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Demonetisation: Money mules are back again

By [Atmadip Ray](#) & [Joel Rebello](#), ET Bureau | Updated: Nov 14, 2016, 10.43 AM IST

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MUMBAI: Traders and small businessmen who deal with cash are trying all the tricks in the trade to ensure they can avoid government attention and deposit their high denomination currencies in bank accounts.

From buying gold in the unaccounted 'black' market to using money mules to transfer money into legal bank accounts, traders caught unawares have been busy channelizing their high denomination notes before the December 30 deadline.

"A majority of the money has gone into gold especially on the first day. The black market rate of the commodity has jumped to close to Rs 50,000 per 10 grams opening up almost a Rs 18,000 gap with the white market. I myself have done business worth Rs 22 crore in the last 48 hours, which is the amount I do in the whole year," said a bullion trader.

The money got from selling this unaccounted for gold will be shown as purchases by bullion traders possibly with a back date or will be used to hard further gold from the white market.

A jump in these trades in the last three days in reflecting in the price of the gold in the white market. From about Rs 30,500 before the announcement gold in the white market is now quoting anything between Rs 36,000 per 10 grams to Rs 40,000 per 10 grams.

Businessmen and bullion trader have also used money mules to legalise their stashed currency by forcing their employees or using gullible people to knowingly or unknowingly act as intermediaries for channeling illegal high value cash into the [banking system](#).

"I work for a large bullion trader in Opera House in Mumbai. Just a day after the government announcement our sheth asked everyone in office to get their cheque books and identity cards. Select employees were then handed over Rs 2 lakh in cash and asked to deposit it in their account after taking post-dated cheque from them for the amount," said a Mumbai resident.

Bankers said that Jan Dhan accounts holders could be prime target for doing this. At Mumbai's [Crawford Market](#) where trade is done in cash, the queues outside branches included labourers, daily wagers and commoners with an identity card who were being offered Rs 50 for every Rs 4000 exchanged.

"This is a cash market so there is a lot of black money around. We found one person hanging around the branch, helping others to fill forms. Turns out this person must have exchanged more than Rs 2 lakh," said a manager at a private sector bank.

Some other businessmen just used their friends in the market who had low holding of cash as a parking slot for the hoarded cash. This money will be deposited on trust and exchanged at a future date.

"Money mules are hired mostly by fraudsters and money launderers to transfer illegal money into the mules' account. Now, they seems have become vehicle to exchange unaccounted money for new currency notes, helping people with illegal cash to avoid taxation," a senior official with Union Bank of India said, in the condition of anonymity.

The government said that cash deposits over Rs 2.5 lakh could attract tax plus a 200% penalty in case of income mismatch.

Three bankers have also confirmed that there was sudden spurt in customers seeking to open new accounts, amid all the rush to deposits old high value currency notes and exchange old notes with new ones.

This is a process of name-lending...people lend their name to open bank accounts for others. Money mules and name-lenders get a small commission for their service.

"There are rackets operating to do all such things. We will keep a tab on them. In the next two-three days, a trend may emerge," said Priyabrata Pramanik, additional director of Income Tax, in charge of intelligence and criminal investigation in West Bengal, Sikkim and Andaman.

“We will review all such cases and take action if necessary,” Pramanik said.

Transactions where Rs 500 and Rs 1000 notes are getting exchanged with discounts have also been reported in places like Zaveri Bazaar in Mumbai or Esplanade area in Kolkata.

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