

Report On
Mechanism and Effects/Impacts of Money Laundering in Bangladesh:
Preventive Measures at Dhaka Bank's AML-CFT department.

By

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An internship report submitted to the Brac Business School in partial fulfillment of the
requirements for the degree of
Bachelors of Business Administration

Brac Business School
Brac University
June 21, 2021

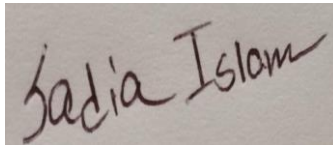
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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

A rectangular box containing a handwritten signature in black ink that reads "Sadia Islam".

Sadia Islam Momo
Student ID: 16304074

Supervisor's Full Name & Signature:

Mohammad Mujibul Haque
Professor & Associate Dean, Brac Business School
BRAC University

Letter of Transmittal

Mohammad Mujibul Haque
Professor & Associate Dean
Brac Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Internship report on “Mechanism and Effects/Impacts of Money Laundering in Bangladesh: Preventive Measures at Dhaka Bank’s AML-CFT department”.

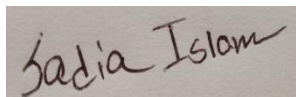
Dear Sir,

This is my pleasure to submit my internship report which is on “Mechanism and Effects/Impacts of Money Laundering in Bangladesh: Preventive Measures at Dhaka Bank’s AML-CFT department”. I have conducted the internship program in Dhaka Bank Limited under your supervision. I believe that the knowledge and experience which I have gathered during my internship period will be beneficial for my future endeavors.

I have attempted my best to finish the report with the essential data and recommended proposition in as significant a compact and comprehensive manner as possible.

I trust that the report will meet the desires.

Sincerely yours,



Sadia Islam Momo

Student ID: 16304074

BRAC Business School

BRAC University

Date: June 8th, 2021

Non-Disclosure Agreement

This agreement is between “Dhaka Bank Limited” and me as a student of BRAC University to use all the information about the company in response to my internship project which is on “Mechanism and Effects/Impacts of Money Laundering in Bangladesh: Preventive Measures at Dhaka Bank’s AML-CFT department” which is not released anywhere rather my project work and presentation.

In this report, I have provided all the basic information about the company and data which is used in the report are authorized and directed by my organizational supervisor. I would like to appreciate my authority for giving me the permission to use company’s information in my report.

The organization agrees to the fact that to complete the fundamental criteria of the course the student must prepare a detailed presentation of the project and for this purpose the project includes information about the company and to best of the knowledge this project has not signed any non-disclosure agreement. Dhaka Bank Limited guided me not to use confidential information. This agreement may not be altered or changed without a written instrument signed by each party.

Name of Company: Dhaka Bank Limited

Supervisor Name: Kazi Mustafizur Rahman

Senior Assistant Vice President, Dhaka Bank Limited

Name of the Student: Sadia Islam Momo

Address: BRAC University, Mohakhali, Dhaka-1212

Description of the report: “Mechanism and Effects/Impacts of Money Laundering in Bangladesh: Preventive Measures at Dhaka Bank’s AML-CFT department”.

Acknowledgement

Firstly, I would like to express gratitude and gratefulness to Almighty Allah for giving me necessary strength and patience to complete this report. Secondly, I would like to show my respect to my company “Dhaka Bank Limited” and the management for giving me proper guidance as well as assistance for preparing this report. Without their assistance it would have been very difficult for me to prepare this report. So, I am very much thankful to them.

Moreover, I would like to acknowledge the effort and guidance of my team members who have provided me continuous support whenever necessary. They were very much eager to help in almost everything in order to give authentic information for completing this project. Additionally, my organizational supervisor made sure that I can be comfortable within the working environment so that my journey could be pleasant during internship period.

Lastly, I would like to express my huge respect to my internship supervisor Mohammad Mujibul Haque, Professor & Associate Dean, BRAC Business School, BRAC University for his continuous guidance and suggestion to make this report more professional. His clear and specific guideline showed me to the path for preparing this report properly and most importantly I was able to complete the report within the given time period.

Executive-Summary

Dhaka Bank Limited is one of the leading banking company in Bangladesh. It was a great pleasure for me to able to conduct my internship program in Dhaka Bank. During my internship period I have gathered a lot of knowledge which can be beneficial for my future. I have worked in an AML-CFT division in Dhaka Bank. I have talked about my daily job responsibilities in this report. My job responsibilities were to make a circular for letters, checking the name of people or organizations which have been mentioned on the letter, collecting monthly CTR, AML Meeting minutes from every branch. Moreover, I have discussed the overall operational activities of Dhaka Bank. Branches, departments, services, management practices, marketing practices- everything has been discussed in detail. Furthermore, the main objective of this report is to analyze the process of money laundering, the impact of money laundering in our country and lastly Dhaka Bank's initiatives on Anti-Money laundering. Here, I have done qualitative research for these issues. Money laundering is a global issue and Bangladesh's risk score is high in laundering money. For laundering money, people or organizations mostly target financial institutions as their weapon. It affects our economy very badly. Government is taking many initiatives for solving these problems. Besides, Dhaka Bank is taking necessary measurements for stopping money laundering problems under the supervision of BFIU.

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Overview of Internship

1.1 Student Information: Sadia Islam Momo
ID:16304074
Bachelor of Business Administration
Major: Finance

1.2 Internship Information

1.2.1 Period: 01.03.2021 to 31.05.2021
Company Name: Dhaka Bank
Department: Anti Money Laundering & CFT Division
Address: SEL Trident Tower (6th Floor)
Holding No: #71, Purana Paltan Lane, Road No: 13 (New)
36 (Old, VIP Road, Dhaka 1205)
Fax: 02 58314543
E-mail: kakrail@dhakabank.com

1.2.2 Supervisor's Name: Kazi Mustafizur Rahman
Senior Assistant Vice President
AML & CFT Division

1.2.3 Job Responsibilities:

- **Preparing Circulars for AML Letters:** In Anti Money Laundering department all the employees are involved in to confine money laundering. So, as work in the AML department, the first work is preparing a circular. At first on a regular basis many letters came from the National Regulatory Authority (Dudak, Tax, Customs and many more). After that, my job is to separate all the letters based on the specific categories. For example, separate the letters of dudak and tax. Then prepare a circular of these letters. Lastly, mail the soft copy of these circulars to all other branches.

- **Check-in Accounts:** In AML letters there are so many names mentioned. Check-in all these names to find out the accounts which are mentioned in the AML letters. They have their own software to find out these accounts. The main reason is to find out whether the concerned people have an account in Dhaka Bank or not. This is one of the major and essential responsibilities in this department.
- **Communicating with Other Branches for Collecting Documents:** In AML division there are many important documents like CTR certificate (certificate of cash transaction report), AML meeting minutes, self-assessment reports. On a monthly basis I need to collect this information from every branch by calling them.

1.3 Internship Outcomes:

1.3.1 Student's contribution to the company: It's very essential to the interns to fulfill the job responsibilities very effectively. The main purpose is to provide best possible assistance to the team members. The AML & CFT division is a very confidential division. In this division they have lots of pressure and responsibilities. Moreover, especially in a head office there have many extra responsibilities, they need to control and manage all other branches. Therefore, I have many extra responsibilities on me. Dividing the letters into a specific sector and making a circular of these letters. It helps the team members in which sector they need to emphasize more. For example, DUDAK letters are highly important and confidential. Then check-in the accounts, its most crucial work. So, I am working as a helping hand to them. Then, by collecting monthly information from other branches and storing this information. Through this team members easily get the necessary monthly or quarterly documents in hand. Also, it helps them to consume the time.

1.3.2 Benefits to the student: All the final semester students are instructed to do an internship which is known as BUS400- Internship course. This course is mandatory for all BBA students. There are some benefits for I have gotten through the internship period. Some are:

- ✓ Through these I have gotten hands-on experience about corporate life. Moreover, get a chance to implement academic knowledge in a real-life work environment.
- ✓ Hand-on experience helps me mapping up a good future career goal.
- ✓ Corporate life is a competitive place. Through working on pressure, it helps to boost up my confidence. It also teaches me how to work as a team under immense pressure.
- ✓ It's a huge opportunity for me to build up a network with professionals. And gain some knowledge from them which can be useful for the future.

1.3.3 Problems/Difficulties: To work in an Anti-Money Laundering division, the major difficulty is its confidentiality. They are not allowed to reveal that much information. Interns are only able to know about some initial information which creates many difficulties to write up a report. Therefore, I have completed the report with less and blurry information. Then another problem is the pandemic situation. In this pandemic even in lockdown there's no scope of "work from home" in the banks. So, we need to attend the office regularly at the risk. But During lockdown, the regular day to day activities are limited. Hence, it is difficult to gather necessary information. Moreover, another difficulty was to cope up with this department. Because this department is very different from any other departments in the bank. Despite many difficulties, I overcame all the difficulties because of the friendly and helpful nature of the employees.

1.3.4 Recommendations: Dhaka bank's AML department operates all the functions very ideally. Every employee is motivated and dedicated here. They are very concerned about

employee satisfaction. They always take necessary steps for employee satisfaction. Though they are helpful but some recommendation could be:

- ✓ They should reveal more information to the interns so that we can write the report properly.
- ✓ They should provide some training to interns about the AML department. Because usually everyone is not aware about this department.
- ✓ They should give us a chance to showcase our capability.

