

# ANNUAL REPORT

## 2023/24

**Financial Intelligence Unit**  
**(FIU-Nepal)**  
**Nepal Rastra Bank**

# Financial Intelligence Unit (FIU-Nepal)

## ANNUAL REPORT

2023/24  
(FY 2080/81)



# Financial Intelligence Unit (FIU-Nepal)

Nepal Rastra Bank

Baluwatar, Kathmandu

Nepal

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## LIST OF ABBREVIATIONS / ACRONYMS

ADB	Asian Development Bank
AI	Artificial Intelligence
ALPA	Assets (Money) Laundering Prevention Act
ALPR	Assets (Money) Laundering Prevention Rules
AML/ CFT/ CPF	Anti-Money Laundering, Countering Terrorist Financing and Proliferation of Weapons of Mass Destruction
APG	Asia Pacific Group on Money Laundering
ATM	Automated Teller Machine
BFI	Bank and Financial Institution
BO	Beneficial Ownership
BTC	Banker's Training Center, NRB
CC	Coordination Committee
CDD	Customer Due Diligence
CEF	Cyber Enabled Fraud
CIAA	Commission for the Investigation of Abuse of Authority
DMLI	Department of Money Laundering Investigation
DNFBP	Designated Non-Financial Businesses and Professions
DMPC	Department for Management of Proceeds of Crime
DPMS	Dealers in Precious Metals and Stones
DRI	Department of Revenue Investigation
EGMONT	The Egmont Group of Financial Intelligence Units
ESW	Egmont Secure Web
FATF	Financial Action Task Force
FI	Financial Institution
FIU	Financial Intelligence Unit
FY	Fiscal Year
ICRG	International Cooperation Review Group of FATF
IMF	International Monetary Fund
IOs	Immediate Outcomes
IRD	Inland Revenue Department
IT	Information Technology
KYC	Know Your Customer
LEAs	Law Enforcement Agencies
ME	Mutual Evaluation
MEC	Mutual Evaluation Committee
MER	Mutual Evaluation Report
ML/TF/PF	Money Laundering, Terrorist Financing and Proliferation Financing
MLA	Mutual Legal Assistance
MVTS	Money Value Transfer Service
NIA	Nepal Insurance Authority

NPO	Non-Profit Organization
NRA	National Risk Assessment related to AML/CFT
NRB	Nepal Rastra Bank
OAG	Office of Attorney General
OPMCM	Office of the Prime Minister and Council of Ministers
OTP	One Time Password
PEP	Politically Exposed Person
POPR	Post Observation Period Report
PSO	Payment System Operator
PSP	Payment Service Provider
REs	Reporting Entities
SAR	Suspicious Activity Report
SEACEN	The South East Asian Central Banks Research and Training Centre
SEBON	Securities Board of Nepal
SOP	Standard Operating Procedures
STR	Suspicious Transaction Report
TBML	Trade Based Money Laundering
TC	Technical Compliance
TFS	Targeted Financial Sanctions
TTR	Threshold Transaction Report
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
VASP	Virtual Assets Service Provider
VAT	Value Added Tax
WB	World Bank
XML	Extensible Markup Language

## FOREWORD

I am honored to present the 13th Annual Report of FIU-Nepal, detailing our significant efforts to enhance Nepal's AML/CFT regime during Fiscal Year 2023/24. This report highlights Nepal's post Mutual Evaluation Report (MER) progress, including crucial law amendments such as the ALPA (2008) and the issuance of the ALPR (2024). These amendments empower FIU-Nepal to combat financial crimes more effectively and streamline our operations.

Following the rigorous mutual evaluation process, Nepal has made significant strides in enhancing its efforts to combat money laundering and terrorist financing. This year achieved up-gradation on several FATF recommendations. R.2, R.10, R.19, R.22, R.23, R.31 and R.38 have been upgraded from 'Partial Compliant' to 'Largely Compliant'. Similarly, R.7 and R.15 have been upgraded from 'Non-Compliant' to 'Partially Compliant'. It reflects Nepal's commitment to strengthening its AML/CFT framework.

As the national agency for analyzing suspicious transaction/activity reports, FIU-Nepal plays a vital role in disseminating financial intelligence to Law Enforcement Agencies (LEAs) and relevant authorities for further investigation and action. Its operations are guided by the Assets (Money) Laundering Prevention Act, 2008, the Assets (Money) Laundering Prevention Rules, 2024, and the FIU Bylaws, 2020 all of which have been strengthened by recent legislative amendments.

In 2023-24, FIU-Nepal was successful in integrating Designated Non-Financial Businesses and Professions (DNFBPs) such as casinos, Dealers in Precious Metals and Stones (DPMS), real estate companies/agencies, and hire purchase loan providers in the goAML system. DNFBPs sector integration and reporting has been major comment in Mutual Evaluation Report (MER) of Nepal regarding FIU-Nepal. goAML integration also included LEAs and supervisory bodies, uniting all stakeholders on a single platform and enhancing data transmission security and operational efficiency.

In 2023-24, FIU-Nepal conducted targeted training and interaction programs for LEAs, regulator/supervisor and reporting entities which has improved compliance and increased enhanced co-ordination and co-operation among agencies. Nepal's active participation in international discussions underscores its dedication to promoting financial integrity and effectively tackling financial crimes. In addition to presenting FIU-Nepal's annual data and progress for the fiscal year 2023-24, this Annual Report has been designed as a booklet to explain the AML-CFT regime at both domestic and international levels.

I extend my sincere gratitude to the Directive Committee, Coordination Committee, Nepal Rastra Bank (NRB), LEAs/Investigative Authorities, Regulatory/Supervisory authorities, Reporting Entities and all national and international stakeholders including FATF, Asia Pacific Group on Money Laundering (APG) etc. for their unwavering support and collaboration. Special acknowledgment goes to the Policy & Planning Division. I would like to thank Deputy Directors Mr. Keshav Prasad Rimal, Mr. Sworup Shrestha, Mr. Bishnu Prasad Guragain and Assistant Director Mr. Kishor Mahara for their continuous efforts and contribution in preparing and publishing this report. I would also like to acknowledge the hard work of Assistant Directors Mr. Amish Sharma, Mr. Satyendra Mani Tripathi, Ms. Pratibha Thapa, Ms. Ashma Gyawali, Ms. Sapana Khatri, Mr. Kamal Paudel and all the employees of FIU-Nepal for their contribution in various chapters of this report and for their collective efforts in enhancing AML/CFT framework. Together, we are making significant progress in the fight against ML/TF/PF.



**Bashu Dev Bhattarai**  
Head of FIU-Nepal



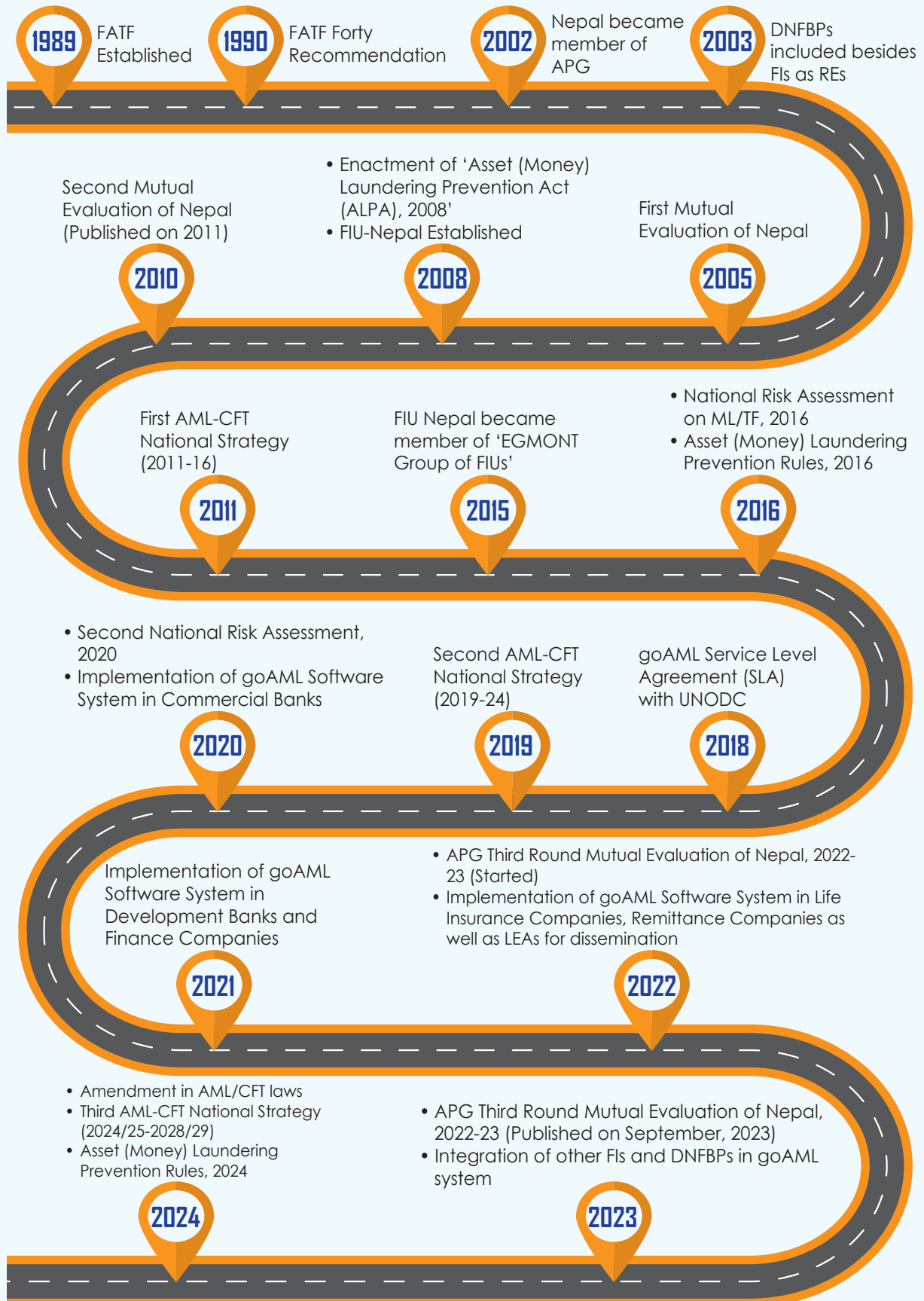
*Director and Deputy-Directors of FIU-Nepal*



