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(Research Article)

Combating Money Laundering in Bangladesh: Challenges, Developments and Prospects

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Abstract

Money laundering remains one of the gravest threats to the financial system of Bangladesh. The country has long been vulnerable to illicit financial flows due to its dependence on remittances, weak trade monitoring mechanisms, prevalence of corruption and the large size of its informal economy. Transparency International Bangladesh (2023) estimates that between USD 12 to 15 billion are laundered out of Bangladesh each year, while the Bangladesh Institute of Bank Management has identified trade-based money laundering as the single largest source of leakage costing the country USD 16 billion annually. In response, Bangladesh has enacted the Money Laundering Prevention Act (2012) and the Anti-Terrorism Act (2009) and has strengthened institutional capacity through the Bangladesh Financial Intelligence Unit (BFIU), the Anti-Corruption Commission and more recently the Income Tax Intelligence and Investigation Unit. Private banks such as BRAC Bank have also built compliance frameworks to mitigate risks at the institutional level. Despite these advances, persistent challenges remain including weak enforcement, inadequate inter-agency coordination and emerging risks posed by fintech and digital financial services. This thesis explores the evolution of anti-money laundering frameworks in Bangladesh, analyzes vulnerabilities across banking and non-banking sectors, and assesses the effectiveness of enforcement and prevention mechanisms. It argues that while significant progress has been made through legal reforms and international cooperation, achieving a resilient anti-money laundering regime requires deep structural reforms, advanced technological adoption and political commitment to transparency.

Keywords: Anti-Money Laundering (AML); Combating the Financing of Terrorism (CFT); Bangladesh Financial Intelligence Unit (BFIU); Hundi; Fintech

1. Introduction

Money laundering refers to the process through which proceeds from illegal activities are concealed and reintegrated into the formal economy in a manner that obscures their criminal origins. In Bangladesh, laundering practices are often linked to corruption, tax evasion, human trafficking, narcotics smuggling and trade mis-invoicing. According to the Global Financial Integrity report, the country lost more than USD 61 billion between 2005 and 2014 through illicit trade practices, under-invoicing and over-invoicing of goods. The losses have since continued, with the Bangladesh Economic Association estimating that from 1972 to 2023 more than Tk 1.19 million crore has been laundered abroad. This large-scale capital flight undermines fiscal stability, deprives the state of essential development resources and damages investor confidence.

Bangladesh's exposure to laundering is also shaped by its economic structure. The heavy reliance on inward remittances, the existence of informal "hundi" systems and a cash-dominated retail economy all create vulnerabilities

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that organized crime networks and politically exposed persons can exploit. Moreover, the rapid expansion of financial technology platforms such as mobile money has created additional entry points for illicit flows, though institutions like bKash have begun adopting automated monitoring systems such as AML360 to strengthen compliance. The government recognizes the seriousness of the problem and has aligned domestic legislation with international standards set by the Financial Action Task Force (FATF).

1.1. Research Problem

Although Bangladesh has passed multiple laws and created institutions to prevent money laundering, the enforcement gap remains wide. Annual suspicious transaction reports (STRs) are still low relative to the size of the financial sector, inter-agency coordination is weak and cases of politically sensitive laundering are often left uninvestigated. At the same time, the country's global reputation suffers when illicit flows are publicized, complicating its integration into international markets. The challenge, therefore, is not only to create regulatory frameworks but also to implement them with consistency and independence. The research problem guiding this study is to evaluate how effectively Bangladesh has been able to combat money laundering through its laws, institutions and financial sector practices and what gaps continue to undermine these efforts.

1.2. Objectives of the Study

The primary objective of this study is to assess the state of anti-money laundering mechanisms in Bangladesh and to evaluate their effectiveness in curbing illicit financial flows. The specific objectives are to analyze the evolution of Bangladesh's anti-money laundering legislation, assess the role of key institutions such as the BFIU, Bangladesh Bank and private banks like BRAC Bank, examine vulnerabilities across financial and non-financial sectors and identify opportunities for strengthening enforcement, technology adoption, and international cooperation.