Chapter 2: Organization Part: Overview of Dhaka Bank Limited

2.1 Introduction: This chapter is about the overview of the Dhaka bank. Here I will briefly discuss the operations and divisions of Dhaka bank. How Dhaka bank operates their management practices and marketing practices and how's their financial situation in the banking industry. Also going to do marketing research and competitive research of Dhaka bank. All the information I have taken under the control of the supervisor. Also taken from the official website of Dhaka Bank Limited and google. So, here's the main objective of the report written in the below:

2.1.1 Objective: The main objective of this chapter is to know about Dhaka Bank's overall scenario. Dhaka bank is one of the leading commercial banks in Bangladesh. This bank was established in 1995. In this report I am going to talk about the overall scenario and all the operations of Dhaka bank. Besides, what are the techniques by which they operate all the departments. There are more than 10 departments in Dhaka bank. Through this report everyone will be able to get a basic idea about Dhaka bank. How's their financial stability, how they provide service to the customers, what are their marketing strategies, how technologically advanced they are- all this information's people will get through this report. The AML-CFT division falls under a risk management unit, so we can see how the risk management department is being operated. There are two types of objectives. One is a broad objective and another one is a specific objective. Here's some discussion about broad and specific objective:

- **Broad Objective:** The main objective of this chapter is to know about the overview of Dhaka bank and the overall operations of Dhaka bank. When they established and how they manage everything. Moreover, how they operate every department and all branches. Besides, what are the services they are providing to their customers.
- **Specific Objective:** Based on the broad objectives, there are some specific objectives. These specific objectives are:
 - Information about Dhaka bank's all the departmental functions and operations.
 - Dhaka bank's management practices and marketing practices.
 - Dhaka bank's financial performance.

- Industry and Competitive Analysis of Dhaka Bank.

2.1.2 Methodology: Methodology is a technique or framework which is used in a research or any kind of study. That means by using this technique or framework I can find out information for this report. Dhaka bank has subsidiaries, branches all over Bangladesh and many departments. It's difficult to collect necessary information when the resources are in a grandiose amount. Moreover, Dhaka bank is not allowed to reveal that much information to the outsider. I collect these data through supervisor's supervision and websites. I use primary and secondary data for this. Neil.J. Salkind said that primary data is first-hand data which is collected directly from authentic sources for report purposes. Gigi devaul said that secondary data is the source which gathers already existing data for research purposes.

Primary Data: I have collected primary data by conducting qualitative research. Collected these data through:

- Collecting data from supervisor and manager.
- Collecting information through colleagues.
- From Dhaka Bank's handbook.
- From my own experience.

Secondary Data: I have collected secondary data from the official website of Dhaka bank. And other information from google.

2.1.3 Authentication of Data: All this information gathering and analysis of the report has been done through the help of my office supervisor and other employees. By discussing with them I have collected this information and analyzed the report. Moreover, all this information I have written is permitted by my supervisor.

2.1.4 Scope: This report is about how overall money laundering happened and the impact of money laundering in our economy. And what are the techniques Dhaka bank uses to prevent money laundering. And this chapter is about the overview of Dhaka bank. Dhaka bank has been involved

in many activities like - CSR activities, SME banking, off-shore banking, Islamic banking and many more. Besides, how they control all the management practices, marketing practices, financial analysis and many more. Through this chapter, in future it will help us to know about the current situation of Dhaka bank. Based on this Dhaka bank will be able to take necessary measurements and can compare with other banks. Personal benefits can be - It has given practical knowledge and hand on experience about the work and implemented these information and experience into a report. It also teaches us how to collect information from different sources.

2.1.5 Limitation: I have faced many limitations while writing a report. Some of the limitations are:

- Overview of Dhaka bank is a broad issue. They have a lot of activities and departments. The information about these issues is overspread on the internet. So, it's very difficult to combine this scattered information together. It's very time consuming and difficult.
- All the banks are very confidential. They are not allowed to reveal information. They reveal very limited information to the outsider. They are not allowed to disclose the information. So, it's difficult to get essential information. I have written the report by collecting less information and by listening to the regular discussion of the employees and by the internet.
- The work pressure of the banks is very immense. So, it has created a barrier for me to collect information. Sometimes it's unable to collect information at convenient times.

2.1.6 Significance: The prime purpose of writing this chapter is to find out the overall scenario of Dhaka bank. Besides, how they operate all the activities. This report can give a detailed idea about the whole operational activities of Dhaka bank and what are the elements through which all the operations are occurring. Based on these situations in mind, they can manage accordingly. The management can focus on if any change is needed. Moreover, through this report they can see the overall scenario of the company. They will be able to see how the company is managing everything and how their financial situation is. The individual advantage of this report is enormous. I have

got hands- on experience which will be beneficial for my future workplace. Also, it will help me to develop my future skills and abilities. Lastly, if anyone wants to write a research paper then this type of report is very much helpful.

2.2 Overview of the Company: Here, I'm going to describe the overview of Dhaka Bank.



Figure1: Official logo of Dhaka Bank

2.2.1 Dhaka Bank: Dhaka Bank is one of the leading commercial banks in Bangladesh. In 1995, the bank was established by Mirza Abbas. Dhaka bank is situated in 82 locations of Bangladesh. They have 105 branches located in Bangladesh. 3 SME service centers and 2 off-shore banking units are available.

They have 4 types of banking sectors- conventional banking, SME, Islamic banking and off-shore banking. In conventional banking on the basis of interest, clients lend money from a bank.

Corporate banking and retail banking fall under conventional banking. Besides conventional banking, Dhaka bank is doing good in SME service as well. SME service center managing SME loans. In Dhaka bank's total loan, 25% loan is coming from SME. SME service has become a prime weapon to reduce the rate of non-performing loans. Dhaka bank is very much focused in this sector. Because SME non- performing loans are reduced by 0.96%. Then Islamic banks operate all their loans and other activities based on Islamic Shariah. All the financial statements, balance sheets, account statements have been created based on the rules of the central shariah board for Islamic banks. Another one is off-shore banking unit. This unit is located at EPZ savar. This unit is separate from other units. They are maintaining foreign currency transactions and financial statements, bank sheets, account statements and everything is record in USD.



Figure 2: “Dhaka Bank Securities” Subsidiary of Dhaka Bank

Dhaka bank has two subsidiaries- Dhaka bank securities limited and Dhaka bank investment limited. Dhaka bank securities limited is a well-known brokerage company. In 2005 they started their operation. Moreover, in their 190th meeting they established Dhaka bank investment limited. In this sector they do investment banking, custodian service, portfolio management and many more.

Source: <https://dhakabankltd.com/>

2.2.2 Vision: Assuring a standard and uninterrupted process which will give comfort to our clients while doing banking transactions. An accurate, reliable, in time delivery as well as upgraded technology, high return on investment and other solutions for business needs. Also, there is a fine combination between our employees, services and procedures which will overcome the demand of our valuable customers. Achieving individual excellence in the future is our only goal. Prime objective is to deliver quality full service which will match with our vision.

2.2.3 Mission: Becoming a premium among other financial institutions which will deliver top notch service and the service will be equipped with modern technology as well as excellent employees in order to execute our banking function properly.

2.2.4 Values:

- They focus on serving quality full and fair service to the customers.
- They are very customer oriented.
- They show respect to each other in the organization. And always work in a team.
- Responsible for the country.

2.3 Management Practices: Hierarchy represents the structure of positions from head to general employee. It's very important for every employee to understand its hierarchy because it is a channel of contact. The Board of Directors are the head of Dhaka Bank. They establish rules and regulations for the organization. Moreover, they take executive decisions. In the last, the position is assistant trainee officer. The job responsibilities of assistant trainee officers are- they look after all the training programs and functions.

They are divided into two groups. One is executive grade and another one is officer grade. In executive grade they have power of authority. They have the power to make decisions. From board of directors to deputy managing directors fall under an executive grade.

Then officer grades are the employees who work under the executive grade. From executive vice president to assistant trainee officers fall under an officer grade.

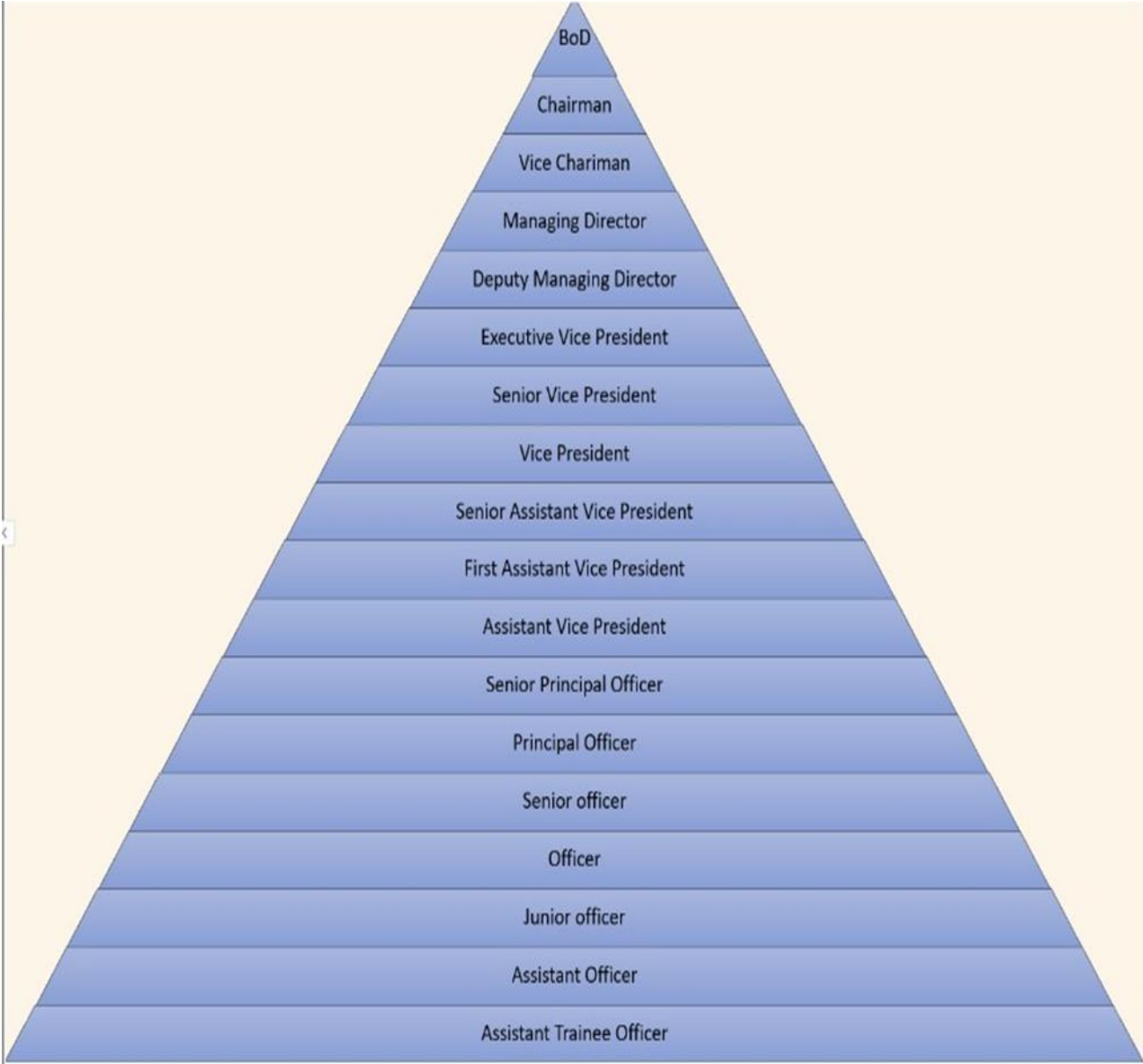


Figure 3: Organogram of Dhaka Bank’s Hierarchy.