*Employees of FIU-Nepal*



## TIMELINE: FIU-Nepal & AML/CFT Regime of Nepal

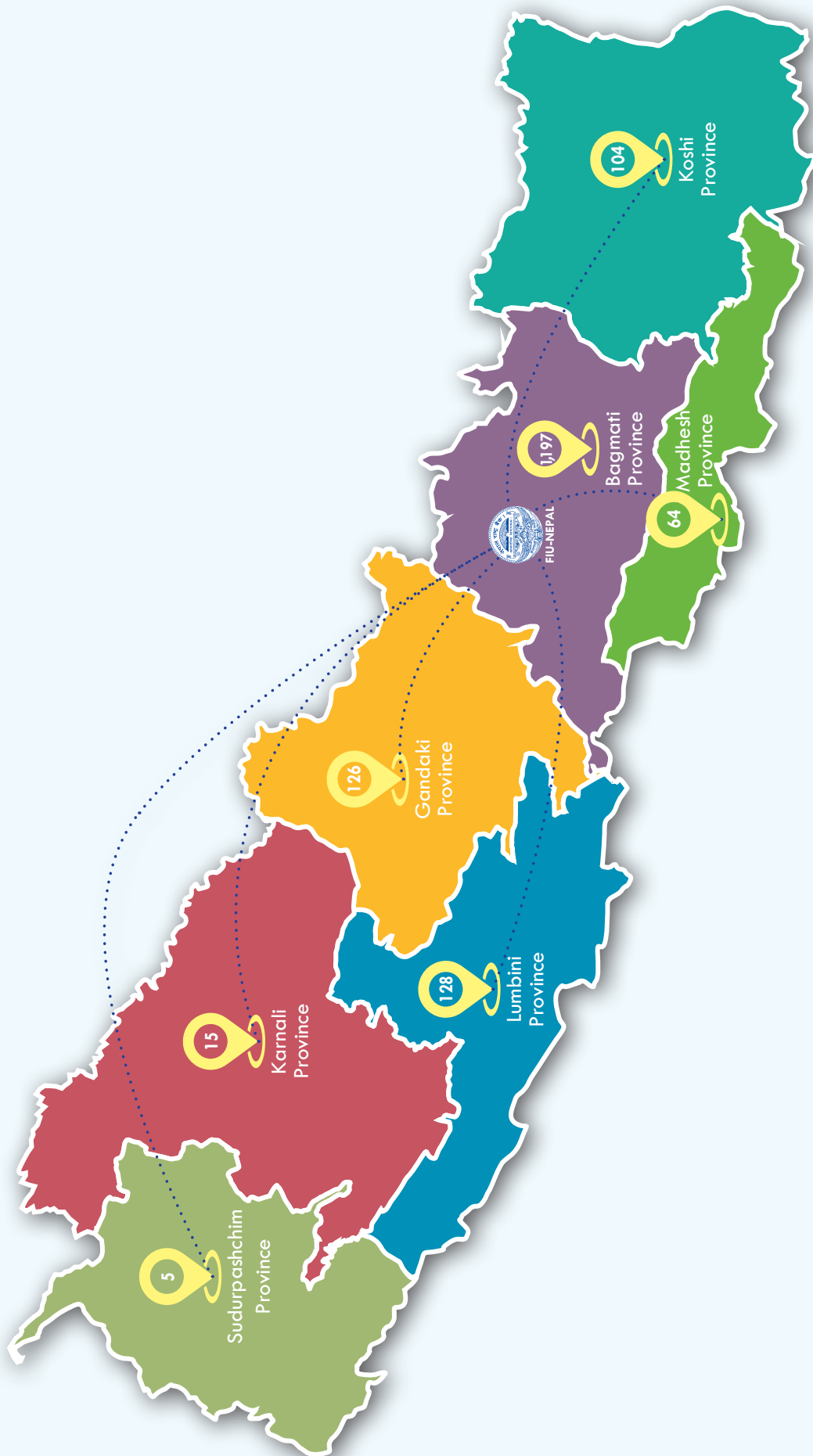


## FIU-Nepal in Figures

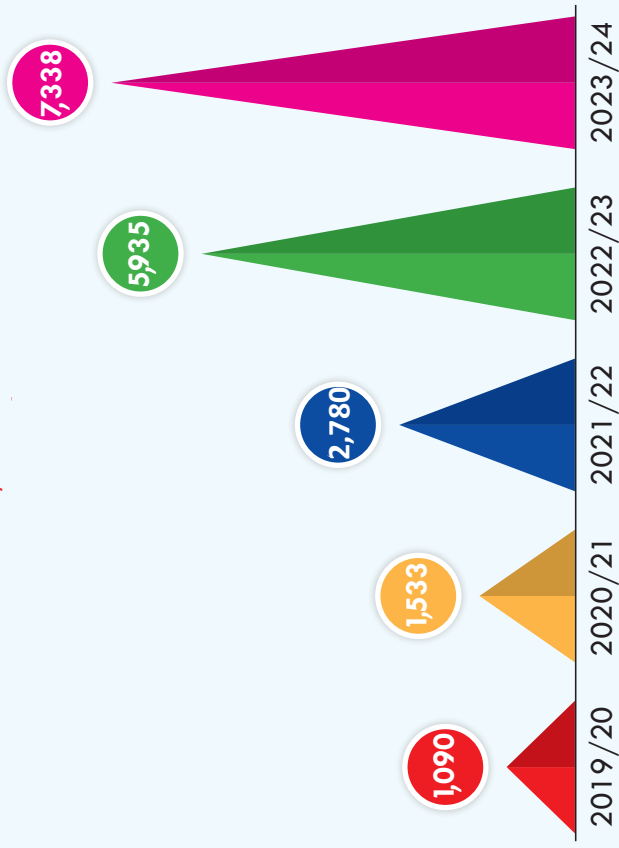
goAML Integration- Agency wise (as of July 15, 2024)



goAML Integration : Province-wise (as of July 15, 2024)



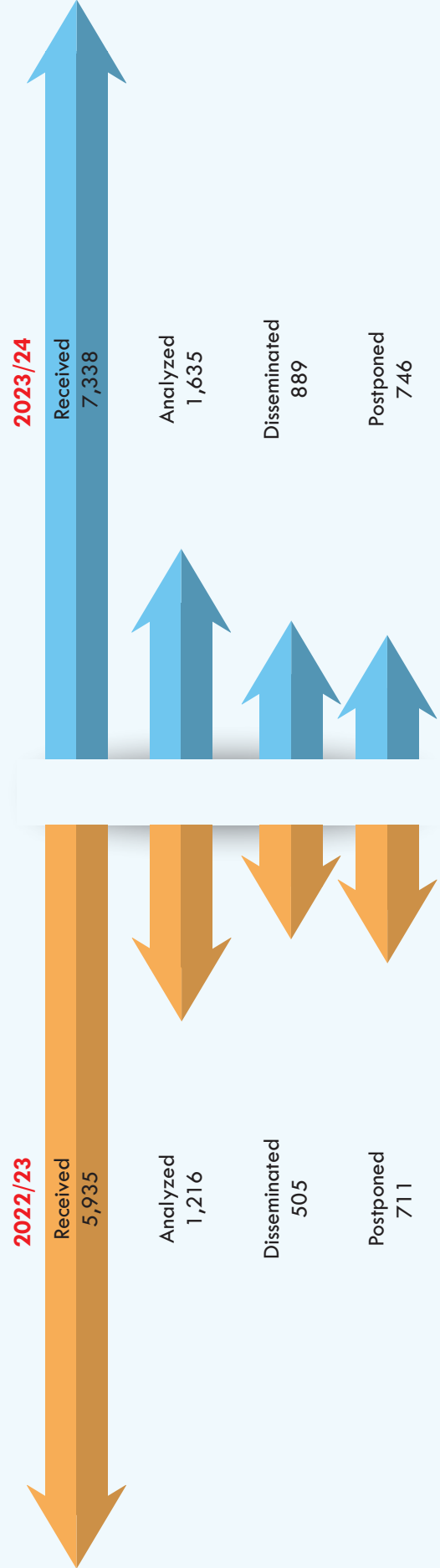
Numbers of STR/SAR Received



Numbers of TTR Received



Status of STR/SAR Analysis





Agency wise STR/SAR dissemination



Predicate offence wise STR/SAR dissemination








Receipt of STR/SAR based on Predicate Offence

**3,417** Money Laundering\*  
  
**2,498** Tax (including direct and indirect)  
  
**2,017** Money, banking, finance, foreign exchange, negotiable instruments, insurance, cooperatives related  
  
**927** Fraud  
  
**681** Firm, partnership, company, association related  


**428** Lottery, gambling, donation related  
  
**70** Trade Based Money Laundering  
  
**54** Corruption and bribery  
  
**44** Forgery  
  
**40** Transportation, education, health, medicine, foreign employment related  


**27** Trafficking in person and migrant smuggling  
  
**23** Smuggling (including custom)  
  
**19** Citizenship, immigration and passport  
  
**14** Counterfeiting of coin and currency  
  
**14** Participation in an organized crime and racketeering  

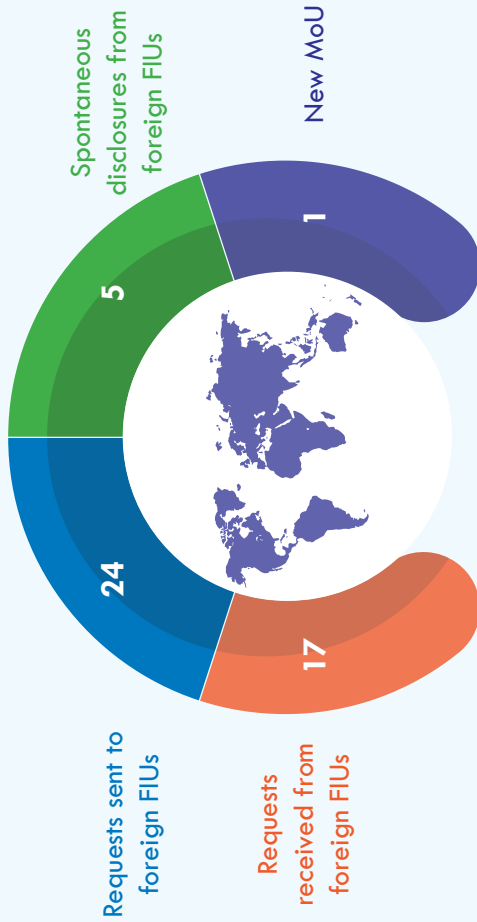

**14** Real estate and property related  
  
**9** Insider Trading and Market Manipulation in securities and commodities  
  
**9** Theft or robbery  
  
**6** Counterfeiting and piracy of products  
  
**4** Any kinds of sexual exploitation including the children  


**4** Black marketing, consumer protection, competition, supply  
  
**3** Extortion  
  
**3** Illicit trafficking in narcotic drugs and psychotropic substances  
  
**2** Election related  
  
**2** Communication, broadcasting, advertising related  

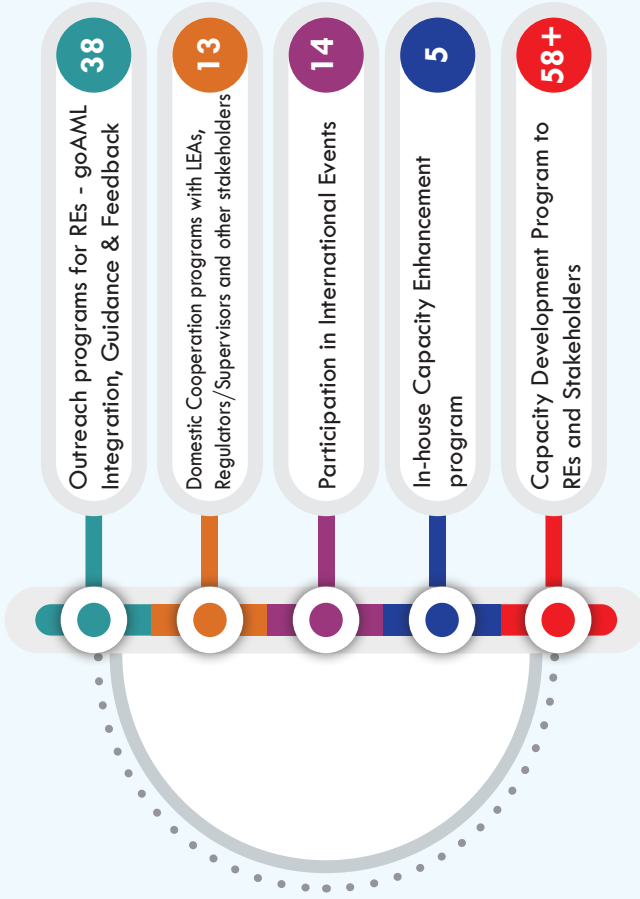

**1** Illicit trafficking in stolen and other goods  
  
**1** Disruptive (terrorist) act and terrorism  
  
**1** Kidnapping, illegal restraint, hostage taking  


\* When RE is not able to link STR/SAR to any of the given predicate offences (listed in annexure of ALPA, 2008) then it reports the STR/SAR under 'Money Laundering' as predicate offence.