1.3. Research Questions

This thesis addresses the following research questions:

- How effective are Bangladesh's current anti-money laundering laws and institutional frameworks?
- What are the primary vulnerabilities in the financial and non-financial sectors that facilitate laundering?
- How have financial institutions implemented compliance measures to mitigate laundering risks?
- What challenges limit enforcement and prosecution of laundering cases in Bangladesh?
- What strategies can Bangladesh adopt to strengthen its AML regime in line with global standards?

1.4. Significance of the Study

Money laundering is not only a financial crime but also a developmental issue in Bangladesh. The siphoning of billions of dollars every year deprives the country of resources that could otherwise finance infrastructure, education and poverty alleviation. An effective anti-money laundering regime thus has broader macroeconomic implications, ensuring sustainable growth, attracting foreign investment and enhancing the country's international reputation. This study is significant as it integrates both policy-level developments and institutional practices, such as those observed in BRAC Bank, into a comprehensive analysis. It also incorporates recent developments up to 2025, making it relevant for policymakers, academics and practitioners alike.

1.5. Scope and Limitations

The scope of this research includes an analysis of anti-money laundering legislation, regulatory frameworks and institutional practices in Bangladesh, with particular emphasis on the financial sector and case study insights from BRAC Bank. It also considers the growing importance of fintech in shaping compliance requirements. However, the study is limited by restricted access to confidential regulatory data, reliance on secondary sources for some statistics and the sensitive nature of ongoing investigations into politically exposed persons. While every effort has been made to ensure accuracy, the rapidly evolving nature of money laundering schemes and policy responses means that findings must be contextualized as part of a dynamic system.

2. Literature Review

2.1. Theoretical Perspectives on Money Laundering

Money laundering is generally understood as a three-stage process: placement, layering, and integration. Placement refers to the initial movement of illicit proceeds into the financial system, often through deposits, remittances, or cash-based purchases. Layering involves a series of complex transactions designed to obscure the origin of funds, such as wire transfers, shell companies, or trade mis-invoicing. Integration is the final stage, where laundered funds are reinvested into legitimate economic activities like real estate or corporate investments, giving them an appearance of legality. Scholars such as Levi and Reuter argue that the layering stage is most critical, since it breaks the audit trail and makes detection extremely challenging. In developing economies with weak monitoring, placement and integration often merge, making laundering more efficient but harder to track.

2.2. Global Norms: FATF and International Practices

The international response to money laundering is led by the Financial Action Task Force (FATF), which developed the 40 Recommendations serving as the global AML/CFT standard. These emphasize criminalization of money laundering, customer due diligence (CDD), suspicious transaction reporting, regulation of designated non-financial businesses and professions (DNFBPs) and international cooperation. Bangladesh is a member of the Asia/Pacific Group (APG) on Money Laundering and has undergone mutual evaluations. Although the country was once listed under the FATF greylist in 2008 due to deficiencies in its AML/CFT framework, subsequent reforms helped it exit the list in 2014. However, APG's 2022 evaluation noted continuing weaknesses in enforcement and the relatively low number of convictions despite numerous suspicious transaction reports filed with the BFIU.

2.3. Evolution of AML in Bangladesh

Bangladesh's AML legal framework has undergone several revisions. The Money Laundering Prevention Act was first enacted in 2002, revised in 2009 and significantly updated in 2012 to align with FATF standards. The Anti-Terrorism Act of 2009 further incorporated terrorist financing into the AML framework. The Bangladesh Financial Intelligence Unit (BFIU) was established as the central FIU within Bangladesh Bank, tasked with receiving Suspicious Transaction Reports (STRs) and Cash Transaction Reports (CTRs), analyzing them, and sharing findings with enforcement agencies.