2.3.1 Departments: In Dhaka bank they have many departments. All the departments are interconnected with each other. They are well organized and maintain all departmental work effectively. These departments are:

1. HRM
2. Accounts department
3. Operation
4. Credit
5. Risk management
6. Information technology and many more

The AML department falls under risk management. Here some brief discussion of risk management department and some other important departments:

- **Risk Management:** Risk management department established on February 26, 2013 by the order of Bangladesh Bank. The main objective of this strengthening bank's all risk management activities. They manage all the risks effectively and follow Basel accords for risk management which is directed by Dhaka bank. Banks take many business risks to restrain the financial losses. Risk management department manages all these internal risks and attached all the branches together. MANCOM (Management Committee), Risk management Committee and many others assess all these risks like- market risk, credit risk, money laundering risk and many more. I will discuss the AML broadly in the next chapter.

- **Human Resource Management:** HRM is a very essential department in any organization. Like others, Dhaka bank thinks that skillful human resource is a key to success. For hiring qualified employees, HRM plays a very important role. Salary, compensation, hiring, firing, training all these are maintained by the HRM. Here I'm going to explain some of the HR activities:
 - ❖ **Recruitment:** Dhaka bank very perfectly maintains every step of recruitment and hiring process. Turnover rate is very low in Dhaka bank, they always focused on hiring the perfect employee for any position. They use two types of methods for recruitment- Internal method and External method. In internal methods, they use references from departments or promotion of employees. On the other hand, for external recruitment they use advertisement, campus recruitment, hiring through agencies, and posting circular in online job portals.
 - ❖ **Employment Opportunities:** Dhaka bank provides equal opportunities to their employees. Based on employees' position and ability, they provide a suitable amount of salary to their employees. Also, employees get many incentives and benefits like- festive bonus, yearly bonus.
 - ❖ **Training:** In 2000, Dhaka Bank's board of directors established Dhaka bank training institute. In this training institute they conduct various types of training programs like- workshop, classroom training and many courses. For officers and executives, they conduct executive development programs. For the training courses they have books in Dhaka bank library. In this library they have various types of books on banking and various departments. The main objective of training is to maintain excellence in banking. Every year they organize many training programs. In 2019, they organize 87 training programs.



Figure 4: Training Program of Dhaka Bank.

- **Operation Department:** This department is very important. They make policies, measure performance, create standards etc. This is the one of the most essential and most important departments for Dhaka bank. They ensure if all the departments operate readily and correlation between the departments operate smoothly or not. They look after all the functions of Dhaka bank.
- **Accounts and Finance Department:** Accounts and finance department is a core department of Dhaka Bank Limited. All the transaction activities are being tracked and monitored by accounts and finance departments. Salaries of employees, total deposits, total loan, profits and many more are being tracked by them. Moreover, based on all the transactions they create an annual report.

2.3.2 CSR Activities: Corporate Social Responsibility is a company's duty towards their society and country. Company's works for the welfare of the society and does some social activities. Dhaka bank is very renowned for their CSR (Corporate Social Responsibility) activities. Since 2002 they have been involved in many CSR activities. In 2002, Dhaka Bank established a Dhaka Bank foundation. It's a non-profitable foundation. They collect these funds for various social activities. In 2006, Dhaka Bank received a CSR award for their social activities. Not only in Bangladesh but also, they donate funds outside of the country. Some of the examples are- They donated a passenger lift and hemodialysis machine to the BIRDEM hospital which cost 2.6 million and 1.8 million. Also, they provided 10 million to the women and child health hospital for the pathological library. Also, they donated \$10,000 to the tsunami victims in Sri Lanka. Moreover, they have distributed winter clothes to poor people. There are a lot of examples of their donations. Besides they sponsored many events – 20th Bangladesh International Junior Tennis Championships, under 19 cricket team, anti-drug debate festival and many more.

2.3.3 Effect of Covid-19: Covid-19 is a global pandemic which has shaken off the whole world's economy very badly. Bangladesh also experienced a lot through this pandemic. Banking sectors are facing lots of difficulties due to covid-19- liquidity crisis, increase of non-performing loan, loss of customers, loan default, interest rate fluctuations and many more. When all the banks were struggling, Dhaka bank came up with an idea of “account from home”. Through this, customers can open an account by maintaining social distance. It's like a home delivery service. After creating an account Agents deliver debit cards, cheque books and collect all the important documents from the customers. Another thing is ‘Dhaka bank trade cloud’, where customers can submit all the documents which are related to export-import.



Figure 5: Dhaka Bank donated 20 lacs to Khulna University.

2.4 Marketing Practices: Dhaka Bank provides various types of business services. These various types of banking services work as a one kind of marketing technique to gain customers. Now I will relate Dhaka bank's marketing practices with 4P's of Marketing. 4p's of marketing are- product, price, place and promotion. These are the internal and external factors of businesses through which people or organizations do marketing.

- 2.4.1 Product:** The products of Dhaka bank are various types of services which they provide to the customers. These include- Corporate banking, retail banking, Islamic banking, SME, off-shore banking. Different banking services create a different customer base. Corporate banking deals with corporate customers. In corporate banking they provide services like- project finance, trade finance, cash management solution and many more. Retail banking is for personal use. They provide services like- Deposit, FDR, car loans, home loan and many others. Moreover, Dhaka bank is very popular for SME banking. Dhaka bank provides different types of financing which is the way of various customers. Also, they provide Islamic Shariah loans. Some type of Banking Services written below:

- ❖ **Islamic Banking Service:** Dhaka bank's Islamic banking service is very popular among all the services. They maintain Islamic shariah based rules and regulations. Islamic banking service carries 30% of business volume among all the services. They have two branches; one is situated in motijheel and another one is in muradpur Chittagong. They provide various types of loans by maintaining Islamic rules. Moreover, they have different types of schemes- mudaraba hajj savings scheme, mudaraba deposit double scheme and many more. All these schemes are fully shariah based and riba free.

- ❖ **SME service:** Dhaka Bank's one of the renowned banking services is SME banking service. The main objective of them is to provide small- medium loan services to the customers. 25% of total loans come from SME services. There are 3 SME services available. Besides, they provide different types of services in SME. They promote women empowerment and offer many schemes to the women entrepreneurs. More than that, they provide shuchona loans to the new borrower. This loan is hassle free and avoids complexity. Also, there are many loans like-term loan, demand loan, dairy loan and many more. Besides, they have non-financial services like – I-khata, I-samadhan. I-khata is an electronic book-keeping. Here, customers can record their day-to-day sales, inventories, receivable, payable and many other things.

- ❖ **Off-Shore Banking:** off-Shore banking is an international banking unit. It's a separate banking unit. This unit is situated in Savar EPZ. Though This banking service is always dominated by foreign banks, Dhaka bank creates a good position in this sector. Non-resident Bangladeshis are the main customers. Here all the transactions, balance sheet, deposits, annual report and everything are done in USD.

- ❖ **RMG Financing:** In the RMG sector Bangladesh is one of the largest exporters. Around 4365 factories are involved in garment industries. International brands rely on Bangladeshi garments because of low labor cost and good quality. Dhaka bank is engaged in RMG Financing. Since 2013, they have had separate RMG & Allied units. Later it turned into an RMG division. This division attracts RMG clients.
- **2.4.2 Price:** They provide many types of services to the customers and for this they charge some money. They take account maintenance fees- for current accounts they charge 300 takas (half yearly), savings accounts above 10,000-25,000 they charge 100 takas (half yearly). Also, they have locker facilities for which customers need to pay 4,000 taka (small), 6,000 taka (medium), 8,000 taka (large). Moreover, they provide loans to the customers and charge interest rates. For example- for personal loans they charge 15-19% interest rate. Besides, for the deposit they provide some interest to the customers. Deposit interest rate from 3%-8%, it varies based on the service, amount and time period.
- **2.4.3 Place:** Dhaka bank has its customers in a broad market. All over Bangladesh they have customers. They have a total 108 branches all over Bangladesh. So, customers can take their services anywhere. Also, anyone can access Dhaka bank's website from anywhere. Recently they have launched EZY Bank. Now everyone can open an account easily through an app. So, everyone will be more into taking their services easily.
- **2.4.4 Promotion:** They have a division called communication & Branding. In this department they do promotional activities and communicate with customers, shareholders. Their main objective is to create a good corporate image through social media, branding, advertising and public relationship. They sponsor many events like- Baridhara Pitha Utshob, 4th Dhaka International folk fest 2019, also do campaigns, launching Mastercard, titanium credit card. Also, Dhaka bank's credit card holders get many discounts and offers in many hotel resorts and stores. This is one kind of promotion to take their services.



Figure 6: Dhaka Bank’s Card Holders get this kind of benefit.