International Cooperation



Major Events/Activities

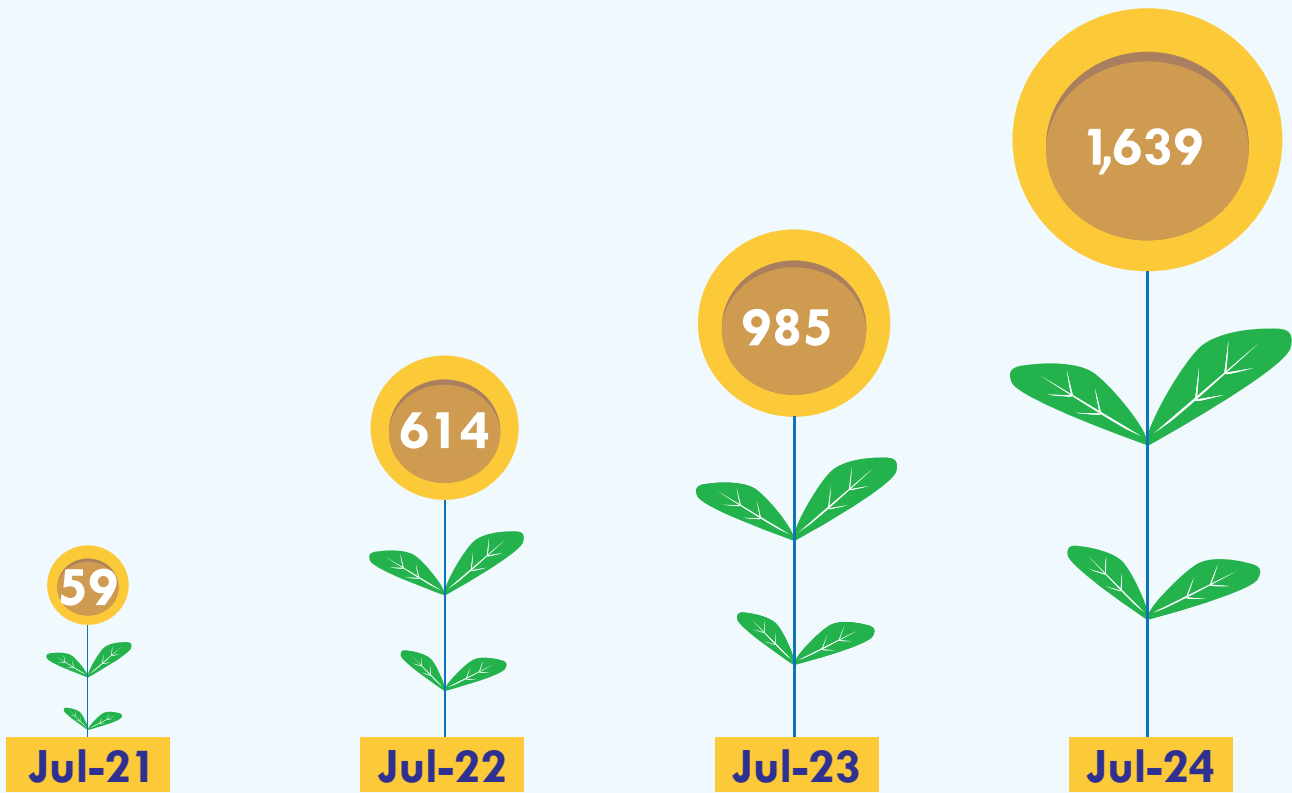


Feedback

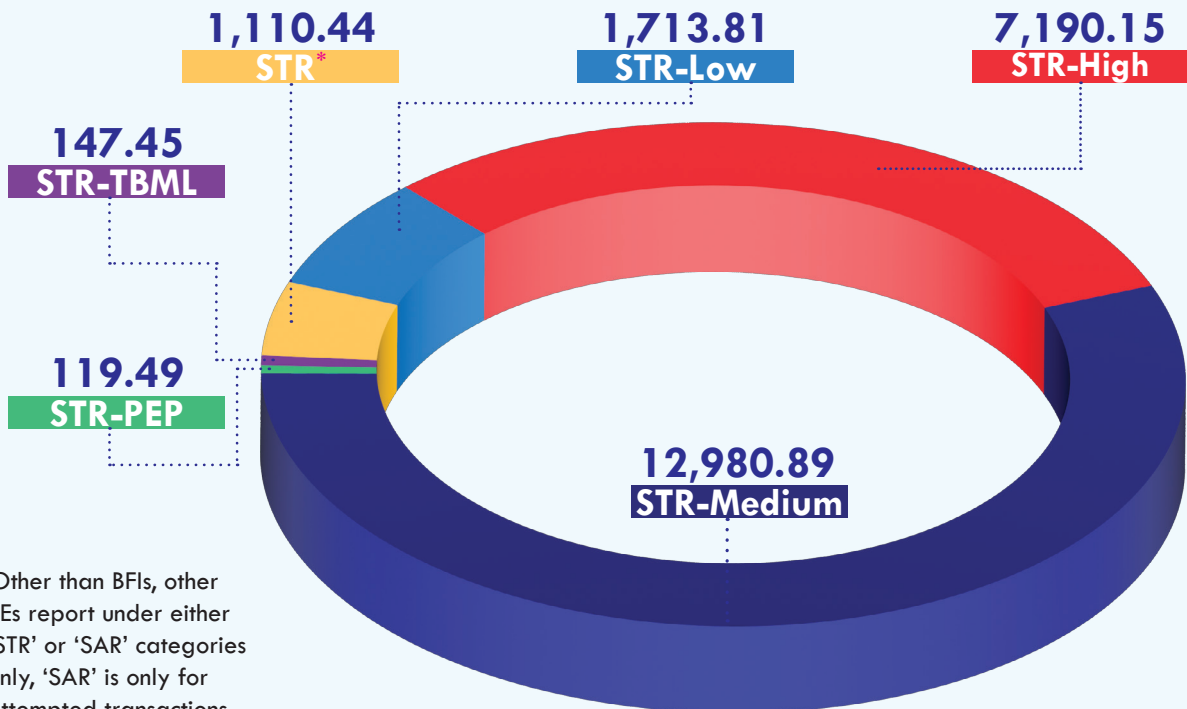




goAML Integration of REs/Agencies



STR/SAR reported Value by Category (in NPR. Million)



\* Other than BFIs, other REs report under either 'STR' or 'SAR' categories only, 'SAR' is only for attempted transactions.

STR/SAR reported Value by REs/Agencies (in NPR. Million)



Count of STR/SAR  
Total: **7,338**



STR/SAR reported value (in NPR. Million)  
Total: **23,262.23**



## AML/CFT REGIME AND NEPAL

### 1.1 Overview of AML/CFT in Nepal

Money Laundering (ML), Terrorism Financing (TF), and Proliferation Financing (PF) are major global concerns that pose significant threats to the integrity of the financial system, economic development, and human civilization. These organized crimes undermine the global financial system, weaken law and order, governance, and disrupt peace and harmony within the global community.

Money laundering and terrorism financing in one country can have adverse impacts on different countries and even globally. Criminals often target countries with liberal laws and weak AML/CFT regulatory regimes, leading to an increase in informal and illegal economic activities. Illicit proceeds from crimes can easily penetrate financial sectors as legitimate income, and the production of destructive arms and ammunition for terrorist attacks may increase. This distorts peace and security, threatens financial stability, and eventually harms the socio-economic well-being of the entire world. Therefore, an effective and robust AML/CFT system is essential to combat the menace of money laundering and terrorism financing.

Nepal became member of Asia/Pacific Group on Money Laundering (APG) in 2002. APG is one of the Financial Action Task Force-Style Regional Bodies (FSRBs) which looks after the compliance of Anti-Money Laundering, Countering Terrorist Financing and Proliferation of Weapons of Mass Destruction (AML/CFT/CPF) in Asia Pacific region. Nepal has joined the international community in detecting and preventing such crimes by enacting the Asset (Money) Laundering Prevention Act (ALPA) in 2008 and establishing FIU-Nepal in the same year. Nepal is inclined towards digitization, and strengthening its legal, institutional, and administrative capacity for effective

implementation of AML/CFT. Nepal has undergone several policy reforms, institutional reforms and has built several mechanisms to enhance the cooperation with international institutions and domestic stakeholders for AML/CFT. Similarly, Nepal has amended ALPA (2008) and other related Acts as per requirement to address their shortcomings and to address the deficiencies identified by Mutual Evaluation Report (MER).

Nepal is active participant of different regional and global communities. Nepal's presence is visible in regional and global platforms to control financial crimes and build resilient financial system. This is evident from its adherence to AML/CFT related provisions of United Nations (UN), International Monetary Fund (IMF), World Bank (WB), APG and Egmont Group of FIUs. Nepal adheres the global standard and protocol set forth by Financial Action Task Force (FATF). Further, Nepal has set its AML/CFT benchmark with references to international common practices. Nepal follows the international sanction, regulatory and supervisory best practices related to AML/CFT/CPF.

### 1.2 Introduction to AML/CFT Players

#### 1.2.1 International Bodies/Mechanism

##### (a) Financial Action Task Force (FATF)

The FATF is the global money laundering and terrorist financing watchdog. It is an inter-governmental body established in 1989 which sets international standards that aim to promote effective implementation of legal, regulatory and operational measures to combat AML/CFT/CPF for the integrity of the international financial system. The FATF is therefore a "policy-making body" which works to generate necessary political will to bring about national legislative and regulatory reforms in those areas.



In addition to its own 40 members, FATF has two regional organizations and network of nine FATF-Style Regional Bodies (FSRBs). In total, more than 200 countries and jurisdictions have committed to implement the FATF Standards as a co-ordinated global response to preventing organised crime, corruption and terrorism. The FATF has developed a series of recommendations that are recognized as global standards against money laundering and financing of terrorism. It conducts mutual evaluation (ME) to assess implementation of its recommendations, which provides an in-depth description, and analysis of each country's AML/CFT regime for preventing criminal abuse of financial system. The countries which repeatedly fail to implement FATF standards are categorized under High Risk Jurisdiction, referred as "the grey and black lists". FATF also raises awareness, promotes effective implementation of global standards and adoption of preventive measures as well as maintains co-ordination among regional organizations and FSRBs to form strong global alliance for combating ML and TF. Nepal is not a member of FATF itself directly; it has a connection with FATF through APG (the FATF Style Regional Body also called FSRB).

### The Nine FATF-Style Regional Bodies (FSRBs) are autonomous regional organizations that help the FATF implement its global AML/CFT policy, which revolves around its 40 Recommendations, in over 200 affiliated countries. The FATF-style regional bodies are:

1. Asia/Pacific Group on Money Laundering (APG) based in Sydney, Australia;
2. Caribbean Financial Action Task Force (CFATF) based in Port of Spain, Trinidad and Tobago;
3. Eurasian Group (EAG) based in Moscow, Russia;
4. Eastern & Southern Africa Anti-Money Laundering Group (ESAAMLG) based in Dar es Salaam, Tanzania;
5. Central Africa Anti-Money Laundering Group (GABAC) based in Libreville, Gabon;
6. Latin America Anti-Money Laundering Group (GAFILAT) based in Buenos Aires, Argentina;
7. West Africa Money Laundering Group (GIABA) based in Dakar, Senegal;
8. Middle East and North Africa Financial Action Task Force (MENAFATF) based in Manama, Bahrain;
9. Council of Europe Anti-Money Laundering Group (MONEYVAL) based in Strasbourg, France (Council of Europe).



FATF and its nine regional bodies constitute a global network to combat money laundering, the financing of terrorism and the financing of proliferation of weapons of mass destruction. The FATF's 40 recommendations are the principal standards to combat these crimes.

## FATF's 40 Recommendations

The FATF Recommendations provide a comprehensive and robust framework of laws, regulations and operational measures to detect and disrupt illicit financial flows that foster crime and terrorism, and punish those responsible for illegal activities. The set of FATF Recommendations serve

as international standard which countries should implement to meet the shared objective of tackling money laundering, terrorist financing and the financing of proliferation.