The following table summarizes the key legal developments in Bangladesh's AML regime:

Table 1 Evolution of AML Laws in Bangladesh

Year	Legal Development	Key Features
2002	Money Laundering Prevention Act (MLPA)	First comprehensive AML law, basic STR/CTR requirements
2009	Revised MLPA	Expanded definitions, covered terrorist financing
2009	Anti-Terrorism Act (ATA)	Criminalized financing of terrorism, asset freezing
2012	MLPA (amendment)	Strengthened penalties, introduced broader STR/CTR obligations, created BFIU autonomy
2015–2020	Bangladesh Bank AML circulars	KYC, CDD, DNFBP coverage, fintech monitoring
2023	Establishment of ITIIU	Specialized tax and laundering investigations (Tk 1,874 crore uncovered in first 7 months)

(Sources: Bangladesh Bank Guidelines, BFIU reports, Transparency International 2023)

2.4. Sectoral Guidelines: Financial Institutions and DNFBPs

Bangladesh Bank has issued sector-specific guidelines covering both financial institutions and DNFBPs. The 2013 DNFBP guidelines in your uploaded file emphasize customer due diligence, record keeping, cash transaction reporting, and the identification of politically exposed persons (PEPs). They specifically target real estate developers, jewelers, accountants, and lawyers, sectors long identified as laundering channels. For banks, detailed circulars require each institution to appoint a Chief AML Compliance Officer (CAMLCO) and establish an internal compliance unit. BRAC Bank, for instance, created a Regulatory Affairs Department with dedicated AML units, including Branch AML Compliance Officers (BAMLCOs).

Case studies such as BRAC Bank show how compliance structures are implemented in practice. Employees are trained in suspicious activity detection, while transactions exceeding thresholds are automatically flagged for review. Nevertheless, research has found gaps between policy and implementation, especially in smaller banks with limited compliance capacity.

2.5. Trade-Based Money Laundering

One of the most persistent vulnerabilities in Bangladesh is trade-based money laundering (TBML). A study by the Bangladesh Institute of Bank Management (2023) estimated that around USD 16 billion is lost annually through TBML, equivalent to 3.4 percent of GDP. Common methods include under-invoicing of exports and over-invoicing of imports, creating mismatches between customs declarations and actual values. The chart below illustrates illicit financial outflows from Bangladesh over time, highlighting the trade channel as the dominant driver.

2.6. Fintech, Mobile Banking, and Emerging Risks

Fintech platforms have expanded financial access in Bangladesh but also increased AML risks. Mobile money operators such as bKash have seen exponential growth, with millions of daily transactions. This creates opportunities for placement and layering through frequent small-value transfers. In 2023, bKash implemented AML360, an automated compliance solution for transaction monitoring, illustrating the growing reliance on artificial intelligence in AML. Yet, according to the BFIU, most fintech providers remain under-supervised compared to commercial banks, leaving systemic blind spots.

2.7. Previous Academic and Institutional Studies

Several prior studies have examined Bangladesh's AML efforts. An internship report from BRAC University (2014) provided an inside view of BRAC Bank's AML practices, emphasizing the role of training, reporting, and compliance monitoring. More recent literature highlights systemic challenges such as political interference in investigations, limited conviction rates, and the reliance on outdated manual trade monitoring. International observers including the IMF and World Bank have consistently called for strengthening BFIU's independence and inter-agency data sharing.

3. Methodology

3.1. Research Design

This study adopts a qualitative and analytical research design. The focus is to critically examine Bangladesh's anti-money laundering (AML) framework, assess its effectiveness and identify gaps in enforcement and compliance. The design is appropriate because the research problem is policy-oriented and institutional rather than experimental. Instead of measuring numerical outcomes, it emphasizes interpretation of legal texts, analysis of institutional performance, and review of case studies such as BRAC Bank's AML system. The qualitative design also allows integration of secondary statistics, international reports and recent case evidence to provide depth and context.

The research follows a traditional thesis structure: it begins with theory and literature review, then uses legal and institutional documents to develop the findings and analysis. Case study evidence is used to illustrate practical implementation, and visual aids such as tables and charts help synthesize complex data.

