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Fighting Financial Crime: What ICAI Members Can Do and How the NOCLAR Standard Can Make a Difference

Financial crime such as fraud, money laundering, corruption, or market abuse, affects more than just balance sheets. It corrodes trust, diverts resources from economic growth and development, undermines the rule of law, and leaves companies, along with the professionals who serve them,

exposed to legal and reputational harm.

And in this battle, professional accountants (PAs) are on the front line. Why? Because they are the ones who pore over the ledgers, reconcile the accounts, prepare or authorize the payments, flag the anomalies, and whisper caution to boards when something doesn't feel right. They are often the first to sense when numbers don't align, when controls fail, or when transactions stray from both the spirit and the letter of the law.

At the International Ethics Standards Board of Accountants' (IESBA) inaugural Ethics and Audit Independence Conference in Lisbon, Portugal, this September,¹ I was struck by an audience poll that cut to the heart of the issue. Asked whether they believed the actors at the center of recent corporate scandals had recognized their ethical lapses before the scandals erupted, nearly half of the participants answered "yes."

This response is sobering. It suggests that in many cases, financial misconduct is frequently not the product of ignorance, which, ultimately, does not absolve professionals of their duty to be diligent, but of conscious choice. It also suggests that executives and professionals often knew the lines they were crossing—and crossed them anyway. This recognition pushes the conversation beyond a PA's technical competence

to deeper questions of professional judgment, mindset, courage, honesty and accountability. In a word, ethics questions. It forces us to examine the role of PAs as ethical gatekeepers of integrity and transparency.

In this special edition of the ICAI Journal for Global Ethics Day, I take the opportunity to paint the landscape of financial crime globally and in India, and highlight how the IESBA's standard on Non-Compliance with Laws and Regulations™ (NOCLAR®) plays a crucial role in supporting the profession's duty to act in the public interest when confronted with NOCLAR.

The Scale of the Problem—Globally and at Home

The United Nations Office on Drugs and Crime (UNODC) has long estimated that 2% to 5% of global

gross domestic product is laundered annually, roughly USD 800 billion to USD 2 trillion.² Fraud, sanctions evasion, geopolitical conflict, criminal use of AI, and underground banking are flagged as the top financial crime threats in the 2025 Association of Certified Anti-Money Laundering Specialists (ACAMS) Global Anti-Financial Crime Threats Report.³

Closer to home, India is not immune.

India has been listed as 68th out of 164 countries assessed for money-laundering and terrorist-financing risk using public datasets in the Basel Anti-Money Laundering (AML) Index's 2024 edition, with a risk score of 5.49 on a 0–10 scale where higher is riskier.⁴

Cybercrime and digital fraud have become an accelerating issue. The Indian Ministry of Home Affairs told Parliament that cyber fraud losses

¹ <https://www.ethicsboard.org/iesba-conference-2025>

² UNODC Money Laundering Overview: <https://www.unodc.org/unodc/en/money-laundering/overview.html>

³ ACAMS Global AFC Treats Report 2025: <https://www.acams.org/en/global-afc-threats-report-2025#top-threats-eb681496>

⁴ <https://index.baselgovernance.org/ranking>



rose to a staggering Rs 22,845 crore in 2024, a 206% increase from 2023.⁵ Further, various surveys of executives in organizations across India indicate that:

- About 96% of senior executives in India's financial and professional services sectors anticipate a rise in financial crime risks in 2025.⁶
- Cyberfraud and related incidents constitute 64% of frauds in India, with the top three industries impacted being technology, media and telecommunications; financial services; and manufacturing.⁷
- Procurement fraud, customer fraud, bribery and corruption, and cybercrime were deemed as the most disruptive and serious types of financial crime in terms of impact on organizations in India.⁸

These all point to the same reality: financial crime is evolving, pervasive, and costly. But it is often also detectable by those closest to the books. That is where PAs can make a real difference – they are the first line of defense.

India exceeds the global average in these areas, yet significant room for improvement remains. By reinforcing the fight against financial crime, the country can foster long-term value creation and strengthen its international standing – and here too, PAs can make a critical difference by acting as gatekeepers and partners for good, rather than enablers of misconduct.