2.5 Financial Performance & Account Practices: Financial analysis is a very crucial part in any organization. This financial analysis helps an organization to understand how financially stable the company is. Banks usually do CAMELS rating for financial analysis. So, I’m going to do CAMELS rating analysis for 2019 and 2018. Here’s the CAMELS Rating standard given by a Bangladesh Bank and some financial data of Dhaka Bank Limited:

Components	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5
Capital Adequacy					
Capital Adequacy Ratio	≥15%	12% - 14.99%	8% - 11.99%	7% - 7.99%	≤6.99%
Tier 1 Capital/Risk Weighted Assets	≥5%	4.5% - 5%	3.5% - < 4.5%	3% - < 3.5%	< 3%
Assets Quality					
Classified Loan/ Total Loans	<3%	3% - <5%	5% - <10%	10% - <15%	≥15%
Actual Provisioning/ Required Provisioning	100%	95% - <100%	80% - <95%	50% - <80%	<50%
Management					
Management Expenses/Total Earning	≤25%	30% - 26%	38% - 31%	45% - 39%	≥46%
Earnings					
ROA	≥1.3%	0.8% - <1.3%	0.4% - <0.8%	0.16 - <0.4%	<0.16
ROE	≥9%	7% - <9%	5% - <7%	2% - <5%	<2%
Liquidity					
Liquidity Ratio L1	≤55%	62% - 56%	68% - 63%	80% - 69%	≥81%
Liquidity Ratio L2	≥50%	45% - 49.99%	38% - 44.99%	33% - 37.99%	≤32%
Sensitivity Ratio					
Total Securities To Total Assets	≤25%	30% - 26%	37% - 31%	42% - 38%	≥43%

Source: Bangladesh bank.

Figure 7: CAMELS rating Standard.

2.5.1 Financial Information:

2018	Value	2019	Value
Tier1	15,402	Tier1	16,503
Tier2	13,692	Tier2	14,669.00
Tier1 capital ratio	7.33	Tier1 capital ratio	8.53
Risk weighted asset	210,240	Risk weighted asset	193,398
Total equity	16,615,976,094	Total equity	17,210,614,636
Total Asset	273,976,117,345	Total Asset	285,009,391,699
Total debt	26,680,184,769	Total debt	27,725,127,384
ROI	8.66	ROI	7.99
Net Profit	2,312,597,413	Net Profit	2,407,109,526
Total Investment	27,619,995,345	Total Investment	36,681,756,574
Total loan	180,625,703,598	Total loan	195,634,907,019
Government securities	22,009,920,154	Government securities	30,443,129,119
Financial Asset	196,077,148,664	Financial Asset	227,122,851,718
Fixed Asset	4,906,381,165	Fixed Asset	5,087,739,886
Provision for loan and loses	3,159,661,160	Provision for loan and loses	3,029,481,611
NPL Ratio	0.0499	NPL Ratio	0.0474
Non-Performing Loan	9,013,222,610	Non-Performing Loan	9,273,094,593
Total cost	4,395,266,939	Total cost	4,786,944,001
Total deposit	197,189,479,856	Total deposit	159,459,715,875
Operation Profit	11,056,463,128	Operation Profit	10,972,385,411
Net Interest Income	5,559,822,305	Net Interest Income	4,505,063,622
Liquid Asset	15,451,545,066	Liquid Asset	17,638,558,211
Short term Liabilities	196,873,848,389	Short term Liabilities	204,164,912,265

Total employees	1917	Total employees	1960
Non-Interest Income	5,496,640,824	Non-Interest Income	6,467,321,788
Total Securities	33,814,184,222	Total Securities	37,936,888,180

Source: <https://dhakabankltd.com/wp-content/uploads/2019/02/ANNUAL-REPORT-2019.pdf>

2.5.2 CAMEL Rating:

Capital Adequacy:

2019:

CAMEL Parameter	Sub parameters	Ratio %	Rating
Capital Adequacy	(Tier-1 Capital Tier-2 Capital) /Risk-weighted Assets CAR	16.11805706	1

2018:

CAMEL Parameter	Sub parameters	Ratio %	Rating
Capital Adequacy	(Tier-1 Capital Tier-2 Capital) /Risk-weighted Assets CAR	13.83847032	2

Dhaka Bank's capital adequacy based on CAMEL rating was 13.83% in 2018, rating 2. But later, CAR ratio is 16.11% in 2019, rating 1. It indicates they have a very good amount of cash to handle obligations in 2019 compared to 2018. Moreover, they have safe and sound operations.

Asset Quality:**2019:**

CAMEL Parameter	Sub para-meters	Ratio %	Rating
Asset Quality	NPL/ Total Loans	4.74	2
	Loan Loss Provisions / Total Loan	1.54853837 5	1

2018:

CAMEL Parameter	Sub para-meters	Ratio %	Rating
Asset Quality	NPL/ Total Loans	4.99	2
	Loan Loss Provisions/ Total Loan	1.749286562	1

Non-performing loan against total loan was 4.99% and 4.74%, rating 2. It means the number of nonperforming loans is not that much; they have safe and sound operations. Moreover, Provision for loan loss ratio 1.74% in 2018 and 1.54% in 2019, rating 1. It means provision for loan loss against loan is good. It indicates strong performance. So, their overall asset quality is good.

Management Efficiency:**2019:**

CAMEL Parameter	Sub parameters	Ratio %	Rating
Management Efficiency	Expenses per employee/Net profit	0.101426270 2	1

2018:

CAMEL Parameter	Sub parameters	Ratio %	Rating
Management Efficiency	Expenses per employee / Net profit	0.09914324	1

Employee's expense against total earnings are very low. It means this is good for the bank. Ratio is only 9.91% in 2018 and 10.14%, rating 1 in 2019. They have very good management. Good management efficiency drives the management system to respond quickly to a Changing environment.

Earnings:**2019:**

CAMEL Parameter	Sub para-meters	Ratio %	Rating
Earnings	Net Profit (Loss)/Total Equity =ROE	13.98619153	1
	Net Profit (Loss)/Total Assets = ROA	0.84457200 2	2

2018:

CAMEL Parameter	Sub para-meters	Ratio %	Rating
Earnings	Net Profit (Loss)/Total Assets = ROA	0.844087228	2
	Net Profit (Loss)/Total Equity =ROE	13.9179149	1

Earning on assets was good in 2018, rating 2. Also, in 2019 the rate was, rating 2. It means performance was the same in both 2018 and 2019. But earning on equity is very good, rating 1 in both years. They earn more on capital like paid up capital, reserve, and retained earnings. Overall Earning is good because they have a mixture of best and good.

Liquidity Management:

2019:

CAMEL Parameter	Sub para-meters	Ratio %	Rating
Liquidity Management	Liquid Assets/Total Assets	6.18876385 3	1
	Liquid Assets/Short-term Liabilities	8.63936805 6	5

2018:

CAMEL Parameter	Sub para-meters	Ratio %	Rating
Liquidity Management	Liquid Assets/Total Assets	5.639741601	1
	Liquid Assets/Short-term Liabilities	7.848449752	5

Liquid Assets on Total Assets are 5.63% in 2018 and 6.18% in 2019. In both years they get rating 1, Best performance.

Liquid Asset on short term liabilities 7.84% in 2018 and 8.63% in 2019, rating 5. Unsatisfactory performance and need immediate remedial attention. They don't have sufficient liquid funds to cover short term liabilities. But liquidity on assets is very good. So, they can cover short term liabilities from assets.

Sensitivity Ratio:**2019:**

CAMEL Parameter	Sub para-meters	Ratio %	Rating
Sensitivity Ratio	Total Securities/ Total Asset	0.13310	1

2018:

CAMEL Parameter	Sub para-meters	Ratio %	Rating
Sensitivity Ratio	Total Securities/ Total Asset	0.12342	1

Sensitivity ratio measures a bank's assets and earnings based on market risk, interest risk, inflation rate and many more. The lower the sensitivity rate, the better for the bank. Sensitivity rate can be measured through many ways. It's not possible to control the market risk, so banks need to change themselves. That's why banks are using securities to asset ratio to identify sensitivity rate. In 2018, the sensitivity rate is 12.34%. In 2019, the rate was increased by 13.31%. Although the rate had increased in 2019 but in both years the camels rating was 1 that means the sensitivity rate was good. The lower the rate the better, sensitivity represents the risk rate of the bank. Dhaka bank has adequate capital and earnings to face this risk.

2.5.3 Composite CAMEL Rating:

Year	Capital	Asset		Management	Earnings		Liquidity		Sensitivity	Composite Rating
2018	2	2	1	1	2	1	1	5	1	1.77
2019	1	2	1	1	1	2	1	5	1	1.66

In 2018, the composite rating was 1.77 which was satisfactory. That means all the operations, transactions, capital, earnings, profit, risk management in a sound position but some few correctable measurements required which can be improved easily. Some supervision was required.

In 2019, composite rating was 1.66 which was still the same, satisfactory. Although the composite rate position was the same, they improved some factors in this year. That's why the rate decreased in 2019.

2.5.4 Other Ratio Analysis: Ratio analysis is a quantitative measurement to find out a company's financial position, risk, liquidity, profit and many other things. Although I have already done some ratio analysis in CAMELS rating. Here's some other ratio analysis below:

Equity-Asset Ratio:

2018:

Total Equity/Total Asset: 6.06%

2019:

Total Equity/Total Asset: 6.04%

Interpretation: Equity-Asset Ratio in 2018 was 6.06% and in 2019 it was 6.04%, It means they have very low Equity-Asset Ratio. It indicates that they generate assets from debt more than the equity. Also, shareholders' remaining claim from the asset was only 6.06%, later it reduced to 6.04%.

Debt-Asset Ratio:

2018:

Total Debt/ Total Asset: 9.73%

2019:

Total Debt/ Total Asset: 9.73%

Interpretation: Debt-Asset Ratio was 9.73% in both 2018 and 2019. It means they have a low Debt-Asset Ratio. It's a leverage ratio, it indicates they have low debt to generate assets. Moreover, it's not risky to invest in this bank.