The FATF's 40 recommendations are categorized in seven categories and they cover the following areas:

Number	
<b>A – AML/CFT POLICIES AND COORDINATION</b>	
1	Assessing risks & applying a risk-based approach *
2	National cooperation and coordination
<b>B – MONEY LAUNDERING AND CONFISCATION</b>	
3	Money laundering offence *
4	Confiscation and provisional measures *
<b>C – TERRORIST FINANCING AND FINANCING OF PROLIFERATION</b>	
5	Terrorist financing offence *
6	Targeted financial sanctions related to terrorism & terrorist financing *
7	Targeted financial sanctions related to proliferation *
8	Non-profit organisations *
<b>D – PREVENTIVE MEASURES</b>	
9	Financial institution secrecy laws
	<i>Customer due diligence and record keeping</i>
10	Customer due diligence *
11	Record keeping
	<i>Additional measures for specific customers and activities</i>
12	Politically exposed persons *
13	Correspondent banking *
14	Money or value transfer services *
15	New technologies
16	Wire transfers *
	<i>Reliance, Controls and Financial Groups</i>
17	Reliance on third parties *
18	Internal controls and foreign branches and subsidiaries *
19	Higher-risk countries *
	<i>Reporting of suspicious transactions</i>
20	Reporting of suspicious transactions *
21	Tipping-off and confidentiality
	<i>Designated non-financial Businesses and Professions (DNFBPs)</i>
22	DNFBPs: Customer due diligence *
23	DNFBPs: Other measures *

<b>E – TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS AND ARRANGEMENTS</b>	
24	Transparency and beneficial ownership of legal persons *
25	Transparency and beneficial ownership of legal arrangements *
<b>F – POWERS AND RESPONSIBILITIES OF COMPETENT AUTHORITIES AND OTHER INSTITUTIONAL MEASURES</b>	
	<i>Regulation and Supervision</i>
26	Regulation and supervision of financial institutions *
27	Powers of supervisors
28	Regulation and supervision of DNFBPs
	<i>Operational and Law Enforcement</i>
29	Financial intelligence units *
30	Responsibilities of law enforcement and investigative authorities *
31	Powers of law enforcement and investigative authorities
32	Cash couriers *
	<i>General Requirements</i>
33	Statistics
34	Guidance and feedback
	<i>Sanctions</i>
35	Sanctions
<b>G – INTERNATIONAL COOPERATION</b>	
36	International instruments
37	Mutual legal assistance
38	Mutual legal assistance: freezing and confiscation *
39	Extradition
40	Other forms of international cooperation *

*Recommendations marked with an asterisk have interpretive notes, which should be read in conjunction with the Recommendation.*

## Immediate Outcomes (IOs)

FATF has identified 11 IOs that an effective AML/CFT framework should achieve to protect the financial system from abuse. During ME, the FATF assesses the effectiveness of a country's efforts based on these 11 IOs. The extent to which a country implements the technical requirements of each of the FATF Recommendations remains important; they are after all the building blocks for an effective framework to protect the financial

system. However, adopting compliant laws and regulations is not sufficient. Each country must enforce these measures, and ensure that the operational, law enforcement and legal components of an AML/CFT system work together effectively to deliver the results. During the assessment, the FATF/FSRB evaluates how well all these components are working together in the context of the risks that the country is exposed to. The IOs are summarized in table below:

1.	<p><b>Risk, Policy and Coordination</b></p> <p>Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.</p>
2.	<p><b>International Cooperation</b></p> <p>International Cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.</p>
3.	<p><b>Supervision</b></p> <p>Supervisors appropriately supervise, monitor and regulate financial institutions and (Designated Non-Financial Businesses and Professions) DNFBPs for compliance with AML/CFT requirements commensurate with their risks.</p>
4.	<p><b>Preventive Measures</b></p> <p>Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.</p>
5.	<p><b>Legal persons and arrangements</b></p> <p>Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.</p>
6.	<p><b>Financial intelligence</b></p> <p>Competent authorities for money laundering and terrorist financing investigations appropriately use financial intelligence and all other relevant information.</p>
7.	<p><b>Money laundering investigation and prosecution</b></p> <p>Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.</p>
8.	<p><b>Confiscation</b></p> <p>Proceeds and instrumentalities of crime are confiscated.</p>

9.	<p><b>Terrorist financing investigation and prosecution</b></p> <p>Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.</p>
10.	<p><b>Terrorist financing preventive measures and financial sanctions</b></p> <p>Terrorist, terrorist organizations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the Non-profit Organization (NPO) sector.</p>
11.	<p><b>Proliferation financial sanctions</b></p> <p>Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.</p>

Source: APG

### **(b) Asia/Pacific Group on Money Laundering (APG)**

APG was officially established as an autonomous regional anti-money laundering body by unanimous agreement among 13 original founding members. APG is an inter-governmental organization, consisting of 42 member jurisdictions, focused on ensuring that its members effectively implement the international standards against money laundering, terrorist financing and proliferation financing related to weapons of mass destruction. It was established in 1995 and funded by Government of Australia. The APG has grown considerably since 1997 and is one of the FATF-Style Regional Bodies (FSRBs). It is the largest in terms of membership numbers and geographical size.

The APG has five primary functions:

- a. **Mutual evaluation (ME):** The APG assesses the levels of compliance by its member jurisdictions with the global AML/CFT standards through a ME (peer review) program;
- b. **Technical assistance and training:** The APG Secretariat coordinate bi-lateral and

donor-agency technical assistance and training in the Asia/Pacific region for its member jurisdictions in order to improve compliance with the global standards;

- c. **Typologies research:** Research and analysis of money laundering and terrorist financing methods and trends is a key function of the APG to assist policy and law makers as well as LEAs and the general public to identify and respond to new and emerging trends, methods, risks and vulnerabilities;
- d. **Global engagement:** The APG contributes to international AML/CFT policy development and actively engages with the global network of FSRBs. The APG also participates in a number of FATF working groups and in its plenary meetings; and
- e. **Private sector engagement:** Private sector engagement is critical to the APG's overall objectives. The APG actively engages with financial and non-financial institutions, NPOs, training centers and universities in the Asia-Pacific to better inform the general public and specialists about global issues relating to money laundering, terrorist financing and proliferation financing.

Nepal obtained membership of APG in 2002 and has expressed its commitment to comply with international AML/CFT standards. Nepal served as a member of *APG Steering Committee* representing South Asian Countries for the year 2012/13. Nepal completed two years' tenure as a regional representative of South Asian Region for the meetings of the Governance Committee of the APG in year 2019 and 2020.

### **(c) Egmont Group of FIUs**

The Egmont Group is a united body of 177 Financial Intelligence Units (FIUs). It is the Global network of FIUs, which aims to improve communication, information sharing, and coordination amongst its FIU members. The Egmont Group provides a platform for the secure exchange of expertise

and financial intelligence to combat ML/TF, and associated predicate offences. It is the operational arm of the international AML/CFT apparatus and has become the cornerstone of international efforts to counter ML and TF.



FIU-Nepal got membership of Egmont Group on June 10, 2015. As, a member of the Egmont Group, the FIU-Nepal is able to send/receive information to/from FIUs of member jurisdictions via Egmont Secure Web (ESW), secure email network.

### **(d) The Basel Committee on Banking Supervision**

The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities established in 1974 by the central bank governors of the group of 10 countries. It sets the global standards for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters. The Basel Core Principles consist of set of 29 principles, which stands as the guideline for achieving prudent financial system helping to meet the objective of AML/CFT. However, the principle no. 29 is more relevant and has direct implication on AML/CFT. Basel committee has issued guidelines on sound management of risks related to ML/TF regarding assessment, understanding, management and mitigation of risks, customer acceptance policy, customer and beneficial owner identification, verification and risk profiling, ongoing monitoring, management of information and reporting of suspicious transactions and asset freezing.

### **(e) International Monetary Fund (IMF) and World Bank (WB)**

Nepal obtained membership of IMF and WB on September 6, 1961. Both organizations have



mandated AML/CFT matters in accordance with Article IV under Articles of Agreement of the IMF. In addition to this, these global organizations have been providing trainings and technical assistance for capacity building for the member countries.

IMF's Technical Assistance (TA) is funded by AML/CFT Topical Trust Fund (TTF). The IMF's AML/CFT Technical Assistance aims to improve AML/CFT regimes worldwide and to provide concrete support to the IMF's membership. IMF's assistance has prioritized implementation of following in national strategy:

- Legal - Improvements in AML/CFT laws
- Supervisory - Development of directives, guidelines and skill and capacity building of supervisors
- FIU - Development of operational manual, and skill and capacity building

IMF has substantially supported Nepal in developing National AML/CFT strategy, legal, supervisory and FIU capacity building frameworks. Nepal has received TA from IMF regarding strengthening the AML/CFT Legal, Supervisory, and FIU Framework, enhancing effectiveness of FIU-Nepal, strengthening the AML/CFT supervisory regime of the NRB, developing National AML/CFT Strategy etc. WB has been cooperating and supporting Nepal in conducting AML/CFT related National Risk Assessment (NRA). NRA 2020 was conducted using the NRA modules developed by the World Bank.

#### ***(f) Wolfsberg Group***

The Wolfsberg Group is a non-governmental association of twelve global banks, which aims to develop frameworks and guidance for the management of financial crime risks. Its purpose is to develop financial industry standards and best practices related to anti-money laundering, counter terrorism financing, know your customer and sanctions compliance. The Wolfsberg Group's AML, KYC, and CFT standards provide detailed guidance on best practices for risk management

and regulatory compliance. The standards cover a wide range of topics, including how to conduct due diligence on customers, how to identify and report suspicious transactions, and how to implement effective internal controls to prevent money laundering and terrorist financing. It promotes a high level of professionalism and integrity in the banking sector. The Group came together in 2000; Wolfsberg Anti-Money Laundering (AML) Principles for Private Banking were subsequently published in October 2000, revised in May 2002, and revised again most recently in June 2012.

#### ***(g) International Organization of Securities Commissions (IOSCO)***

The IOSCO is the international forum of world's securities regulators and global standard setter for the securities sector. It develops implements and promotes adherence to internationally recognized standards for securities regulation. IOSCO has set out 38 Principles of securities regulation, which are based upon three objectives of securities regulation i.e. protecting investors; ensuring that markets are fair, efficient and transparent; and reducing systemic risk.

#### ***(h) The International Association of Insurance Supervisors (IAIS)***

IAIS is responsible for developing and assisting in the implementation of principles, standards and guidance as well as supporting material for the supervision of the insurance sector. It also provides a forum for members to share their experiences and understanding of insurance supervision and insurance markets; and address emerging risks and challenges. The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators, and assists in shaping financial systems globally.

#### ***(i) United Nations (UN)***

The United Nations (UN) plays a significant role in promoting AML/CFT through various entities, resolutions, and conventions. The UN's approach

to AML/CFT focuses on establishing international legal frameworks, providing technical assistance, and coordinating global action to address these issues. Key UN bodies and initiatives involved in AML/CFT efforts include:

#### United Nations Office on Drugs and Crime (UNODC):

UNODC is a global leader in the fight against illicit drugs and international crime, in addition to being responsible for implementing the United Nations lead program on terrorism. UNODC has 20 field offices covering over 150 countries. By working directly with Governments and non-governmental organizations, UNODC field staff develop and implement drug control and crime prevention programs tailored to countries' particular needs. UNODC has been helping make the world safer from drugs, organized crime, corruption and terrorism. The mandates of UNODC include the areas related to transnational organized crime, criminal justice, countering corruption, drug control and terrorism. As strategic responses to financial crime including money-laundering and terrorist financing, UNODC has developed integrated software solution for use by FIUs. The software is goAML, which was developed in partnership with UNODC as a tool against Money Laundering and Terrorism Financing.

#### UN Security Council:

UN Security Council plays a crucial role in enforcing measures to combat the financing of terrorism. It can impose binding sanctions and obligations on member states to prevent the financing of terrorism. Key Resolutions includes Resolution 1267 (1999), Resolution 1373 (2001), Resolution 2462 (2019) etc.,

#### UN Conventions and International Frameworks:

- United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) - The Vienna Convention
- International Convention for the Suppression of the Financing of Terrorism (1999).

- United Nations Convention Against Transnational Organized Crime (UNTOC)- the Palermo Convention (2000)
- United Nations Convention Against Corruption (UNCAC) (2003)

#### (j) Asian Development Bank (ADB)

ADB envisions a prosperous, inclusive, resilient, and sustainable Asia and the Pacific with its rigorous efforts to eradicate extreme poverty in the region. ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development. ADB maximizes the development impact of its assistance by facilitating policy dialogues, providing advisory services, and mobilizing financial resources through co-financing operations that tap official, commercial, and export credit sources.