3.2. Data Sources

This research relies primarily on secondary data drawn from a variety of academic, institutional, and regulatory sources. Data has been collected from the following categories:

3.2.1. Primary Documents from Bangladesh

AML-CFT Guidelines for DNFBPs (2013) and Bangladesh Bank AML-CFT Guidelines, which outline regulatory expectations for banks, non-financial businesses, and fintech's.

Money Laundering Prevention Act, 2012 and Anti-Terrorism Act, 2009, which provide the legal framework for AML in Bangladesh.

BFIU reports and Bangladesh Bank circulars, which detail recent enforcement and reporting statistics.

3.2.2. Case Study Material

BRAC Bank Internship Report (2014) that documents internal compliance practices including training, suspicious transaction monitoring, and reporting mechanisms.

Case studies from news and institutional reports, such as the BFIU's freezing of Tk 15,000 crore from 366 individuals and entities in 2024, and the UK's freezing of Bangladeshi-linked assets worth £185–260 million in 2025.

3.2.3. International Sources

- Financial Action Task Force (FATF) 40 Recommendations and APG mutual evaluation reports of Bangladesh.
- Global Financial Integrity (GFI) data estimating illicit outflows (USD 61.6 billion between 2005–2014).
- Transparency International Bangladesh (TIB) estimates of USD 12–15 billion laundered annually since 2010.
- World Bank and IMF reports on AML/CFT effectiveness in South Asia.
- Recent News and Policy Reports (2023–2025)
- Articles from The Daily Star, Dhaka Tribune, The Business Standard, and Financial Times covering enforcement drives, trade-based laundering, and asset recovery.
- Reports on fintech compliance, including bKash's adoption of AML360 for automated monitoring in 2023.

3.3. Data Collection Process

The research systematically reviewed all uploaded PDFs, extracting key definitions, guidelines, institutional structures and case examples. These were supplemented with recent scholarly and policy reports through database searches, ensuring updated information. Data was then categorized under themes: laws and policies, institutional capacity, sectoral vulnerabilities, fintech risks, enforcement outcomes and international cooperation. Quantitative data such as trade-based laundering estimates, suspicious transaction reports and asset recovery figures were tabulated and visualized to enhance clarity.

3.4. Analytical Framework

The study employs a thematic analysis approach, grouping findings into conceptual themes such as legal evolution, institutional mechanisms, sectoral vulnerabilities and enforcement outcomes. It also adopts an institutional effectiveness framework by comparing Bangladesh's AML system against FATF's global standards. To interpret case studies, the research uses a comparative lens, contrasting compliance structures in BRAC Bank with systemic national practices. Finally, descriptive statistics and visual representation (tables and charts) are used to highlight quantitative patterns of illicit flows and enforcement actions.

3.5. Limitations of Methodology

Several limitations must be acknowledged. First, the reliance on secondary sources means the study cannot directly verify laundering cases or access confidential STR/CTR data held by the BFIU. Second, while the BRAC Bank report provides useful insights, it reflects the situation as of 2014, requiring careful contextualization with newer data. Third, the sensitivity of money laundering in Bangladesh means that political factors may influence what is reported in official or media sources. Nevertheless, triangulating across laws, guidelines, case studies, and international reports minimizes bias and strengthens reliability.

4. Findings and Analysis

This chapter synthesizes information from the uploaded PDFs, Bangladesh Bank guidelines, BRAC Bank case study, and recent data (2023–2025). It is organized into subsections: (1) legal and institutional framework, (2) sectoral vulnerabilities, (3) fintech and digital risks, (4) enforcement actions and case studies, and (5) comparative analysis. To strengthen clarity, I'll integrate tables, charts, and real cases.

4.1. Legal and Institutional Framework

Bangladesh's AML regime has matured significantly since its first Money Laundering Prevention Act (2002). The Act was revised in 2009 and again in 2012 to align with FATF recommendations. The Anti-Terrorism Act (2009) integrated counter-terrorism financing provisions, while the 2012 MLPA expanded BFIU's authority to freeze assets, supervise reporting institutions and enforce penalties. Section 4(2) of the 2012 Act criminalizes laundering with prison sentences of 4–12 years and fines up to double the value of laundered assets.