Total loan to total deposit:

2018:

Total Loan/ Total Deposit: 91.6%

2019:

Total Loan/ Total Deposit: 122.68%

Interpretation: Total loan to total deposit was 91.6%, later in 2019 it increased to 122.68%, It means they have a good loan to deposit ratio. It indicates they have very good ability. Through customers they can adequately cover up all the loans. They have a good amount of deposits.

2.6 Operation Management & Information System Practices: In 2003, Dhaka bank established two software's which are known as DBCUBE, FLEXCUBE, swift manager and Dhaka banks portal etc.

Technology is a very important aspect in this modern world. In the banking sector technology is growing so rapidly. As other banks are continuously developing their banking system digitally, Dhaka bank is no longer behind their competitors. Bank portal is established by IT/BPR. All this employee's information, communication is done in this portal. Moreover, all the employees have personal accounts in Scaled. This website is for the employees. In this account they get all the notices and they give their attendance through this.

2.7 Industry and Competitive Analysis: Industry Analysis is a market assessment to find out their position in the market. There are two types of analysis. One is Internal analysis and another one is market analysis.

2.7.1 Porter's Five Forces Model: There are many banks in Bangladesh. Here is the analysis of external market:

- **Threat of new entrant:** The threat of new entrant is low. Because in Bangladesh many well established banks already exist. So, it's difficult to enter this industry. Moreover, to open a bank many capitals are needed and many legal procedures need to be mentioned.
- **Threat of Competitive Rivalry:** Threat of Competitive Rivalry is high. In Bangladesh, 61 scheduled banks are existing in the market. And every bank provides more or less the same services to the customers. So, the competition between the banks is high.
- **Bargaining Power of buyer:** Bargaining Power of Buyers are high. Because customers have so many options. So, they can easily choose customer friendly services compared with many banks. So, customers are getting more options to choose from. The cost of switching is high.
- **Bargaining Power of supplier:** Banks suppliers are customer deposit, mortgage and mortgage securities and loans from other financial institutions. Based on this they can understand if they have enough sources to provide all services. The power of supplier is medium to high and their power is dependent on the situation. If the financial market is in a bad position, they have high power.
- **Power of Substitute:** Substitute is low. Substitutes can be an insurance, mutual fund, fixed income securities. People usually don't switch to these substitute companies.

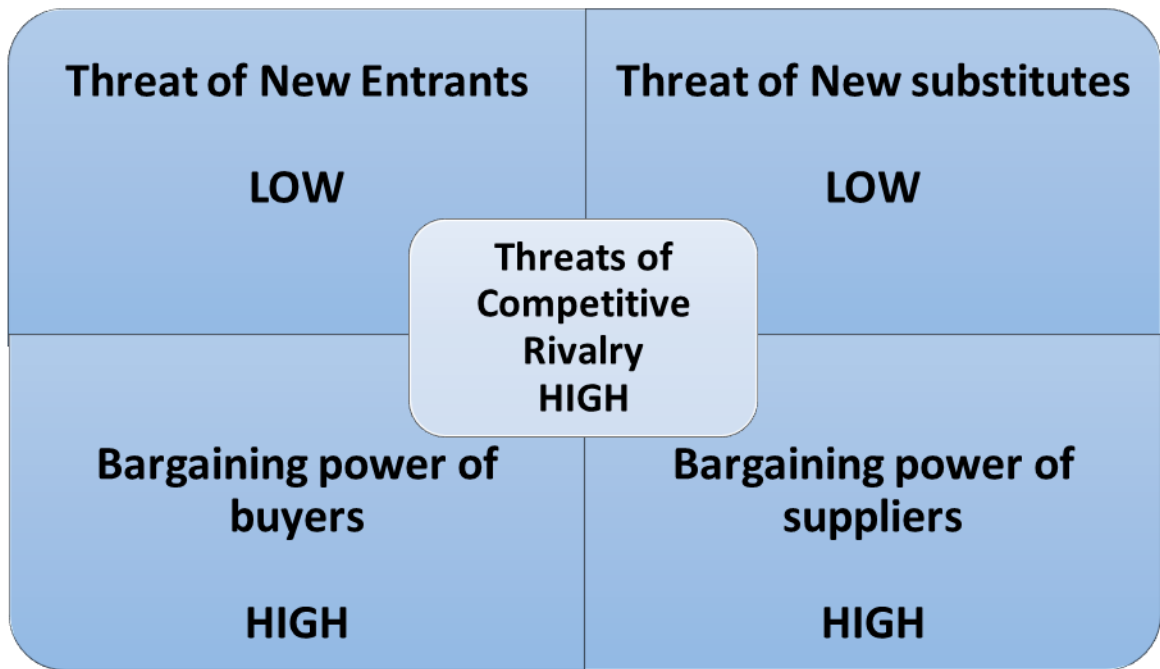


Figure 8: Porter's Five forces of Dhaka Bank Limited.

2.7.2 SWOT Analysis: SWOT analysis is a company's framework which indicates a company's strength, weakness, opportunity and threats. It's an internal analysis of the company. Now I'll discuss about the Dhaka bank's swot analysis:

- **Strength:**

- 1. Established organization:** Dhaka Bank is a very well-known organization in Bangladesh. This is one of the biggest strengths of Dhaka bank. With its good brand image, they can attract many customers.
- 2. Brand expansion:** Dhaka Bank expanded their business. They have two subsidiaries. This is one of the strengths.

3. **Employee Satisfaction:** Employee satisfaction is very much important in any organization. They always focus on the well-being of the employees. Because they believe employees are the asset of the organization. So, if employees are satisfied then it will create good results.
 4. **Employee relation:** It's very important to maintain good employee bonding. In Dhaka bank they maintain a good working environment. Every year they organize many events for the employees which create good employee relations amongst them.
- **Weakness:**
 1. **Poor marketing activities:** They have poor marketing activities compared to any other banks. They don't have that much marketing activity. Moreover, lack of ad campaigns, sponsorship and many more.
 2. **Similar Service:** Another weakness is lack of diversification. The services which they provide are similar to every other bank. So, there are no extraordinary services which can attract the customer.
 3. **Innovation:** Another weakness is they have no new innovative services. Innovative service can attract many customers. All the services they provide are old systems and techniques.
 - **Opportunities:**
 1. **Competitive Advantage:** If Dhaka bank launches new and innovative services than others, then it can create competitive advantage. Dhaka bank is well known and they have so many branches across Bangladesh, so it can be a big opportunity for them to gain competitive advantage.
 2. **Product Expansion:** Product Expansion can be a huge opportunity by creating more subsidiaries they can gain the market demand and can expand the organization.

- **Threats:**

1. **Emergence of new banks:** Nowadays many banks are emerging which can be a big threat. If new banks provide services with more benefits, then customers will be shifted onto new banks.
2. **Similar Service:** Like Dhaka Bank every other bank is providing a similar service. It can be a big threat. Because customers can get many options. So, customers can be shifted into other banks.
3. **Economic Crisis:** Bangladesh's economic situation is very much unstable. Economy and banks are connected to each other. If the economic situation falls down then banks will be affected directly. Banks will be unable to get customers for loans and any other services.

2.8 Summary & Conclusion: In this chapter I have discussed the company's overall situation and how they operate all the activities like- Management practices, marketing practices and financial analysis. Here I also analyze the industry and do competitive analysis. The history of Dhaka bank and how they have been evolving their operations and departments day by day. They are expanding their organization overall in the country. More than 100 branches are available all over the country. They are operating their business effectively and they have a strong human resource department. They are holding a very good position in the banking industry. Moreover, Dhaka Bank's financial situation is also stable.

2.9 Recommendation: Dhaka Bank is operating their functions very smoothly and efficiently.

Day by day they are improving their operations. Some recommendations for them can be:

- Dhaka Bank should focus more on their marketing sector. They need to do more promotional activities and campaigns.
- They should arrange more training programs.
- Should focus on CSR activities more.
- They should hire a market research team for promotional activities.

Chapter 3: Project Part: Mechanism and Effects/Impacts of Money Laundering in Bangladesh: Preventive Measures at Dhaka Bank's AML-CFT department.

3.1 Introduction: In this chapter, I will analyze the main topic in detail. The topic of this project is to find out what are the impact and mechanism of money laundering. Besides, how Dhaka bank manages these AML-CFT issues. So, the actual objective is to analyze the impact and process of money laundering and analyze the performance of Dhaka bank's AML-CFT division.

3.1.1 Background: Money Laundering is the illegal process of clearing black money into a white money. Black money is created through illegal activities such as smuggling, terrorism, human trafficking and many more. Money laundering is one of the crucial global issues. It is a big global problem.

In Bangladesh money laundering is one of the major issues. Among developing countries Bangladesh ranked 33th in money laundering. It impacts the country's economy very badly. It hampers the country's security and government revenues. Bangladesh does off-shore financing for money laundering. They transferred money in many countries like- USA, Canada, Switzerland and more. According to financial express, since 2004 transferring deposits in Swiss banks from Bangladesh has increased. For laundered money they find a country or organization where it's easy to transfer black money. Another way is to deposit money to the banks for laundering. These issues will be discussed in the later part more elaborately. In 2002, the Bangladesh government established a money laundering prevention act. By imposing this act, they weren't able to control money laundering that much. So, in 2012 they updated this act and created the Bangladesh financial intelligence unit (BFIU) in Bangladesh Bank. BFIU is monitoring money laundering issues in Bangladesh. By the order of BFIU in 2012 all other banks established anti money laundering and CFT divisions. All banks and financial institutions including Dhaka Bank work on to prevent money laundering and criminal activities. In this chapter we will analyze these issues and how Dhaka bank works for the AML-CFT division.

3.1.2 Objective: The main objective of this chapter is to know about how money laundering occurs, in which process people or Organization laundering black money and what are the impact of this money laundering in Bangladesh. So, in this report I am going to talk about the overall scenario of money laundering in Bangladesh. Besides, what are the techniques Dhaka bank's AML-CFT department uses to prevent these money laundering. Dhaka bank is one of the leading commercial banks in Bangladesh. So, here they take many preventive measures to control money laundering and criminal activities which are related to Dhaka bank. There are two types of objectives. One is a broad objective and another one is a specific objective. Here's some discussion about broad and specific objective:

- **Broad objective:** The broad objective of this chapter is to know about the impact of money laundering in Bangladesh and analysis of the functions of money laundering. Another broad objective is to find out how Dhaka bank controls these activities through the AML-CFT division.