ADB has partnered with UNODC and has been working on its goAML suspicious transaction reporting system to reduce trade based money laundering (TBML). ADB's Trade and Supply Chain Finance Program (TSCFP) is coordinating with banks, regulators, and others to improve the quality of STR. FIU-Nepal has created a new reporting type, STR-TBML within the goAML system, with the help of ADB-TSCFP. ADB has also supported to conduct training (both virtual and physical) to banks, LEAs and FIU-Nepal regarding TBML.

#### (k) International Criminal Police Organization (Interpol)

Interpol is a global organization that facilitates cooperation and coordination between police forces across its member countries to combat transnational crime. It has 195 member countries and is headquartered in Lyon, France. Interpol's mission is to assist LEAs across its member states in addressing international crimes, including money laundering, terrorism, human trafficking, cybercrime, drug trafficking, and corruption.

**(I) Asset Recovery Inter-Agency Network for Asia and the Pacific (ARIN-AF)**

ARIN-AF is a regional organization dedicated to promoting cooperation and information sharing among law enforcement and other relevant agencies to facilitate asset recovery in cases involving transnational crime, corruption, and money laundering across Asia and the Pacific. Nepal became member of ARIN-AF in 2013. ARIN-AF aims to strengthen regional capabilities to identify, confiscate, and recover illicit assets by providing a collaborative platform for member countries.

**1.2.2 Domestic Authorities/ Mechanism**

**(a) Legal Measures**

Nepalese AML/CFT legal regime has been framed by the parliamentary enactments, particularly of ALPA (2008). Other laws relating to criminalization of predicate offences, regulation/supervision, Mutual Legal Assistance (MLA), extradition and confiscation (seizing and freezing) of criminal proceeds among others are integral to this system. Beside these legal instruments, regulators of reporting entities (REs) have formulated and implemented off-site and on-site supervisory manuals to ensure the compliance of AML/CFT laws. Some of the acts, rules and other related documents helping shape the AML/CFT related legal and framework are listed as below:

Before the amendment of ALPA (2008) this year, the act had provision for dedicated statutory high-level policy committee viz. National Coordination Committee (NCC) with Secretary of Office of the Prime Minister and Council of Ministers (OPMCM) as the coordinator. ALPA (2008) was amendment on 12<sup>th</sup> April, 2024 by “An Act to Amend Some Laws Related to Prevention of Money Laundering and Promotion of Business Environment (2024)”. Amended ALPA (2008) has provision of two committees; Directive Committee and Coordination Committee. ALPR (2016) had provision of Implementation Committee with Deputy Governor of NRB as coordinator. It has been replaced with provision of Technical Committee in ALPR (2024) during the preparation of this report.

List of major committees/mechanisms are:

Statutory Committees as per ALPA(2008) and ALPR(2024)
<ul style="list-style-type: none"> <li>• Directive Committee</li> <li>• Coordination Committee (CC)</li> <li>• Technical Committee</li> </ul>
Committees/Mechanisms as per ‘National Strategy and Action plan (2024/25-2028/29)’
<ul style="list-style-type: none"> <li>• Regulators Coordination Mechanism</li> <li>• Investigation Coordination Mechanism</li> <li>• Counter Terrorism Mechanism</li> <li>• Task Coordination Committee</li> </ul>

*These committees are discussed in detail in Chapter 5 of this report.*

Assets Money Laundering Prevention Act (ALPA), 2008	Mutual Legal Assistance Act, 2014	The Proceeds and Instrumentalities of Crime (Freezing, Seizing and Confiscation ) Act, 2014
Assets (Money) Laundering Prevention Rules, 2024	Mutual Legal Assistance Rules, 2023	The proceeds and Instrumentalities of Crime (Freezing, Seizing and Confiscation ) Rules, 2021
Prevention of Organised Crime Act, 2013	Extradition Act, 2013	Prevention of Corruption Act, 2002
AML/CFT National Strategy and Action Plan (2024-2029)	Other relevant laws and regulations	AML/CFT related directives and circulars issued by regulators to respective reporting entities

## b. Policy Measures

### i. National Risk Assessment (NRA)

The FATF Recommendations require each country to identify, assess and understand ML and TF risks it faces in order to mitigate them and effectively dismantle terrorist networks. NRA serves as foundation for setting AML/CFT policy priorities and resource allocation. The risk-based approach, which is central to the FATF Recommendations, enables countries to priorities their resources and allocate them efficiently. FATF has developed guidance that assists the countries to conduct National Risk Assessment. Nepal's National Risk Assessment was conducted in 2016 and 2020. The overall banking sector vulnerability to ML is rated as medium-high whereas, the quality of the general AML control is medium. National Risk Assessment Report, 2020 on ML/TF of Nepal has identified the following national threats:

**Major threats:** Corruption (bribery), tax (revenue) evasion, financial crimes such as banking offence and hundi.

**Threats of concerns:** Drug trafficking, organized crime, extortion, arms-related offence, domestic terrorism, fraud, counterfeiting of currency, environment related crime, robbery (theft), smuggling (including black marketing) and forgery.

**Low threats:** counterfeiting and piracy of products, kidnapping, illegal restraint and hostage taking, international terrorism, trafficking in stolen goods and insider trading.

Sector-wise vulnerabilities as per NRA, 2020 is shown in table below: -

Table 1 : Sector-wise vulnerabilities as per NRA, 2020

S.N.	Institutions	Vulnerability	Quality of AML/CFT control
1.	Banking	Medium high	Medium
2.	Co-operatives	Medium high	Medium low
3.	Securities	Medium	Medium
4.	Insurance	Medium	Medium low
5.	Other Financial Institutions	<ul style="list-style-type: none"> <li>• Money Changer - Low</li> <li>• Remittance Company - Medium high</li> <li>• Foreign Exchange Bureau - Medium high</li> <li>• Hundi - High</li> </ul>	NA
6.	DNFBPs	Casino - Medium high Precious Stones - Medium high Real Estate - High Accountants - Medium	NA
7.	NPOs	Medium	NA

### National Vulnerability - Medium High

Rating Scale : 1. Low 2. Medium Low  
3. Medium 4. Medium High 5. High

### ii. National Strategy and Action Plan

Nepal has already formulated and implemented the first AML/CFT National Strategy and Action Plan (2011-2016 ) and the second AML/CFT National Strategy and Action Plan (2019-2024). The Government of Nepal has formulated and implemented the third National Strategy and Action Plan on Prevention on Money Laundering and Terrorism Financing (2023/24-2028/29) for controlling heinous crime and adopting risk based approach. It has pointed out suggestions based on various studies, evaluations and experiences.

It aims to develop a sound legal, institutional, supervisory and operational framework. It has emphasized on application of risk-based approach in all sectors and operational capacity building. Major highlights of the strategies are -

#### Mission

- To reduce the risk of financial crime for the protection and stability of the financial system and the economy.

#### Goals

- To ensure parallel investigation and prosecution of predicate offences and money laundering offences in high-risk offences;
- To maintain the transparency and stability of the economic and financial system by adopting a risk-based preventive and supervisory system to discourage financial crime, and

- To adopt an effective information system to discourage financing in terrorism, terrorist activities, and proliferation of weapons of mass destruction.

**Objective, Strategy and Activities**

**Objective No.1: Adopt a risk-based work approach to the investigation and prosecution of serious and high-risk financial crimes.**

- Strategy 1.1. To make procedural arrangements for identifying elements of money laundering related crimes while investigating predicate offences and exchanging of the information related to the investigation.
- Strategy 1.2. To make strong institutional arrangements for investigation of money laundering related offenses along with investigation of high risk predicate offenses.
- Strategy 1.3. To formulate and implement guidelines related to freezing, seizing, confiscation and recovery of proceeds of crime.

**Objective No. 2: To adopt risk-based system in the area of supervision and ensure the effective implementation of preventative measures financial crime by adopting a risk-based preventive and supervisory system.**

- Strategy 2.1 To institutionalize the rigorous measures of institutional governance and transparency of the reporting entities based on risk.
- Strategy 2.2: To develop a risk-based regulatory, supervisory and prompt corrective action system by prioritizing reporting entities which hold systematically importance in area of banking, remittance, securities, cooperatives, real estate, casino, and precious metals and stones.

**Objective No.3: To broaden the scope of Financial Intelligence analysis**

- Strategy 3.1. To expand the scope of suspicious transaction reporting and provide quality analysis of information and data to related agencies.
- Strategy 3.2 Enhancing the analytical capability of the FIU in accordance with the risk.

**Objective No.4: To build a strong implementation structure and effectively implement it to prevent financing of terrorism and proliferation financing.**

- Strategy 4.1 Make effective reporting, regulation and supervision to prevent financing of terrorism and proliferation financing.
- Strategy 4.2 To make effective investigation and prosecution of offences related to terrorism and proliferation financing.
- Strategy 4.3 Ensure policy arrangement and its implementation to prevent financing of terrorism and proliferation financing in the national security system and procurement.

**Objective No. 5: Based on the principle of Whole of the Government Approach, make systemic improvement on the issues identified by MER and other related study report in the areas of AML/CFT and CPF.**

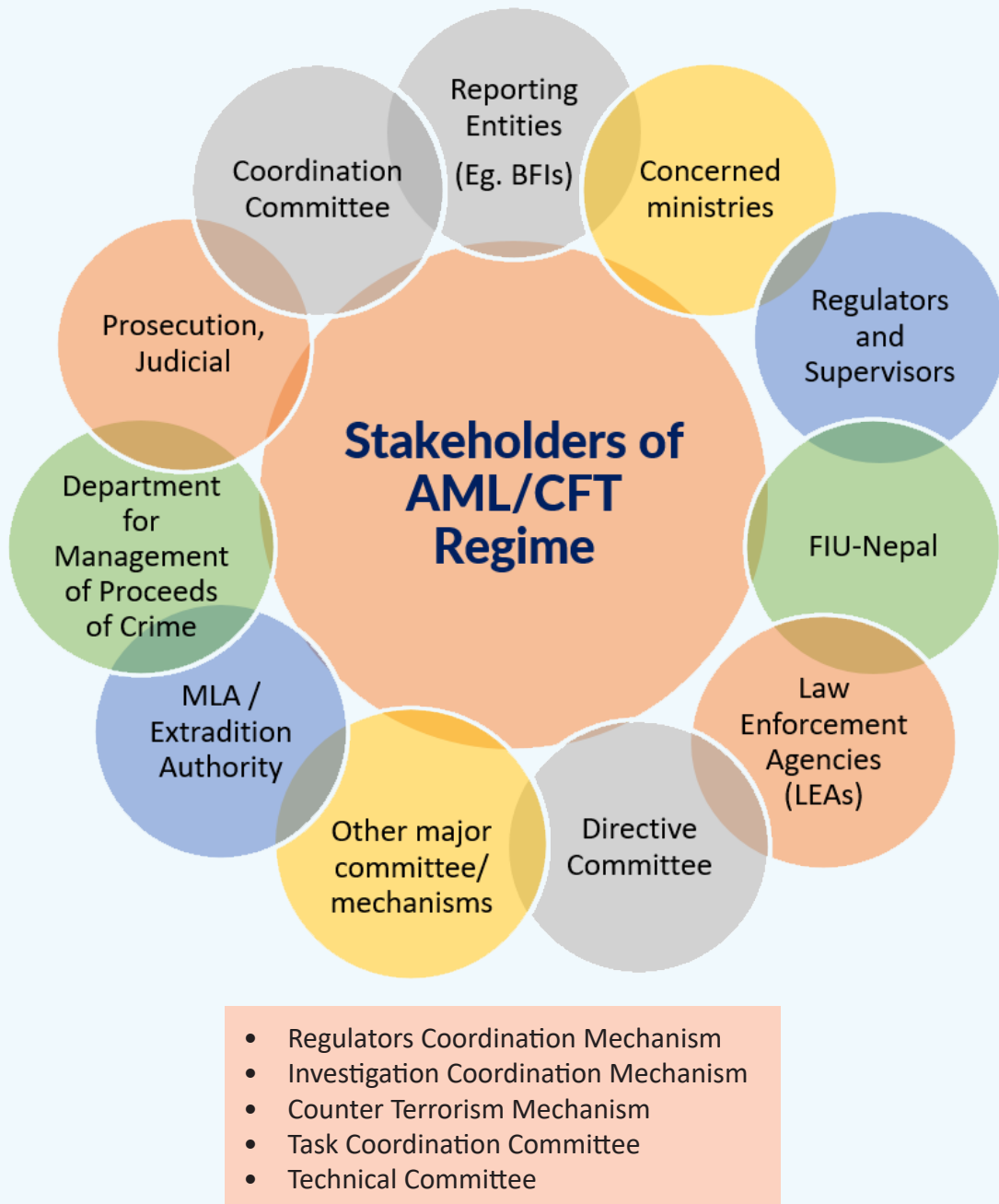
- Strategy 5.1 To improve legal and policy measures.
- Strategy 5.2 To establish a registry of Beneficial Owner.
- Strategy 5.3 To update risk assessment regularly.
- Strategy 5.4 To conduct specialized capacity building programs for the control of complex and emerging financial crimes related to money laundering, terrorism and proliferation financing.
- Strategy 5.5 To formulate and implement institutional and sectoral action plans.
- Strategy 5.6 Enhance the capacity of reporting entities in public-private partnership in order to further strengthen system for prevention of money laundering and financing of terrorism and proliferation financing.
- Strategy 5.7 Adopt robust information and evaluation mechanism to enhance performance effectiveness.