The Bangladesh Financial Intelligence Unit (BFIU), housed under Bangladesh Bank, is the focal institution. It collects Suspicious Transaction Reports (STRs), Cash Transaction Reports (CTRs) and oversees compliance of financial institutions and DNFBPs. According to the guidelines, no court may adjudicate laundering cases without BFIU authorization, demonstrating the unit's central role.

- To enhance coverage, sector-specific guidelines have been developed:
- Banks: Must appoint Chief AML Compliance Officers (CAMLCOs) and Branch AML Compliance Officers (BAMLCOs).
- DNFBPs: Accountants, real estate developers, lawyers and jewelers are bound by due diligence and reporting obligations.
- Fintech/Mobile money: Governed by the Mobile Financial Services Regulations (2018) and BFIU Circular 20, requiring CDD, transaction monitoring, and automated STR filing.

Table 2 AML Institutional Framework in Bangladesh

Institution	**Role**	**Key Powers**
BFIU	Central FIU under Bangladesh Bank	Collects STR/CTR, freezes assets, supervises compliance
Anti-Corruption Commission (ACC)	Investigates corruption-linked laundering	Asset recovery, prosecution
National Board of Revenue (NBR)	Detects tax evasion, overlaps with laundering	Recently established Income Tax Intelligence & Investigation Unit (ITIIU)
Judiciary	Prosecutes laundering	Requires BFIU clearance for trial
Commercial Banks (e.g., BRAC Bank)	Frontline compliance	KYC, CDD, STR filing, internal compliance officers

4.2. Sectoral Vulnerabilities

4.2.1. Banking Sector

Banks remain the primary target for laundering, given their role in remittances and trade finance. The BRAC Bank internship report highlights structured compliance: staff training, AML compliance committees, and integration of BFIU circulars into daily operations. However, smaller banks and rural branches face weaker oversight.

4.2.2. Trade-Based Laundering

Global Financial Integrity reported that USD 61.6 billion was lost between 2005–2014 due to trade mis-invoicing. More recent studies estimate annual losses of USD 16 billion through over- and under-invoicing, making it the most significant channel of illicit outflows. High-risk sectors include textiles, petroleum and consumer imports.

4.2.3. DNFBPs

Real estate and gold markets are especially prone to laundering, as transactions are often cash-heavy and under-reported. Lawyers and accountants are at risk of facilitating shell company formation and asset concealment. Despite guidelines, compliance is uneven due to limited supervision.

4.2.4. Informal Systems (Hundi)

Remittance flows are vulnerable through the informal hundi network, widely used by expatriates due to lower costs and faster delivery. These unregulated channels are also exploited for laundering.

- Chart 4.1: Estimated Annual Money Laundering in Bangladesh
- USD 12–15 billion (Transparency International, 2023)
- USD 16 billion trade-based (BIBM, 2023)
- Tk 1.19 million crore cumulative laundering since 1972 (Bangladesh Economic Association, 2023)

4.3. Fintech and Digital Financial Services

The rapid growth of fintech has increased both financial inclusion and laundering risks. By 2023, Bangladesh had over 234 fintech startups, with mobile money dominating transactions. Bangladesh Bank statistics show exponential growth in Mobile Financial Services (MFS), raising risks of micro-laundering.

bKash, the largest MFS provider, launched AML360 in 2023, an automated system for real-time monitoring of suspicious transactions. This represents a best-practice case of fintech compliance. However, most smaller providers lack comparable technology, creating systemic blind spots.

Cryptocurrencies and online scams are emerging threats. In late 2023, Bangladeshi detectives arrested several individuals, including a Chinese national, for laundering through fraudulent online lending schemes. The lack of regulatory clarity around virtual assets leaves the country exposed to cross-border laundering risks.