- **Specific Objective:** Based on broad objectives, there have some specific objectives which I need to analyze for this chapter. Here's the specific objectives of this chapter below:
 - The process of money laundering.
 - The impact of money laundering in Bangladesh.
 - Government's initiative to control the money laundering issue
 - Dhaka Bank's initiatives for Anti-Money Laundering.

3.1.3 Significance: The main purpose of writing this chapter is to find out the channels through which money laundering occurs. Besides, how it affects the country and what are the techniques Dhaka bank uses to prevent money laundering. This report can give a detailed idea about the whole process of money laundering and what are the elements through which money laundering occurs. Through this report, general people can be aware of money laundering issues.

Moreover, most people in our country don't know much about money laundering. So, through this report people can get this basic knowledge about money laundering. Also, this report reflects the negative impact of money laundering in Bangladesh. Based on this situation in mind, Dhaka bank can take necessary steps accordingly and take a decision effectively. The management can focus on if any change is needed. Moreover, through this report they can see the overall scenario of Bangladesh on the basis of money laundering. They will be able to see how the AML-CFT division is managing everything. The individual advantage of this report is enormous. I have got hands- on experience which will be beneficial for my future workplace. If I get a chance to work in an AML-CFT division then I will work very efficiently because I already have experience on this. Also, it will help me to develop my future skills and abilities. Lastly, if anyone wants to write a research paper then this type of report is very much helpful.

3.2 Methodology: For this chapter, I use both quantitative and qualitative research. For this analysis I have used qualitative research. Qualitative research is a non-numerical base. I have collected a lot of information about money laundering. For this information I have used many scholar's articles, news articles and Bangladesh bank's official website. Moreover, In Dhaka bank's part I have used my own experience's knowledge and collected information from supervisor and other employees. Because this part is confidential and they usually don't share much information about their AML-CFT department.

Quantitative research is numerical based. Quantitative research is done by graphs, statistics and numbers. For this analysis I have used a survey questionnaire. As I have less time for this analysis, this survey questionnaire is the best way to do the analysis as early as possible. Questionnaire is the best and easiest way to get the full insights of any situation. Through the sample size we can get the percentage of any data. Here the sample size I took for the research is 21. Though this sample size is very limited which is not enough for any research. Also, through this it's not possible to identify the whole money laundering situation in Bangladesh and how Dhaka bank operates it. However, I collect these data from the people who work for anti-money laundering and those who have an idea about money laundering. So, I think these people can give us some ideas about the situation.

3.2.1 Limitation of the study: I have faced many barriers and problems by doing the analysis. So here are some of the limitations:

- Unable to collect that much sample size.
- For the time limitation I couldn't manage more samples.
- Because of the lockdown, I couldn't visit the office for more than 1 month.
- The work pressure of the AML department is very immense. So, it has created a barrier for me in collecting sample size.
- Mechanism and effects of money laundering is a broad issue. The information about these issues is overspread on the internet. So, it's difficult to combine all this information together.

3.3 Findings and Analysis: In this part, I have done Qualitative research for my analysis.

All the References and In-text Citation is given in the research:

1. **The process of Money laundering:** Money laundering is one of the common issues in Bangladesh. According to a global financial integrity report, in money laundering Bangladesh ranked 33th among 135 developing countries. Besides, according to global financial integrity report, last year 5 lakh crore takas has been laundered from Bangladesh. One of the officials of BFIU said that- they finalized 1024 reports of money laundering from the last 5 years ("500,000C siphoned off from Bangladesh last year," 2021). According to an IMF report, 30% of GDP is rounded by black economy (Express, n.d.).
 - People laundered money in many ways. There are 3 steps of laundering money. Placement, layering and integration. Placement is a step where they find a way of laundering money into a financial system. Then layering is the process of concealing black money by opening a deposit account into various banks or using different names. Then the last step is integration, they successfully laundered black money (Chen, 2019).
 - Money launderers use various methods for converting black money into a white money. The most common way of laundering black money is financial institutions. Various transactions from different accounts or different financial institutions used to launder

the money. Then financial institutions use that money in their financial system. This is how they convert black money (Kutubi, 2011).

- Another way of laundering money is cash intensive business. They choose some businesses which can attract the customers more easily. This type of businesses can be- restaurants, cigarette distributors and many more. Then they mixed those profits with illegal income. Another way is shell companies. They set up off-shore companies. But actually, internally they operate no business. They pay taxes to cover up the illegal funds. They sent their funds outside the country through off-shore (Haşmet, 2012).
- Another common way of laundering money is international trade. According to a financial express report, 640 billion laundered through international trade. According to Swiss data, a big portion of money (deposits) comes to their Swiss bank from outside the country. Bangladesh is one of them. In terms of Swiss deposit, Bangladesh ranked 2nd after India among south Asia and ranked 85th. Neighboring countries like- Pakistan, Nepal, Sri lanka, they ranked low compared to Bangladesh. They ranked 99,118 and 148 respectively (Express, n.d.).
- According to a financial express report, from 2004 to 2019 the rate of Bangladeshi's deposits is increasing immensely to the Swiss Bank. In 2004, the rate was 3.63 billion but in 2019 the rate increased to 53.6 billion. But among them only 84 individuals name have been coming in the Panama papers ("500,000C siphoned off from Bangladesh last year," 2021). According to Financial data, every year transferring money into Swiss Bank is increasing (Express, n.d.). Here is the report of it:

BANGLADESHI NATIONALS' DEPOSITS TO SWISS BANK		
YEAR	SWISS FANCES (MILLION)	TAKA (CRORE)
2019	603	5,427
2018	617	5,553
2017	418	4,329
2016	662	5,958
2015	551	4,959

Figure 9: Every Year's Swiss Bank transfer.

Source: <https://www.thedailystar.net/frontpage/news/swiss-banks-deposits-bd-nationals-drop-1920613?amp>

2. **Impact of money laundering in Bangladesh:** Money laundering is a global issue and it has a devastating effect on the developing countries. Money laundering not only affects the economy but also it affects the financial system. Low money laundering depends on sound rules and regulations, also sound taxation and financial system (Kutubi, 2011). Contrariwise, a sound financial system and economic system depend on sound taxation and low money laundering (IMF 2001). Through money laundering crores of money are being transferred to outside of the country. This money could be invested in the country's development process ("Money laundering damaging economy," n.d.). Here's some impact of Money laundering in Bangladesh:

- Government's one of the main sources of income is tax. Organizations or people who are involved in to earn black money, usually they don't pay tax because they earn it illegally and they operate this type of activities in the underground economy. So, it reduces the income of the government (Taylor, 2020). Besides, it also increases the tax rate. Due to the reduction of the government's tax revenue, it becomes difficult for the government to collect taxes. Therefore, it creates extra pressure for the general public because due to the money laundering, they are paying extra tax (Das & Das, 2008).
- Banks are the major target for money laundering because this is the mostly used process to conceal the money from where it comes from. Through this, financial institutions become reluctant criminals. It hampers the reputation of them. As well as it can increase the operational risks like- internal and external fraud and break of policies (Bartlett, 2002). It may cause the failure of this particular bank or financial institution and customers and stakeholders may lose the trust towards them. It destroys the stability of them ("FIU- consequences of Money Laundering", n.d.).
- It destroys the business industry. People who are involved in this kind of activity sometimes start a business. Then they offer a product at a very low price because their main concern is only laundering money. Because of the low price all the customers get

shifted into them. This is how the business industry gets affected because real businesses don't get a chance (Taylor, 2020).

- Another impact is- it increases criminal activities because people earn black money through smuggling, drugs, hijacking and many more. So, these kinds of activities are increasing criminal activities (Taylor, 2020).

3. **Government's initiative to control the money laundering issue:** The main causes of money laundering are lack of absence of good governance, corruption, political instability ("500,000C siphoned off from Bangladesh last year," 2021). Bhuiyan and Hossain (2020) state that- In terms of money laundering risk, Bangladesh is in the top 40 around all countries. According to Basel anti money laundering index 2020, Bangladesh has moved down to 38th ranking. In terms of Basel anti money laundering index lower the position higher the risk. That means Bangladesh is at high risk. Their risk score is 5.88. Our neighboring country India's risk score is lower than ours. But other neighboring countries like- Pakistan, Sri Lanka their risk score is higher than us. Every year Bangladesh's ranking is being lower which is bad news for us. Here's the picture of the Basel Anti-money Laundering Index:

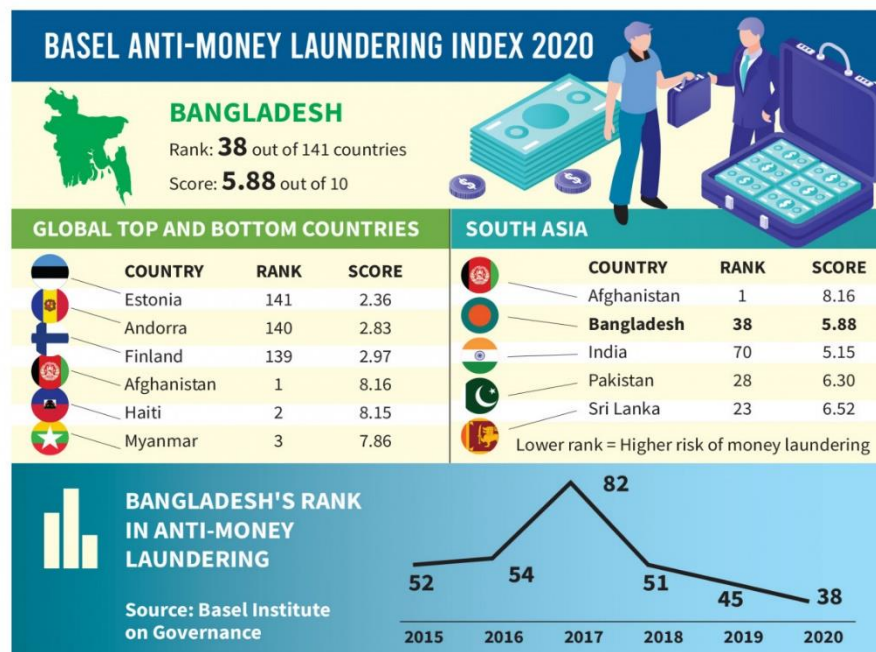


Figure 10: Anti Money Laundering Index 2020.