**(c) Institutional Measures**

Money laundering (ML) and terrorist financing (TF) are forms of organized crime that involve multiple parties from various regions globally. These activities pose increasing threats to human civilization. Therefore, it is crucial for all stakeholders to participate and cooperate effectively to combat ML and TF.

The diagram presented below depicts the stakeholders in AML/CFT regime of Nepal.

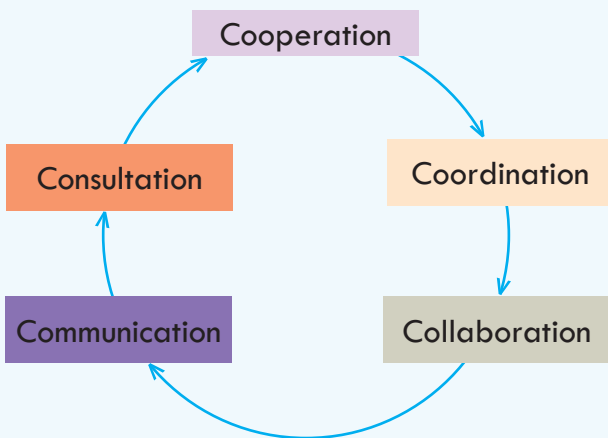
*Figure 1 : Stakeholders in AML/CFT Regime*



CHAPTER 02

## ENTITIES AND COMPETENT AUTHORITIES

A country's prosperity depends significantly on the soundness of its financial system. Numerous competent authorities around the world are actively engaged in identifying vulnerabilities and protecting the global financial system from potential threats. A robust and secure global financial system can be achieved by coordinating efforts and collaboratively managing all aspects of AML/CFT /CPF regime.



In the context of Nepal, multiple entities—including regulators, supervisors, investigators, and prosecutors—work actively to combat ML/TF/PF. These institutions collaborate to ensure effective measures and proper enforcement against ML/TF/PF.

### 2.1 Agency Related to Intelligence

National Strategy and Action Plan (2024-2029) has mentioned below three agencies as Intelligence Agencies

#### i. Financial Intelligence Unit (FIU-Nepal):

FIU-Nepal is a centralized, autonomous, independent, administrative authority with pivotal role to play in AML/CFT/CPF regime of Nepal. It is responsible for receiving financial information on suspected ML/TF/PF transactions

and activities from reporting entities (REs), analysing them, and disseminating financial intelligence to the designated or concerned law enforcement/ investigative agencies. (Note: Details about FIU-Nepal is discussed in Chapter 3.)

#### ii. National Investigation Department:

It is responsible for providing all types of information required by the government to protect the independence, sovereignty, territorial integrity, and freedom of the state of Nepal, as well as to promote and enhance internal and national security and interests. In addition to various areas of national security, the department's important duties also include collecting information related to economic and financial crimes, terrorism, organized crime, and activities that disrupt harmony among religions, cultures, languages, and communities.

#### iii. National Vigilance Center:

It oversees the monitoring of assets and income of public officials; performs technical inspections to ensure projects adhere to time, cost, and quality standards; and conducts awareness workshops and other promotional activities at the district level to prevent corruption, among other responsibilities.

### 2.2 Reporting Entities

ALPA (2008) defines “Reporting Entity” (RE) as Financial Institutions (FIs) and DNFBPs. These reporting entities (REs) are mandated by law to report any suspicious financial transactions or activities, as well as transactions exceeding certain thresholds (as determined by their respective regulators), to FIU-Nepal in the format specified by FIU-Nepal.

ALPA (2008) has stated various provisions related to customer identifications and transactions for the REs, some of which are as follows:

- Not to do transactions in pseudonym or fictitious name
- Not to establish or operate shell bank
- Customer identification, identification of Politically Exposed Persons (PEPs) and identification of beneficial ownership
- AML/CFT risk assessment, evaluation and management
- Enhanced Customer Due Diligence (CDD), Simplified CDD, and CDD of existing customers
- Timing of customer identification, ongoing monitoring, identification and verification of customers by third party
- New technology and non-face to face customer or transactions
- Obligations regarding wire transfers and provision on cross-border correspondent banking
- Special monitoring of complex, large or unusual nature transactions and transactions with persons/institutions from country identified as a non-complaint or partially complaint with international standards relating AML/CFT.
- Not to do transactions with customers failing criteria of customer identification and verification
- Develop and implement AML/CFT policy and procedures, and appoint the compliance officer
- Obligation of branch offices or subsidiary companies as a group to comply with the ALPA (2008) and related regulations and directives
- Maintain record of documents and transactions and provide them to competent authorities on demand
- Report suspicious transactions to FIU-Nepal immediately after carrying out examination

## 2.3 Regulator/Supervisors of AML/CFT in Nepal








Recommendations 26, 27, and 28 of “The FATF Recommendations” emphasize the role of regulators/supervisors in overseeing both FIs and DNFBPs. They must develop and enforce legal or regulatory measures for effective implementation of the FATF guidelines. Regulators/supervisors should possess sufficient authority to monitor and ensure compliance with anti-money laundering and counter-terrorist financing requirements, including the power to conduct inspections.

Section 2 of the ALPA (2008) define Regulators & Supervisors as *“any institution established for the regulation and supervision of reporting entity under prevailing laws. It shall also denote the regulator designated by the Government of Nepal pursuant to sub-section (2) of the section 7Na.”* If cases where no regulator is designated for a RE in prevailing laws, Government of Nepal may designate an agency or regulator to function as regulator of such RE in consultation with Coordination Committee (CC) by a notification in the Nepal Gazette. Further, Section 7Pa of the ALPA (2008) has provisions regarding the functions, responsibilities and powers of regulators/supervisors and Section 7Pha has stated the provision for regulatory actions and sanctions against REs.

Table below presents list of different regulators and supervisors, and REs under reporting under them:



Table 2 : Regulators/supervisors and REs under them

Regulators & Supervisors	Reporting Entities	Regulators & Supervisors	Reporting Entities
<b>Nepal Rastra Bank (NRB)</b> 	A, B, C, D Class Banks and Financial Institutions	<b>Inland Revenue Department (IRD)</b> 	Approved Retirement Funds
	Infrastructure Bank		Dealers in Precious Metal & Stones
	Cooperative Bank	<b>Ministry of Culture, Tourism &amp; Civil Aviation (MOCTCA)</b> 	Casinos or Online Casinos
	Money Remitters		
	Money Changers		
	Payment System Operators (PSOs)		
	Payment Service Providers (PSPs)		
	Employee Provident Fund		
	Citizen Investment Trust		
	Social Security Fund		
	Public Debt and Stocks		
	Hire Purchase Loan Providers		
Other entities licensed by NRB			
<b>Securities Board of Nepal (SEBON)</b> 	Securities Brokers	<b>Department of Land Management and Archive (DOLMA)</b> 	Real Estate Business/ Agents
	Merchant Bankers		
	OTC Market		
	Commodity Trading Brokers		
	Investment Management Professionals		
	Investment Companies		
	Other entities licensed by SEBON		
<b>Nepal Insurance Authority (NIA)</b> 	Life Insurance Company	<b>Nepal Notary Public Council</b> 	Notary Public
	Non-Life Insurance Company		
	Re-Insurance Company		
	Insurance Brokers		
	Other entities licensed by NIA		
<b>Department of Cooperatives</b> 	Cooperatives regulated by Federal Level	<b>Institute of Chartered Accountants of Nepal (ICAN)</b> 	Registered Auditors and Accountant/Chartered Accountants' Firm
	Cooperatives regulated by Province Level		
	Cooperatives regulated by Local Level		
	Central Cooperative Associations carrying out financial transactions with cooperative organizations		

Regulators & Supervisors	Reporting Entities
<b>Office of the Company Registrar (OCR)</b> 	Company & Trust Service Providers
<b>Nepal Bar Council</b> 	Law Practitioners
<b>Department of Transport</b> 	Automobile Businesses      Sales

NOTE: As per ALPA (2008) Section 2 (Dha) (4), notaries, auditors, accounting or other similar professionals are entitled to report when they carry out, prepare for, or engage in, transactions for a client or party concerning the following activity:

- (a) buying and selling of real estate,
- (b) managing of client money, securities or other assets,
- (c) management of bank, savings and securities accounts,
- (d) organization of contributions and investment for the incorporation or operation of legal persons,
- (e) creation, incorporation, registration, operation or management of legal persons or legal arrangements, or
- (f) buying or selling of business entities.

The brief introduction of the regulators and supervisors in context of AML/CFT regime in Nepal is discussed below:

### 2.3.1 Regulators of Financial Institutions (FIs)

#### (a) Nepal Rastra Bank (NRB)

NRB is authorized as the sole issuer of licenses to banks and financial institutions (BFIs) under the Section 4 of Banks and Financial Institutions Act (BAFIA) (2006). NRB approves the establishment of banks or financial institutions and has the authority under Section 35 to suspend or revoke their licenses if they do not comply with the NRB Act (2002), related rules, or directives. NRB regulates BFIs on AML/CFT matters through its Bank & Financial Institution Regulation Department and supervises them through Money Laundering Prevention Supervision Division. Additionally, NRB oversees Money Changers, Money Remitters, Hire Purchase Companies, and Cooperative Banks through its Non-Bank Financial Institutions Supervision Department, while Payment Systems Operators (PSOs) and Payment Service Providers (PSPs) are regulated and supervised by its Payment Systems Department. NRB has issued AML/CFT directives to these entities under relevant acts and regulations.

The fourth NRB Strategic Plan (2022-2026) has made the following provision under the Strategy 2 of Strategic Pillar 5 “Governance, Organizational Development and Talent Management”.

Strategy 2: Strengthening institutional effectiveness of specialized functions						
S.N.	Actions	Objectively Verifiable Indicators (OVI)	Means of Verifications (MoV)	Start Date	End Date	Responsible Department/s
1	Establish dedicated institutional set up for AML/CFT supervision	Dedicated set up established	Dedicated institutional set up in operation	2022	2023	CPRMD (L), HRMD

In accordance with the above provision, the AML/CFT Supervision unit, previously operated under the Bank Supervision Department, has been restructured into an independent division named the ‘Money Laundering Prevention Supervision Division’ from 16<sup>th</sup> July, 2024.

#### (b) Securities Board of Nepal (SEBON)

SEBON is the regulatory authority overseeing securities markets in Nepal. It operates under the Securities Act (2006) and has the authority

to regulate and supervise the activities within the securities sector, including securities brokers, securities markets, and merchant bankers. SEBON's responsibilities encompass ensuring compliance with AML/CFT requirements within these sectors.