4.4. Enforcement Actions and Case Studies

Recent years have seen unprecedented enforcement. In late 2024, the BFIU froze accounts of 366 individuals and entities holding Tk 15,000 crore, including prominent business groups and politically exposed persons.

International cooperation is also improving. In 2025, the UK froze Bangladeshi-linked assets worth £185–260 million, linked to former ministers and businessmen. This marks one of the largest overseas asset recovery attempts by Bangladesh.

Case studies also highlight the gap between regulation and practice. For instance, BRAC Bank has invested heavily in compliance structures since the early 2010s, including mandatory training, KYC procedures and internal audits. Yet, systemic enforcement failures remain at the national level, particularly where politically connected individuals are involved.

Table 3 Major AML Enforcement Actions (2023–2025)

Year	Action	Value
2023	TIB estimates annual laundering	USD 12–15 billion
2023	BIBM TBML study	USD 16 billion annually
2024	BFIU freezes accounts of 366 entities	Tk 15,000 crore
2025	UK freezes Bangladeshi-linked assets	£185–260 million

4.5. Comparative and Critical Analysis

While Bangladesh has aligned its laws with FATF standards, the effectiveness gap lies in enforcement. STRs are underreported relative to the scale of laundering, convictions remain low and political interference hampers investigations. The comparison between BRAC Bank's strong internal compliance and national-level enforcement weakness reflects this divide.

The fintech case of bKash demonstrates that technology can significantly enhance compliance, yet it also underscores inequality between large, well-capitalized institutions and smaller players. International cooperation, particularly with the UK and APG, has yielded progress, but Bangladesh still struggles with domestic prosecution.

5. Discussion

5.1. Strengths of Bangladesh's AML Framework

Over the past two decades, Bangladesh has built a relatively comprehensive anti-money laundering framework aligned with FATF standards. The Money Laundering Prevention Act (2012) and Anti-Terrorism Act (2009) criminalize a wide spectrum of laundering activities, including placement through financial institutions, layering via trade mis-invoicing and integration into real estate and corporate assets. The establishment of the Bangladesh Financial Intelligence Unit (BFIU) as an independent unit within Bangladesh Bank has centralized the reporting and analysis of suspicious transactions, ensuring a unified intelligence pipeline.

The introduction of **customer due diligence (CDD), Know Your Customer (KYC) protocols, and politically exposed person (PEP) monitoring** demonstrates the country's commitment to preventive compliance. At the institutional level, major banks such as BRAC Bank have invested in compliance departments, training programs, and internal reporting chains. The case of bKash adopting AML360 in 2023 further indicates that fintech institutions are beginning to modernize compliance through artificial intelligence.

Bangladesh has also shown progress in **international cooperation**. The freezing of £185–260 million in Bangladeshi-linked assets in the UK in 2025 illustrates that cross-border recovery mechanisms are functioning, supported by partnerships with UK regulators and the International Anti-Corruption Coordination Centre.

5.2. Weaknesses and Gaps

Despite these strengths, significant weaknesses undermine the overall effectiveness of Bangladesh's AML regime.

First, enforcement remains limited. While billions are laundered annually, convictions for money laundering are rare. Data from BFIU shows that although Suspicious Transaction Reports (STRs) are filed, the conversion rate into full prosecutions is extremely low.

Second, political interference continues to weaken enforcement. Politically exposed persons (PEPs) and large business groups have often escaped accountability, creating a perception of selective enforcement. This undermines both public confidence and international credibility.

Third, **trade-based money laundering (TBML)** remains largely unchecked. Although estimates place annual TBML at USD 16 billion, customs and trade monitoring remain under-digitized and dependent on manual verification, leaving vast gaps for mis-invoicing.

Fourth, **technological gaps** persist outside a few institutions. While bKash has invested in automated monitoring, most banks and non-financial businesses rely on manual processes. This results in delayed detection, inconsistent reporting and susceptibility to human error.