As we can see, Bangladesh's risk score is getting higher every year. Here some preventive measurements of government are given below:

- As I have discussed before, a big portion of money is being transferred to the Swiss bank. In 2019, 53.67 billion has transferred to the Swiss bank. In 2004, the Bangladesh government sent a letter seeking information about Bangladeshi depositors to the Swiss government. BFIU and National Board of Revenue (NBR) went for an agreement with Swiss financial intelligence for transferring information. But later this agreement stopped. So, they should take many necessary steps again to prevent these issues. On the other Hand, India has already taken necessary steps about this issue. As a result, Indian's deposits have intensely decreased (Express, n.d.).
- Money laundering has been a global issue since many past years. Many organizations or countries have been working against this issue for a very long time. Here's the details below:
 - ✓ The United nation is an international organization who took the first initiative for preventing money laundering issues. They operate a program against money laundering which is a part of the UN office on Drugs and Crime. In 1998, they adopted a program against illicit traffic which is known as the Vienna convention. In 2000, they adopted the Palermo convention against transnational organized crime. Then, suppression of the financing of terrorism- international convention was adopted in 2001 ("BFIU," n.d.)
 - ✓ Financial action task force established in 1989. It was formed by G-7 countries. Here intergovernmental bodies work together to prevent money laundering and terrorist financing. They established a recommendation which is applicable for universal use. This framework was issued in 1990, then in 1996, 2003 and 2012 they updated it ("BFIU," n.d.). Bangladesh was under the supervision of FATF. In 2010, Bangladesh established a framework for preventing ML issues that FATF identified. But now Bangladesh ("Bangladesh AML Report," n.d.).
 - ✓ Asia Pacific Group established in 1997. They have 40 member countries and international or regional observers. They implemented a framework and 40

recommendations which are maintained by international and FATF standards. Bangladesh is also a member of APG (“BFIU,” n.d.).

- ✓ FATF has established a 40+9 recommendation for ML/TF which is applicable for all the countries. Then in 2012 they updated this 40+9 recommendation and added 40 new recommendations with this. By maintaining an international standard, Bangladesh has established an act in 2002 which is known as the “money laundering prevention act”. Many corrections were made after that. Then, in 2012 Bangladesh updated the act. Moreover, government has also established Anti-terrorism act in 2009 and later updated it in 2012. These acts have been operated by the Bangladesh financial intelligence unit (BFIU). BFIU is a department of Bangladesh bank (“BFIU,” n.d.).
- ✓ In money laundering prevention act 2012, section 2 (w) (vii) and Anti-terrorism act 2009, section 2 (20) (g)- there have some descriptions about the guideline of capital market intermediaries. According to section 5 (1) CMI’s responsibilities are:
 - ❖ During the operation of the clients account, it’s necessary to maintain proper information of the clients (“BFIU,” n.d.).
 - ❖ Have to preserve the transaction record of clients - at least 5 years from the date of closure (“BFIU,” n.d.).
 - ❖ Provide this information to the Bangladesh bank.
 - ❖ If they get any suspicious transaction which has fallen under section 2 clause (z), then they have to inform the Bangladesh bank (“BFIU,” n.d.).
- ✓ Bangladesh bank has supervisory power according to section 23 MLPA, 2012 and section 15 anti-terrorism act ,2009. Under section 23 the power of Bangladesh bank:
 - ❖ Collect cash transaction reports and suspicious transaction reports from reporting organizations. Then analyzing and reviewing those reports (“BFIU,” n.d.).
 - ❖ They can ask for any information from a reporting organization which can be related to money laundering issues.

- ❖ They can order to suspend or freeze (for 30 days) doubtful accounts to the reporting organization. If needed then it can be extended for 6 months.
 - ❖ Anytime they can issue a report and can give any directions for preventing money laundering.
 - ❖ Monitor if reporting organizations are doing their work properly or not. They can do on-site inspections.
 - ❖ They can arrange meetings, seminars or organize training for the reporting organization's employees.
 - ❖ They can carry out any functions which could be necessary for money laundering.
- ✓ According to section 25 (2) and sub-section (1) of section 25 of MLPA 2012, the penalties for reporting organization if they violate any rules:
- ❖ Impose a fine from 50 thousand to 25 lacs taka.
 - ❖ Can cancel a license of this reporting organization or any of their branch or service center.
- ✓ Some other rules under section 23 of MLPA 2012:
- ❖ If the reporting organization fails to provide information timely then, Bangladesh bank can impose a charge of highest 5 lacs. Moreover, if any organization is fined more than three times in a year, then Bangladesh bank can cancel their license.
 - ❖ If a reporting organization provides false information, then Bangladesh bank can charge e fine from 20 thousand to 5 lacs. Moreover, if any organization is fined more than three times in a year, then Bangladesh bank can cancel their license.
 - ❖ If they fail to comply with rules which are given by Bangladesh bank. Then, Bangladesh bank can impose a charge of the highest 5 lacs. Moreover, if any organization is fined more than three times in a year, then Bangladesh bank can cancel their license (“BFIU,” n.d.).

4. **Dhaka Bank's initiative for money laundering:** In 2012, Dhaka Bank limited established a division under risk management department which is known as Anti Money laundering and combating the financing terrorism department. They operate this division under the supervision of Bangladesh Bank's BFIU ("Financial Statements & Reports," n.d.). AML-CFT division's one of the main activities is to find out whether their customer's bank accounts belong to any criminal or not. Firstly, they get complaint letters from BFIU, customs, tax, duduk and many more. Then they search these names to their searching portal for checking whether these names belong to Dhaka bank or not. In Addition, BFIU sends a lot of news to the AML-CFT department from many news portals, then they need to find out the criminal's name from those news- they get the names of many terrorists. This is how they check suspicious names. After that they verified those accounts again. Lastly, after verifying, they give a reply to them. If they get an account which belongs to the criminal then they reply back with an account number and other details and if they don't get it then they reply back with a nil statement.

- **Verified information:** KYC (know your customer) and customer due diligence is connected with AML-CFT division. Having proper information about the client and using that information to defend money laundering is the effective way to prevent crime. According to MLPA act 2012 section 25(1)(a)- all the reporting organizations need to collect proper information about the client unless they cannot proceed with the business deal ("BFIU," n.d.). Dhaka Bank properly maintains KYC screening and customer due diligence of their existing customers or new customers. Customer due diligence is the process to identify if customers have a proper ability to maintain business deals or transactions. And KYC is a part of customer due diligence. KYC assess customers activities and also assess if there's any chance of money laundering risk from these customers. Also, after getting the account of a suspicious person or Organizations through AML checking they Verified those accounts. They check all the transactions of this particular person and check this customer's due diligence. Furthermore, every month they collect cash transaction reports from every branch. In CTR they present a report if any suspicious transactions have happened or not. Then this report they send it to BFIU. In Addition, every year they organize an AML-CFT training program for their employees.

[N.B: I have written all the information regarding Dhaka bank’s AML-CFT division by using my own experience’s knowledge]

3.3.1 Sample Questionnaire: In this part, I have analyzed the data which I have collected through the Survey questionnaire. Based on my analysis I have made some sample questions. From this survey, I have collected 21 sample sizes. Though 21 sample size is not enough to analyze the overall scenario of money laundering and also to understand the overall Dhaka bank’s measurement but through this survey we can get some idea about it. Among 21 sample sizes, 52% people are male and 48% people are female. Here below some analysis which I get from this survey:

- **Process of Money Laundering:** Money laundering is one of the common issues in Bangladesh. People who know about money laundering, among them 76.2% people think that people or Organizations are laundering by transferring money into the financial institutions. This is the most common way of laundering money. They usually open a bank account and transfer black money into this.

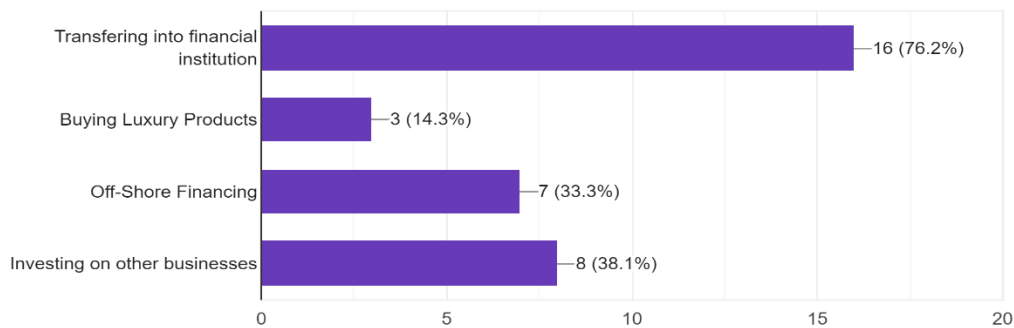


Figure 11: Process use most in money laundering.

- Process of transferring money into financial institutions:** Based on the Survey, most people think that one of the main techniques is transferring money into the financial institutions. This situation is falling under a layering part. Layering is opening a bank account by various names or transferring money from bank to bank. According to the survey 66.7% respondent thinks that people use both ways for layering. They deposit money and transfer funds into banks. Also, they make a deposit by the name of their family, relatives and sometimes use fake names.