### ***(c) Nepal Insurance Authority (NIA)***

Nepal Insurance Authority (NIA) is both the business and AML/CFT supervisor of the insurance sector. It is an independent, autonomous statutory body under Insurance Act (2022). It is responsible for regulation and development of insurance market in Nepal. NIA registers and issues licenses to insurance companies, insurance agents, surveyors, insurance brokers and other intermediaries. Currently there are 14 life insurance, 14 non-life insurance, 7 micro insurance and 2 Re-insurance companies in operation.

### ***(d) Department of Cooperatives/ Province Governments/ Local Governments***

The Department of Cooperatives plays a crucial role in the regulation, promotion, and education of cooperatives across the country. Established in 1953, the department operates with a mission to ensure effective regulation and support for cooperative organizations, while adhering to the principles of cooperation.

However, the establishment, operation, regulation and supervision of co-operatives is a function shared by three levels of government—federal, provincial, and local. The cooperatives established under the province and local level authority are monitored and regulated by the provincial and local level governments respectively. Furthermore, the department regulates and supervises the all cooperatives under it. Department of Cooperatives has issued AML/CFT directive to co-operatives to ensure that cooperatives follow anti-money laundering and counter-terrorism financing regulations, and to protect cooperative financial system by promoting transparency in cooperative institutions.

### ***(e) Inland Revenue Department (IRD)***

The IRD is tasked with drafting and implementing tax policies and laws, including those related

to Value Added Tax (VAT), income tax, excise tax, and other forms of taxation. The IRD is responsible for enforcing tax laws and overseeing the administration of these different taxes. Additionally, the department regulates and supervises approved retirement funds and dealers in precious metal and stones to ensure compliance with relevant regulations.

## **2.3.2 Regulators of DNFBPs**

### ***(a) Ministry of Culture, Tourism and Civil Aviation***

The ministry has always encouraged the private sector for their involvement and participation in promoting tourism. It also serves as the Nepalese aviation regulatory body. It is the regulator of the casinos and internet casino businesses, hotel, lodge, restaurant, tour operators, trek agencies and other hospitality-oriented business.

### ***(b) Department of Land Management and Archive(DOLMA)***

DOLMA under the Ministry of Land Management, Cooperatives and Poverty Alleviation is the only department of Government of Nepal, which undertakes land reform, land administration and land management functions through its district land revenue offices. It is the regulator of real estate businesses in Nepal. It has the objective to collect revenue from land taxes and registration fees, and develop robust and efficient land information system to automate land records and procedures.

### ***(c) Nepal Notary Public Council***

Nepal Notary Public Council was established according to section 5(1) of the Notary Public Act, 2006. It is the regulator of Notary Public in Nepal. Its major functions are to distribute certificate to Notary Public and to monitor whether the works performed by the Notary Public is according to the Act or code of conduct framed by it.

### ***(d) The Institute of Chartered Accountants of Nepal (ICAN)***

The Institute of Chartered Accountants of Nepal (ICAN) was established under a special act The Nepal Chartered Accountants Act (1997). It is an autonomous body and is fully authorized by the Act to regulate accountancy profession in Nepal. It is the regulator of auditors and accountants. It functions as a regulating body, encouraging

members to practice accounting while adhering to the code of conduct in order to make the accounting profession more transparent.

#### **(e) Office of the Company Registrar**

The Office of the Company Registrar, under the Ministry of Industry, Commerce & Supplies, is the regulator of company and trust service providers. Any person desirous of undertaking any enterprise with profit motive may incorporate a company for the attainment of objectives set forth in the memorandum of association of company.

#### **(f) Nepal Bar Council**

Nepal Bar Council is an independent legal institution established by the Nepal Bar Council Act, 1993. Nepal Bar Council is the regulator of the law practitioners. The main objectives of the council are to promote, protect and regulate the activities of the law practitioners in a more professional manner.

## **2.4 Investigation Agencies / Law Enforcement Agencies (LEAs)**

Investigation agency are those agencies which are empowered to investigate and prosecute the cases while LEAs are the agencies authorized by law or by a government agency to engage in or supervise the prevention, detection, investigation, or prosecution of any violation of criminal law. Although the investigation agency and LEAs are different in terms of their operational jurisdiction, they are used synonymously in context of Nepal. Below enlisted agencies of Nepal indulge in either of the role of investigation or law enforcement. LEAs and Investigating agencies listed under the Annexure-3 of National Strategy and Action Plan Related to AML/CTF (2024-2029) are as shown in table below:

*Table 3 : LEAs/Investigative agencies as per National Strategy and Action Plan*

SN	Name of the LEAs/ Investigative agencies	Role/Scope of Investigation in AML/CFT/CPF
1	Judicial Council	Investigate corruption issues relating to incumbent judges
2	Commission for the Investigation of the Abuse of Authority (CIAA)	Carry out investigations of bribery and corruption by abuse of authority committed by persons holding public office.
3	Department of Revenue Investigation (DRI)	Investigation, interrogation and prosecution of tax and non-tax revenue leakages and abuse of foreign exchange facility.
4	Department of Money Laundering Investigation (DMLI)	Investigations into ML and TF cases and search and seizure, freezing, and put restrain on the transaction of the asset subject to investigation.
5	Nepal Police	Investigation of most the predicate crimes in Nepal. managing the National Criminal Database, Conducting study/ research and publish the report regarding types of crime, nature and new emerging trends.
6	Nepal Army	Investigate corruption issues relating to army personnel
7	Department of Forests & Soil Conservation, and relevant government agencies with jurisdiction over investigation and prosecution related to this matter.	Investigation of Environmental crime offences

SN	Name of the LEAs/ Investigative agencies	Role/Scope of Investigation in AML/CFT/CPF
8	Department of National Parks and Wildlife Conservation	Investigation of Environmental crime offences
9	Department of Drug Administration	Enforcement of provisions of drug law for regulatory compliances
10	Department of Foreign Employment	Investigation and Enquiry of offences related to Foreign Employment
11	Department of Customs	Investigation of customs-related crimes, such as smuggling, tax evasion, illegal transportation of currency, precious metals and bearer negotiable instruments. etc.
12	Security Board of Nepal (SEBON)	Investigation of Insider trading and market manipulation in securities
13	Narcotics Control Bureau	A bureau within Nepal Police with a concept of integrated approach to combat drug problems in the country.

Note: All of the above agencies carryout parallel investigation and prosecution of predicate offence and ML offence based on the risk-based approach

## 2.5 Other Related Agency

Below listed are the other related agencies as mentioned in the Annexure-3 of National Strategy and Action Plan Related to Prevention of ML/TF (2024/25-2028/29):

- (1) Office of the Prime Minister and Council of Ministers,
- (2) Ministry of Finance,
- (3) Ministry of Home Affairs,
- (4) Ministry of Law, Justice and Parliamentary Affairs (MOLJPA),
- (5) Ministry of Foreign Affairs,
- (6) Ministry of Defence,
- (7) Ministry of Industry, Commerce and Supply,
- (8) Ministry of Women, Children and Senior Citizens,
- (9) Ministry of Federal Affairs and General Administration,
- (10) Ministry of Education, Science and Technology,
- (11) National Security Council,
- (12) National Planning Commission,
- (13) Office of the Auditor General,
- (14) Office of the Attorney General (OAG),
- (15) Nepal Law Commission,
- (16) Public Procurement Monitoring Office,
- (17) Armed Police Force, Nepal,
- (18) Department of Management of Proceeds of Crime,
- (19) Supreme Court, Judgment Enforcement Directorate,
- (20) Department of Commerce, Supply and Consumer Protection,
- (21) Department of Immigration,
- (22) Social Welfare Council.

## FINANCIAL INTELLIGENCE UNIT

### 3.1 Introduction

FIU-Nepal was established on 21 April, 2008 under the Section 9 of the ALPA (2008) within the NRB (the central bank). FIU-Nepal is a national agency responsible for receiving, processing, analyzing and disseminating financial information and intelligence on suspected ML/TF/PF to the relevant law enforcement/investigative agencies and foreign FIUs. FIU-Nepal is functioning as an autonomous and operationally independent unit as per ALPA (2008).

**The major provisions in prevailing laws regarding FIU-Nepal are as follows:**

- Autonomy and operational independence of the Unit
- Appointment of Unit Head by the Governor in consultation with Coordination Committee (CC), and Unit Head to report to CC.
- Address, seal and organization structure of FIU-Nepal to be as approved by Government of Nepal
- Provision of staffs from regulatory, investigating and other related government organizations as per need, and remuneration, benefits and performance appraisal of such employees
- Budget and resources necessary to FIU-Nepal to be provided by NRB
- Qualification, experience, mobilization, accountability and incentives of employees of FIU-Nepal to be as prescribed.
- Confidentiality and conditions of use of intelligence from FIU-Nepal
- REs to report STR/SAR/TTR in electronic medium in format as prescribed by FIU-Nepal

FIU-Nepal is continuously endeavoring to achieve the organizational excellence. It has formulated and implemented many internal policy documents to make rule-based organization culture. FIU-Nepal has developed and implemented job description of its staffs. The essential job requirements, job duties and job responsibilities of each level of staffs are clearly specified based on the functions and duties of FIU-Nepal.

FIU-Nepal has also issued code of conduct for its staffs. The code of conduct helps to protect information by having rules in place governing the security and confidentiality of information and by ensuring that staffs have the necessary security clearance levels and understanding of their responsibilities. The code of conduct has clearly set out the rules outlining the norms and the responsibilities for the staffs of FIU-Nepal.

The job description and the code of conduct have benefitted in maintaining confidentiality and security of information along with developing organizational culture in FIU-Nepal. Each staff of FIU-Nepal has signed and taken the oath complying with the provision in the ALPR, 2024. Similarly, FIU-Nepal has implemented FIU Manual and Security Manual to guide its activities. FIU Manual of FIU-Nepal has served as the guidelines to its staffs to perform their regular duties. It has explained the detail procedure from receiving and analysis to the dissemination of the analyzed report. It covers the confidential issues including procedure of handling, storage and record keeping of manual STR and their analysis process. The Security Manual of FIU-Nepal has set out the security measures to be followed in the course of its operations. It has also addressed physical security and security of

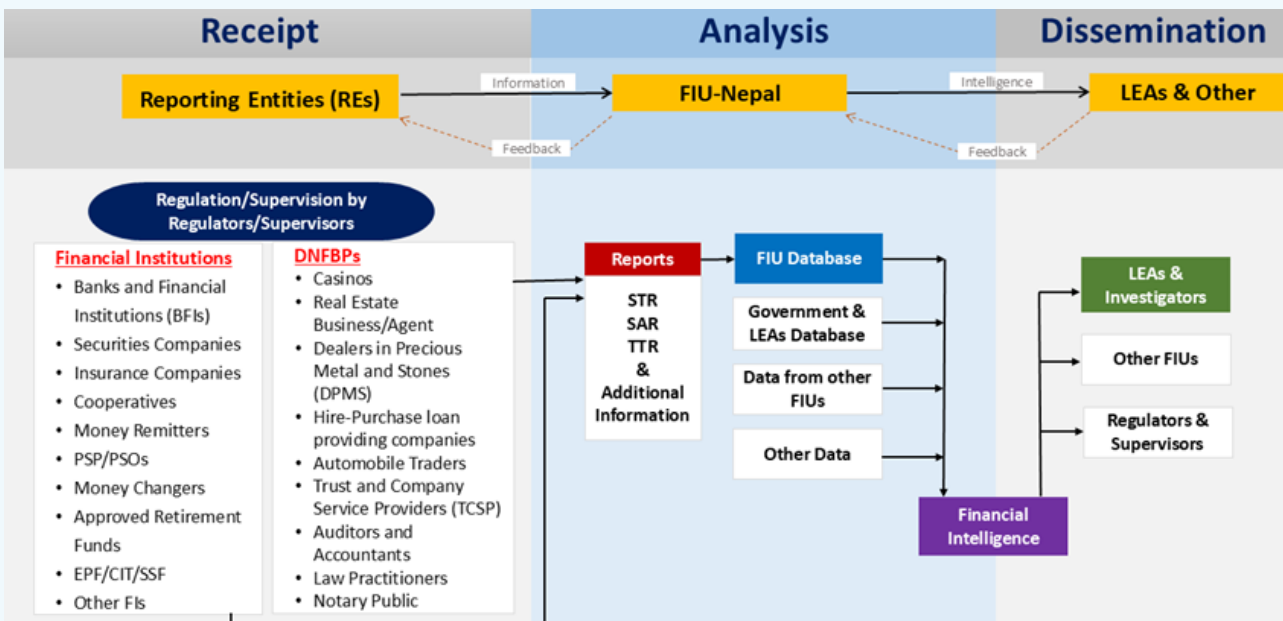
the staffs of FIU-Nepal. It has the provision of FIU Security Officer who has responsibility for the development, implementation and maintenance of the FIU Security Policy and Procedures. It also has process document for detailed operational procedures.