Professional Accountants as Ethical Gatekeepers

The Institute of Chartered Accountants of India (ICAI) has taken a decisive step in equipping PAs in the global fight against financial crime by embedding the IESBA's NOCLAR provisions (Sections 260 and 360) into its Code of Ethics. The provisions, which came into effect on 1 October 2022, apply to ICAI members who are:

- Senior PAs employed by listed entities; and
- Auditors of listed entities with a net worth of Rs 250+ crore.

For many years, accountants and auditors confront NOCLAR with little more than their judgment. Faced with NOCLAR, PAs, especially those working alone or under pressure, often found their response shaped more by personality, courage, and circumstance than by structured guidance.

While larger firms could lean on internal ethics resources, smaller practices and individuals often had to lean on their past experiences and resiliency. In some cases, PAs resigned from their employment or client relationship rather than confronted the wrongdoing head-on, leaving the NOCLAR unaddressed.

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The arrival of the IESBA's NOCLAR standard changed this dynamic and challenged the status quo.

The NOCLAR standard is designed to address any type of NOCLAR situation, especially those that rarely come with flashing red lights. NOCLAR often creeps in quietly: a transaction with vague bona fides, subtle pressure from superiors, or a rationalization that “everyone does it.”

⁵ <https://timesofindia.indiatimes.com/business/cybersecurity/indias-cyber-fraud-epidemic-rs-22845-crore-lost-in-just-a-year-206-jump-from-previous-year-says-government/articleshow/122840099.cms>

⁶ https://bfsi.economictimes.indiatimes.com/news/industry/96-of-senior-indian-executives-expect-higher-financial-crime-risk-in-2025-kroll-survey/119234637?utm_source=top_news&utm_medium=tagListing

⁷ <https://www.grantthornton.in/insights/financial-and-cyber-fraud-report-2024/>

⁸ <https://www.pwc.in/pwcs-global-economic-crime-survey-2024-india-outlook.html>

A wide range of laws and regulations are covered by the standard, including those dealing with bribery and corruption, money laundering, tax evasion, terrorism financing, fraud and other economic crimes, as well as issues of public health and safety and environmental protection. What the standard does not cover are matters of personal misconduct and matters that are clearly inconsequential.

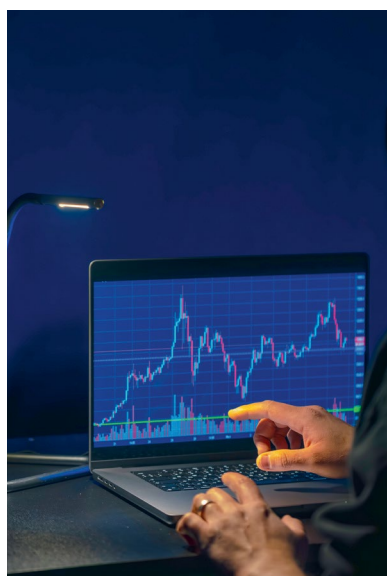
The standard offers the PA a principles-based, yet practical response framework in such circumstances:

- Understand the facts and circumstances.
- Escalate concerns internally to management or those charged with governance (TCWG) within the PA's employing organization or the audit client.
- Comply with applicable laws and regulations.
- Take action to have the consequences of the NOCLAR corrected, remediated or mitigated by the entity.
- Evaluate the response of management or TCWG.
- Decide whether further action, including disclosure to an appropriate authority, is warranted in the public interest.

By laying out this calibrated response process, the NOCLAR standard strengthens the PA's role and reputation as an ethical gatekeeper. It shifts the PA's mindset from "Can I look away?" to "How should I best respond as a member of ICAI?" In doing so, it anchors the profession to its highest purpose – acting in the public interest.

In most cases, management or TCWG will recognize the significant legal, business, and reputational risks of failing to address NOCLAR and will act with clarity and determination. Yet there may be times when management is complicit or unresponsive to the risks and potential consequences of the NOCLAR. At that critical

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juncture, the standard requires PAs to consider whether additional measures are necessary. These measures may include:

- Disclosure to an appropriate authority, unless prohibited by law.
- Resignation from the audit engagement, to signal that the auditor cannot be associated with the NOCLAR. Importantly, the standard requires the resigning auditor to alert the incoming auditor about the NOCLAR, ensuring that the NOCLAR does not remain unaddressed.