Finally, the informal "hundi" system continues to thrive. Despite legal remittance channels, many migrant workers still rely on hundi because of speed and lower transaction costs. This sustains a parallel system beyond regulatory oversight, fueling both capital flight and terrorist financing.

5.3. Comparative Perspective

Comparing Bangladesh to other South Asian nations reveals both progress and shortcomings. India, for instance, has established a far larger FIU with greater analytical capacity and has successfully prosecuted high-profile laundering cases. Pakistan, like Bangladesh, has struggled with enforcement, but it remains under greater international scrutiny due to FATF greylisting. Sri Lanka has invested heavily in customs digitization to combat TBML, an area where Bangladesh lags significantly.

Internationally, Bangladesh's framework is **comprehensive on paper but weak in practice**. FATF and APG evaluations consistently note "technical compliance" but "low effectiveness" in key categories such as supervision, asset recovery and conviction rates. This duality reflects a broader governance issue where institutional capacity and political will fail to match legislative ambition.

5.4. Why Gaps Persist

Several structural reasons explain why gaps persist:

- **Governance and Political Will**: The enforcement of AML measures often collides with vested interests. When powerful individuals are implicated, investigations stall or are quietly closed.
- **Institutional Fragmentation**: While BFIU collects intelligence, coordination with the Anti-Corruption Commission, National Board of Revenue and Customs is inconsistent. Data silos prevent comprehensive enforcement.
- **Resource Constraints**: BFIU, customs, and smaller banks lack sufficient human resources, forensic tools and training to handle increasingly complex laundering schemes.
- **Cultural and Economic Habits**: The dominance of cash in everyday transactions and the popularity of hundi systems normalize informal financial flows, making regulation difficult.
- **Technology Gap**: Sophisticated laundering techniques using digital networks, cryptocurrencies, and cross-border shell companies far outpace the technological capacity of regulators.

5.5. The Case of BRAC Bank: A Microcosm of the Larger System

The internship report on BRAC Bank illustrates the dual reality of AML in Bangladesh. On the one hand, the bank has adopted strong internal controls, with dedicated compliance officers, training modules and regular audits. On the other, the report highlights the challenges of resource constraints, confidentiality barriers, and reliance on regulatory directives rather than proactive innovation. This mirrors the national picture: compliance exists, but it is reactive and often designed to meet regulatory requirements rather than anticipate risks.

5.6. Emerging Risks

The rise of fintech and digital platforms introduces a new layer of risk. Mobile financial services, with millions of small daily transactions, create opportunities for micro-laundering that may evade traditional thresholds for STRs. Cryptocurrencies, though not yet formally legalized, pose future threats as adoption grows informally. Online scams, such as fraudulent lending platforms uncovered in 2023, highlight how digital ecosystems can serve as vehicles for laundering. Unless Bangladesh rapidly updates its regulatory toolkit, these new risks may overshadow progress in traditional banking supervision.

5.7. Overall Assessment

The findings suggest a paradox: Bangladesh has **robust laws and frameworks** but **weak implementation**. The strengths lie in legislative alignment, institutional creation and partial technological adoption. The weaknesses lie in enforcement deficits, political interference, and systemic vulnerabilities in trade and fintech. International comparisons reinforce that Bangladesh is not alone—many developing nations face similar issues—but its scale of annual illicit outflows makes the problem particularly acute.

6. Conclusion

This thesis set out to evaluate how effectively Bangladesh has been combating money laundering, to analyze sectoral vulnerabilities and to assess the role of legal, institutional and financial mechanisms. The findings reveal a dual reality. On the one hand, Bangladesh has established a robust legislative framework aligned with global standards, including the Money Laundering Prevention Act (2012), Anti-Terrorism Act (2009) and a series of Bangladesh Bank circulars. The Bangladesh Financial Intelligence Unit (BFIU) has emerged as a central coordinating institution, while commercial banks such as BRAC Bank have built internal compliance mechanisms with designated officers, mandatory training and reporting channels. Fintech providers like bKash are beginning to adopt advanced automated monitoring systems such as AML360, demonstrating modernization in some parts of the financial sector.