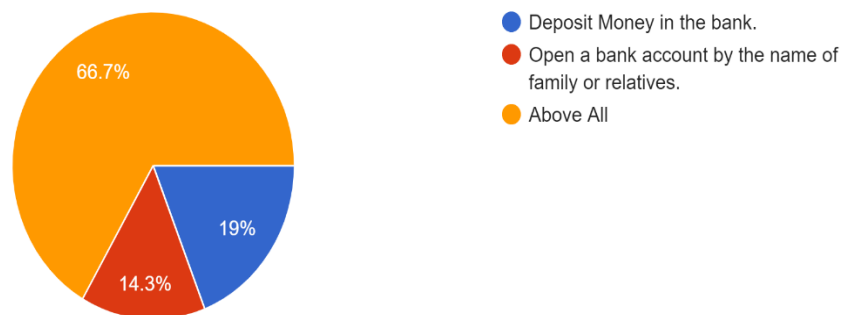


Figure 12: Way of Transferring money in financial institutions.

- Effect of Money Laundering in Bangladesh:** Money laundering is a global issue. Nowadays these issues are increasing continuously. It impacts our economy badly. According to a survey 81% people think that it causes many problems like- reduction of tax revenue, it destroys business industry and also it increases criminal activities. All of these I have already discussed in detail.

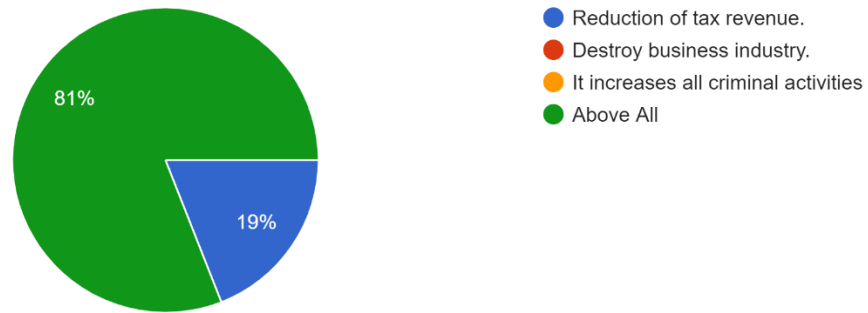


Figure 13: Money Laundering affects the country.

- Prevent money laundering:** From the analysis we have found that Bangladesh’s risk score is getting increased day by day. it’s very necessary to impose the rules more strictly. According to a survey 81% respondent thinks that the government should take many necessary steps- Arranging seminars, strictly imposing anti-money laundering regulations and stopping off-Shore Financing.

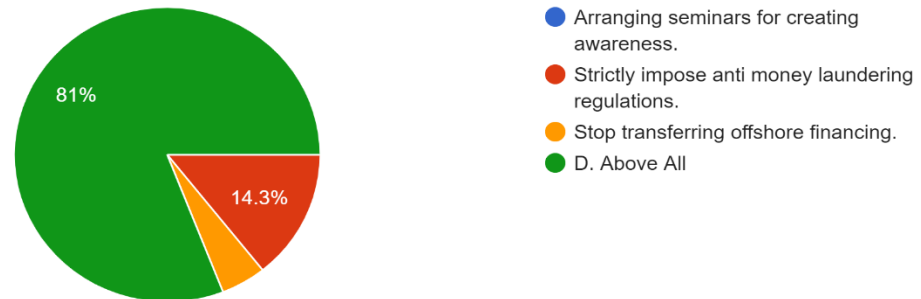


Figure 14: Prevention of Money Laundering.

- Checking suspicious names by Dhaka bank:** According to a survey, 72.2% respondent who works in a Dhaka bank said that they find out laundering cases by getting a letter against some suspicious names. Then they search these names to their searching portal to check whether these names belong to Dhaka bank or not.

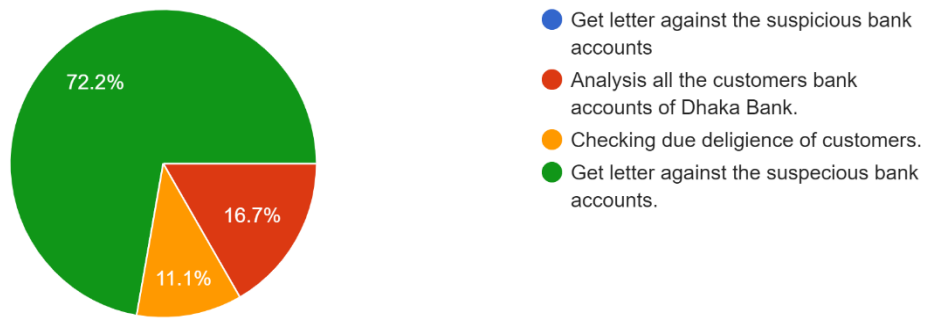


Figure 15: Way of finding Money Laundering Cases.

- Verified information:** Dhaka Bank checks all the transactions of any customers and checks this customer's due diligence. Also, they do KYC screening. According to a survey, 61.1% people said that Dhaka bank verified suspicious accounts through both KYC and due diligence.

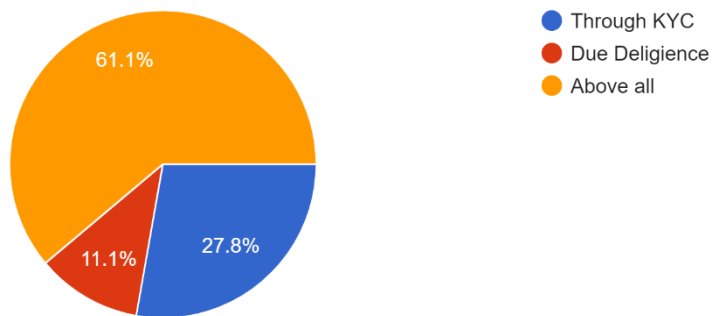


Figure 16: Way of Verified accounts.

3.4 Summary and Conclusion: The purpose of this report is to get an idea about money laundering. Besides, find out how overall money laundering is happening and the overall process. Furthermore, Money Laundering is affecting our country immensely. Also, can get an idea about Dhaka Bank's AML-CFT department's Preventive Measurements. Money laundering is a technique of transferring black money into a white money. Criminals are always finding a way to deposit money into a financial institution. Sometimes they deposit money directly by their name or relative names in various banks together. One of the other major processes of money laundering is off-Shore Financing. According to a financial report every year a big portion of money is deposited to Swiss Bank. It also affects the economy as well. It affects the government's tax revenue and also it affects the business industry. For this Bangladesh government should impose the regulations more strictly. Though the rank of Bangladesh in anti-money laundering is increasing which is good for our society. Lastly, Dhaka Bank limited established a division in 2012. They work very effortlessly to prevent money laundering.

3.5 Recommendation: Through this report the main analysis has been achieved. Some Recommendations can be:

- Government should impose strict rules to stop Swiss bank transfers from Bangladesh.
- More awareness programs should be advertised which will spread the knowledge about the negative impact of money laundering among the people.
- Dhaka Bank's due diligence and KYC screening process should be more focused and stricter.

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Appendix: A

Questionnaire

- Question 1: Gender.
 - Male
 - Female
- Question 2: Do you know about money laundering?
 - Yes
 - No
- Question 3: If Yes, what do you think in which process people use mostly for laundering money?
 - Transferring into financial institution
 - Buying Luxury Products
 - Off-Shore Financing
 - Investing on other businesses
- Question 4: How do they transfer money into financial institutions?
 - Deposit Money in the banks.
 - Open a bank account by the name of family or relatives.
 - Above All
- Question 5: Do you think Bangladesh is affected by money laundering?
 - Yes
 - No
- Question 6: If you agree, how does money laundering affect Bangladesh?
 - Reduction of tax revenue.
 - Destroy the business industry.
 - It increases all criminal activities
 - Above All
- Question 7: What do you think, what is the best way to prevent money laundering?
 - Arranging seminars for creating awareness.
 - Strictly impose anti money laundering regulations.
 - Stop transferring offshore financing.

- Above All
- Question 8: Are you an employee of Dhaka Bank's AML-CFT division?
 - Yes
 - No
- Question 9: If Yes, Does Dhaka Bank's AML-CFT division meet the requirements of AML laws and BFIU?
 - Yes
 - No
- Question 10: How Dhaka Bank finds out money laundering cases?
 - Get a letter against the suspicious bank accounts.
 - Analysis of all the customers bank accounts of Dhaka Bank.
 - Checking due diligence of customers.
- Question 11: Does the AML-CFT division verify the information of suspicious customers?
 - Yes
 - No
- Question 12: If Yes, how do they maintain it?
 - Through KYC
 - Due Diligence
 - Above All
- Question 13: Does the AML-CFT division arrange training for their employees?
 - Yes
 - No

Appendix B

A list of table data which is used to reflect the participant's assumption in order to analyze the project's topic "Mechanism and Effects/Impacts of Money Laundering in Bangladesh: Preventive Measures at Dhaka Bank's AML-CFT department".

Table 1

Q1. The process which is mostly used for laundering money?			
		Participant	%
Transferring into financial institution		16	76.20%
Buying Luxury Products		3	14.30%
Off-Shore Financing		7	33.30%
Investing on other businesses		8	38.10%

Table 2

Q2. How laundered money is transferred into financial institutions?				
			Participant	%
Depositing money in bank accounts			4	19%
Opening bank accounts with multiple family names by a same person			3	14.30%
Above all			14	66.70%

Table 3

Q3. How money laundering is affecting Bangladesh?			
		Participant	%
Reduction of tax revenue.		4	19%
Destroying business industry.			
By increasing all criminal activities			
Above All		17	81%

Table 4

Q4. The best way to prevent money laundering?			
		Participant	%
Arranging seminars for creating awareness.			
Strictly impose anti money laundering regulations.		3	14.30%
Stop transferring offshore financing.		1	4.80%
Above all		17	81%

Table 5

Q5. How Dhaka Bank find out money laundering cases?			
		Participant	%
Get letter against the suspicious bank accounts		13	72.20%
Analysis all the customers bank accounts of Dhaka Bank.		3	16.70%
Checking due deligence of customers.		2	11.10%

Table 6

Q6. How AML-CFT division of Dhaka Bank maintain the information of the suspicious customer's bank accounts?			
		Participant	%
Through KYC		5	27.80%
Due Deligence		2	11.10%
Above all		11	61.10%