Court, the senior most of whom acts as Chairman and the other two as Members.

Section 8(b) states that a reference by the appropriate Government is to be made to the Advisory Board within five weeks from the date of detention.

Section 8(c) states that the Advisory Board shall after considering the reference and the material placed before it and after calling for such further information as it may deem necessary and after hearing the detenu in person if he so desires, prepares its report specifying in a separate paragraph its ‘opinion’ as to whether or not there is sufficient cause for the detention of the person concerned and submits the same within eleven weeks from the date of detention of the person concerned.

Section 8(e) states that a person against whom an order of detention has been made under this Act shall not be entitled to under this Act to appear by any legal practitioner in any matter connected with the reference to the Advisory Board, and the proceedings of the Advisory Board, and its Report, excepting that part of the report in which the ‘opinion’ of the Advisory Board is specified, shall be of the Advisory Board is specified, shall be confidential.

As per the practice in vogue, the detentions made in pursuance to the Detention Orders issued by the Central Government were referred to Central Advisory Board constituted under section 8(a) of the COFEPOSA Act, 1974. In order to streamline the procedure and to avoid delay by ensuring faster and effective hearings, a decision was taken with approval of Finance Minister and in concurrence with Department of Law, Ministry of Law and Justice to refer the cases of Central Detention Orders to respective State Advisory Board where the detenu is detained/lodged. However, in states
where no advisory Board exist, reference will continue to be made to Central Advisory Board. This was a paradigm shift from the current practice of making reference to Central Advisory Board. All States were also requested to ensure constitution of State Advisory Board under the COFEPOSA Act, 1974 so that references to respective State Advisory Boards can be made in future.

Section 11(1) states about the power, authority and manner for revocation or modification of a detention order at any time. This provision is additional to the provisions contained in section 21 of the provision of the General Clauses Act, 1897, under which the detention order can be rescinded at any time by that officer of a Government.

The detenu has a right to make a representation for revocation of his detention under section 11 of the COFEPOSA Act, 1974 to the detaining authority, State Government, Advisory Board and Central Government in the case of a State order. In case of Central Order, the detenu has a right to make a representation to the detaining authority, Central Government and Central Advisory Board. The powers to consider representation on behalf of the Central Government have been delegated to the Director General, Central Economic Intelligence Bureau.

During the year 2018-19, 51 detention orders have been issued and 43 persons were detained under the COFEPOSA Act, 1974.

COFEPOSA wing is in receipt of a number of writ petitions filed by Detenu in High Courts against the Orders confirming detention based on reports of Advisory Boards. In many cases writ petitions are filed in High Courts at pre execution stage of detention orders and in some cases before concluding the proceedings of the Advisory Board. In some cases, Department also approaches Supreme Court for filing of Special Leave Petitions against the Orders of High Court in consultation with Ministry of Law and Justice. These cases are being defended effectively by filing reply/Affidavit/Counter Affidavit in time.

During the financial year 2018-19, writ petitions have been filed in 30 cases in various High Courts and in 10 cases, SLPs before Supreme Court have been filed by the Department.
TABLE 16: Total number of Detention Orders issued in last 5 years

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Number of Detention Orders Issued</th>
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</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>30</td>
</tr>
<tr>
<td>2015-16</td>
<td>32</td>
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<tr>
<td>2016-17</td>
<td>7</td>
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<tr>
<td>2017-18</td>
<td>24</td>
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<tr>
<td>2018-19</td>
<td>51</td>
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</table>

TABLE 17: Total number of detention made in last 5 years

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Total Number of Detentions Made</th>
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<tbody>
<tr>
<td>2014-15</td>
<td>20</td>
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<td>2017-18</td>
<td>19</td>
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<tr>
<td>2018-19</td>
<td>43</td>
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</table>

TABLE 18: Total number of Detention Orders issued sponsored agency wise

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Total Number of Proposals from DRI</th>
<th>Total Number of Proposals from Customs</th>
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</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>14</td>
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<td>2015-16</td>
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<tr>
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Table 19: Total number of Writs filed in High Court in last 5 years

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<th>Total number of Writs filed in High Courts</th>
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<td>2016-17</td>
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<td>2017-18</td>
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Table 20: Total number of SLPs filed in last 5 years

<table>
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<tr>
<th>Financial Year</th>
<th>Total number of SLPs filed in Supreme Court</th>
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