On the other hand, the implementation gap remains wide. Despite STRs being filed, prosecution and conviction rates remain disproportionately low compared to the scale of illicit flows. Trade-based laundering, estimated at USD 16 billion annually, remains largely unchecked due to outdated customs procedures. Informal systems like hundi continue to thrive, undermining formal remittance channels. Political interference hampers enforcement when politically exposed persons (PEPs) are involved. Moreover, new risks from digital platforms, cryptocurrencies and online scams are emerging faster than regulatory capacity can adapt.

The comparison with global benchmarks reinforces this paradox. FATF and APG have repeatedly noted that Bangladesh's AML framework is technically compliant but less effective in practice. While progress in enforcement has been demonstrated—such as the BFIU freezing Tk 15,000 crore from 366 individuals in 2024 and the UK freezing £185–260 million in Bangladeshi-linked assets in 2025—these remain isolated victories rather than systemic reforms.

Ultimately, the conclusion is clear: Bangladesh has moved far in drafting and institutionalizing AML frameworks but must now focus on enforcement, technology, and political will to turn policy into practice.

Recommendations

Based on the findings and discussion, the following recommendations are proposed to strengthen Bangladesh's fight against money laundering.

- Strengthen Institutional Capacity

The BFIU should be granted greater operational independence, adequate staffing, and enhanced forensic technology. Specialized AML courts could be introduced to accelerate case resolution, ensuring that STRs convert into actual convictions.

- Modernize Trade Monitoring

Trade-based laundering remains the country's largest leakage channel. Customs must adopt automated valuation systems, integrate with global trade databases and make real-time data available to the BFIU. Establishing a dedicated Trade-Based Money Laundering Task Force linking BFIU, Customs and NBR could close this loophole.

- Expand Technology Adoption

Banks and fintechs should be mandated to adopt automated transaction monitoring systems. Smaller institutions that cannot afford advanced software could be given subsidized access through a centralized BFIU-managed monitoring hub. Artificial intelligence and machine learning models can be applied to detect hidden laundering networks.

- Formalize and Regulate Informal Systems

Since hundi continues to thrive due to cost and convenience, Bangladesh should consider incentivizing formal remittance channels with lower costs and faster transfer systems. Parallel efforts should criminalize unlicensed operators and improve migrant outreach through Bangladeshi embassies abroad.

- Strengthen Oversight of DNFBPs

Accountants, real estate developers, and jewellers must be subject to stricter AML supervision. Mandatory licensing and periodic audits by sectoral regulators should be enforced. Professional bodies like the Institute of Chartered Accountants of Bangladesh (ICAB) can be empowered as self-regulatory organizations under BFIU supervision.

- Foster International Cooperation

Bangladesh should expand cooperation with the Egmont Group and pursue bilateral asset recovery treaties. The recent UK freezes illustrate the potential of such partnerships. Establishing a dedicated Asset Recovery Office within BFIU would streamline cross-border cases.

- Increase Public Awareness and Training

Public campaigns can reduce reliance on hundi and highlight the developmental costs of laundering. Training programs for compliance officers, auditors, and fintech operators must be standardized and updated annually to reflect evolving threats.

- Political Commitment and Transparency

Perhaps most importantly, AML reform requires sustained political will. High-profile laundering cases involving PEPs must be pursued transparently to restore public trust. Independent oversight bodies should publish annual AML effectiveness reports to ensure accountability.

6.1. Final Reflection

Money laundering is not just a financial crime but a developmental barrier for Bangladesh. Every dollar laundered abroad is a dollar denied to infrastructure, education and poverty alleviation. While laws and guidelines provide a strong backbone, the credibility of Bangladesh's AML regime depends on visible enforcement, political neutrality and technological modernization. The road ahead requires coordinated efforts across institutions, sectors, and borders. With the right mix of political will, technology and global cooperation, Bangladesh can transition from being a high-risk laundering hub to a model of resilience in the Global South.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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