The decision regarding whether a PA should disclose NOCLAR to an appropriate authority is a complex one with multi-faceted considerations. With the benefit of legal advice, these considerations should provide a basis for the PA to feel confident and safe to make the disclosure.

Specifically, factors leaning towards disclosure by the PA include whether there is credible evidence of actual or potential substantial harm to stakeholders, the degree of urgency to the situation, and whether there is significant doubt about the integrity of management or TCWG.

However, these factors must be balanced against other factors such as:

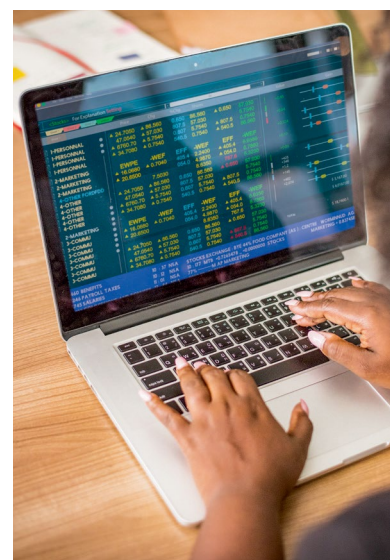
- Whether there is an appropriate authority that is accustomed to dealing with such matters, can act on the information, and is trusted.
- Whether there is legal protection against the risks of civil, criminal or professional liability, or retaliation.
- Whether there are threats to the PA's physical safety or that of others.

So, while legal protection is a key factor, it is not the only one. Importantly, the standard is designed to operate even in jurisdictions where whistleblower laws are weak or do not exist.

Key Intended Outcomes

Through its principles-based response framework, the NOCLAR standard is designed to achieve a number of key outcomes:

- Enhanced ethical conduct by clarifying that turning a blind eye to NOCLAR is not an appropriate





response from PAs, while placing renewed emphasis on the roles of management and TCWG in addressing the matter.

- Increased protection for stakeholders and the public by stimulating PAs to proactively respond to NOCLAR, which can lead to (1) an earlier response by management or TCWG or timelier intervention from appropriate authorities, thereby mitigating the consequences for stakeholders and the public; and (2) deterring the commission of NOCLAR.
- Better equipping the auditor with a toolkit to respond to NOCLAR beyond just resigning from the engagement.
- Enhanced value of the profession by enabling it to play a greater role in the global fight against financial crime, and strengthening its reputation as a guardian of trustworthy organizations and a healthy global financial system.

Post-Implementation Review and Why India's Voice Matters

The adoption of the NOCLAR standard in the ICAI Code was a

milestone. But adopting the standard is not the end of the road. The real test of its powerful promise to arrest or slow down NOCLAR and its corrosive effects on the fabric of India's economic foundation lies in how it is working in practice.

This is where a post-implementation review (PIR) of the standard comes in, which the IESBA has just initiated.

A robust PIR, enriched with India's perspectives, will ensure that the standard remains relevant, practical, and effective in fulfilling its core mission: enabling PAs to respond proactively to NOCLAR in the public interest.

The PIR is aimed at determining whether the standard is being consistently understood and implemented in a manner that achieves the IESBA's intended purposes in developing the standard. The PIR will pursue several axes of inquiry while respecting confidentiality, for example:

- What types of NOCLAR have PAs escalated and to what extent did management or TCWG take remedial or mitigating action?
- Which aspects of the standard have been challenging to apply and why?
- Which provisions would benefit from more guidance?

Looking Ahead

The IESBA anticipates issuing a public survey on the PIR in January 2026. It will also undertake targeted outreach around the world to gather input from stakeholders. A final report with recommendations to the IESBA is anticipated in December 2026.

The IESBA looks forward to working closely with ICAI on this PIR. India is home to over 400,000 members of ICAI. I encourage you to contribute your valuable experiences in applying the NOCLAR standard and to follow the progress of this important initiative. There has never been a more important time to protect the integrity, resilience

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and vitality of India's and the world's financial markets and economic systems against financial crime, and never a greater opportunity for the profession to demonstrate its value and contributions to society.

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