The FIU-Nepal also functions as the secretariat of the CC. The Head of FIU (HoFIU) is the Member Secretary of the committee. HoFIU is also the member of various statutory and other committees/mechanisms.

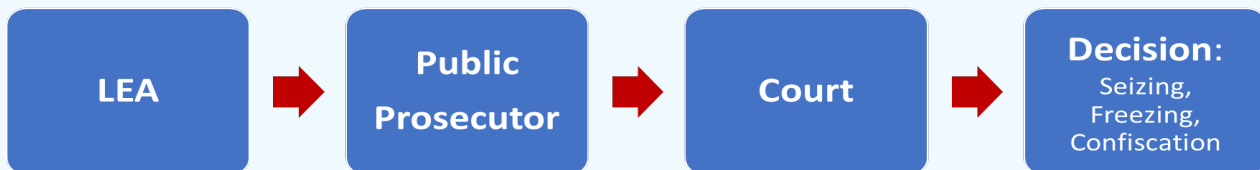
FIU-Nepal processes financial information related to suspicious transaction into intelligence by adding value in financial information. Generally, it works like a buffer between Reporting Entities (REs) and LEAs. This includes receiving SARs/STRs/TTRs from reporting entities, analyzing those reports and disseminating information to LEAs for further analysis.

The following flow chart presents the core functions of FIU Nepal:

Figure 2 : FIU Information and Functional Flow



After dissemination of intelligence from FIU-Nepal to relevant LEAs, the general procedure follows as below:



### 3.2 Core Functions of FIU- Nepal

Section 10 of ALPA (2008) has given following power, function and duties to FIU Nepal:

- To receive information relevant to ML/TF/PF from financial institutions (FIs) and

DNFBPs, jointly called as Reporting Entities (REs). Reports are received in the form of Suspicious Transaction Report (STR), Suspicious Activity Report (SAR), Threshold Transaction Report (TTR) and other additional information

- To receive details of currency and bearer negotiable instruments pursuant to this Act
  - To analyze and assess the information received from REs
  - To disseminate intelligence on suspicious and other relevant information to the relevant LEAs for further investigation and to regulatory/supervisory authorities for regulatory actions
  - To provide guidance and feedback to the REs, regarding the reporting through goAML system of FIU-Nepal
  - To make aware to REs regarding their legal obligations under the Act, rules, regulations, directives etc
  - To conduct training, awareness and other outreach programs for its staffs and other stakeholders to enhance their knowledge and capacity to combat ML/TF/PF
  - To impose fine to REs in case they fail to submit reports/information to FIU-Nepal within specified time or breaches the confidentiality
  - To develop information exchange mechanism with other FIUs or related international institution through secured platform of EGMONT group or by entering into Memorandum of Understanding (MoU) or membership
- To prepare strategic analysis report by including the money laundering and terrorist financing typologies, techniques, methods and trends of offences
- In addition to the functions, duties and powers mentioned in the Act, ALPR (2024) has provided with the following functions, duties and powers of the FIU-Nepal: -
- To establish and operate an electronic information network for acquisition, analysis and flow of information, required for the functioning of the FIU
  - To act as the central body that receives reports on the threshold transactions, suspicious transactions, and other transactions, analyzes them, and disseminates the findings
  - To act as a focal point for the prevention of money laundering and financing of terrorism
  - To provide the information as equal to the request of the counterpart if any foreign body requests for any information directly or through its counterpart
  - To act by adopting the principles formulated by Egmont Group of FIUs as general principles while sharing information with foreign FIUs
  - To establish mutual understanding for the exchange of information with investigative bodies, other government agencies, regulatory authorities, LEAs, and other relevant entities, in accordance with the law and prevailing regulations
  - To establish agreements as necessary for the exchange of information with foreign financial intelligence units
  - To provide or seek feedback regarding use of information received from or disseminated to from foreign financial intelligence units
  - To act as the secretariat of the CC
  - To determine the necessary directives, procedures, or frameworks for the financial intelligence unit in accordance with the law and these regulations.

#### What is not FIU-Nepal?

- ▶ It is not the primary originator of the information; it only analyses reports received from REs.
- ▶ It does not act as regulatory body or LEA.
- ▶ It does not possess the authority to freeze, release, or make recommendations regarding property or accounts.
- ▶ It is not an agency that collects and shares evidence necessary for legal proceedings.



- ▶ The information or documents disseminated by the FIU-Nepal are not considered evidence; rather, it is only regarded as intelligence for further investigation.
- ▶ It does not serve as an authority for the seizing, freezing and confiscation of assets.
- ▶ It does not provide access to suspicious transactions to anyone.

#### What FIU-Nepal does not do?

- ▶ Does not generate or produce information or statements.
- ▶ Not involved in regulating, inspecting, or overseeing the activities of the reporting entities.
- ▶ Does not conduct investigations or legal proceedings of crime.
- ▶ Does not freeze or seize assets or accounts or recommend such actions.
- ▶ Exclusively share information on suspicious transactions and activities to relevant agencies.
- ▶ Does not furnish or share evidentiary materials.

### 3.3 Key Performance Indicators

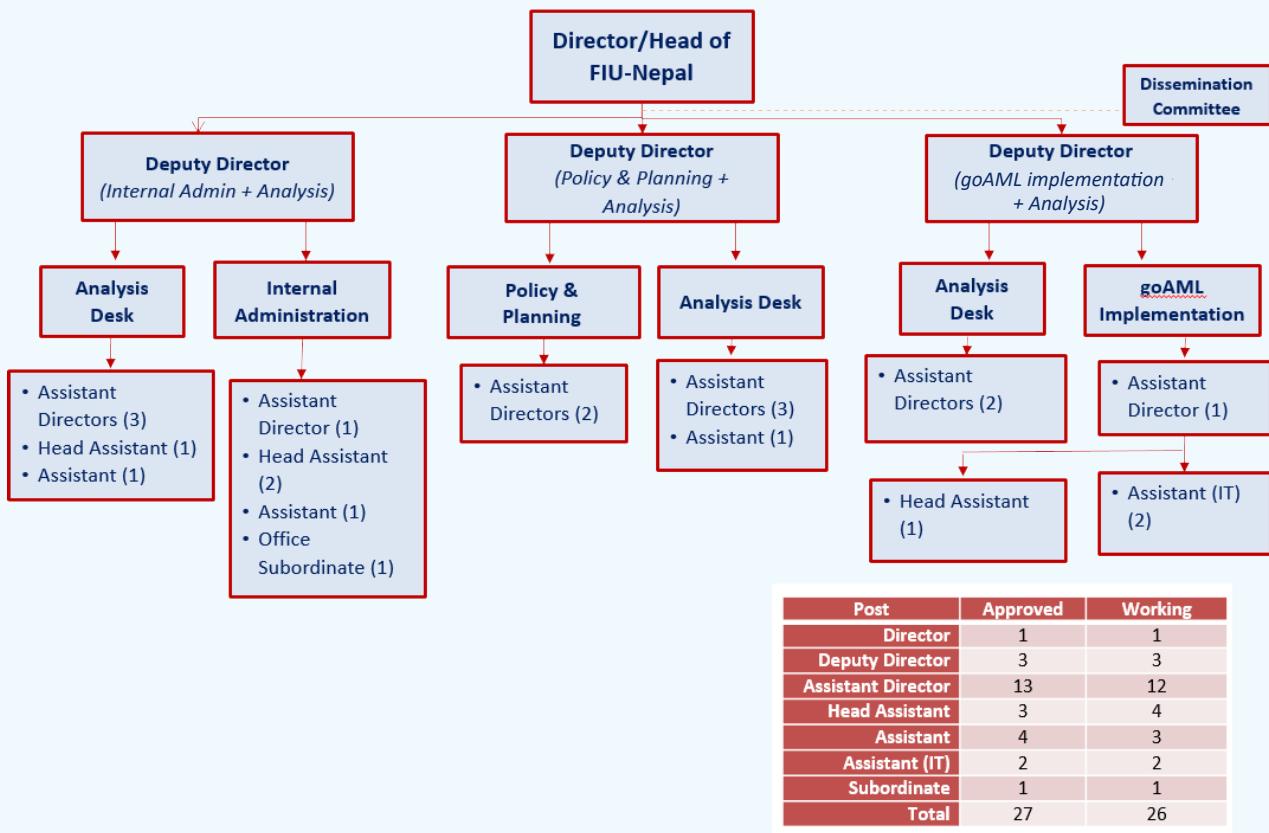
The performance of FIU-Nepal is measured by combination of various indicators. Below given are the key performance indicators. These indicators should be evaluated in combined to reach conclusion on effectiveness and efficiency of FIU-Nepal.

- STR/SARs received in total and breakdown by;
- The total and detailed breakdown of STR/SARs by entity type (financial institutions, DNFBPs); utilization (analyzed, used, disseminated, stored, or discarded), predicate offences indicated, region, complexity, and outcomes (prosecutions or convictions for ML/TF/PF).
- Assessments of the quality of STR/SARs.
- Types and frequency of additional information requested with LEAs and with foreign FIUs
- Amount of information available for competent authorities
- Disclosure in terms of the number of STR/SARs and TTRs used and linked to the information reported; REs involved; persons or possible suspects identified; and types of databases queried.
- Time taken to disseminate relevant information to competent authorities after it is received from REs.
- Requests for assistance made or received by the FIU-Nepal from foreign FIUs, including whether the request was granted or refused.
- Time taken to respond to each request for assistance made to the foreign FIUs.
- Frequency and scope of general and specific guidance issued to REs (if applicable).
- Response times of REs to requests for additional information.
- Frequency and scope of strategic analysis and its relevancy to other competent authorities and policymakers.
- Feedback received from law-enforcement agencies, regulator, judiciary, or other authorities and other AML/CFT Stakeholders.

### 3.4 Organizational Structure

FIU-Nepal commenced its functions with few officials in 2008. Currently, FIU-Nepal is functioning with twenty-seven staff members, including the Director (HoFIU). Among them twelve staffs are full-time information analysts. There are other staffs in administration, goAML support and policy and planning division who also work as analyst. The detailed organizational structure is presented in below chart.

Figure 3 : Organizational structure of FIU-Nepal



The Head of the FIU-Nepal is appointed by the Governor of NRB. HoFIU is responsible to carry out functions defined by the ALPA (2008) and ALPR (2024). The Dissemination Committee is comprised of all the Deputy Directors of FIU-Nepal, and the committee is coordinated by senior Deputy Director. The committee determines whether the case prepared, based on STRs/SARs, by analyst should be disseminated or postponed. The analysis desk carries out STR/SAR analysis.

### 3.5 The goAML Software System

The goAML application, which is fully integrated software solution developed UNODC, is one of the strategic responses to financial crime, including money-laundering and terrorist financing. The goAML application is part of the goPortfolio software products that are developed and

actively maintained by the Software Products for Member States (SPMS). The goPortfolio is a set of innovative evidence-based models and software products that supports FIUs in the fight against Money laundering, terrorist financing and organized crime.

FIU-Nepal has signed Service Level Agreement (SLA) in 2018 AD to rollout goAML System in its core functions. goAML was made live for Commercial Banks and Development Banks in In 15<sup>th</sup> Jan, 2020 and 14<sup>th</sup> Jan, 2021 respectively. Other Reporting Entities were also gradually incorporated in goAML thereafter. As of July 15, 2024, 1640 reporting entities have already been registered in goAML Production Environment.

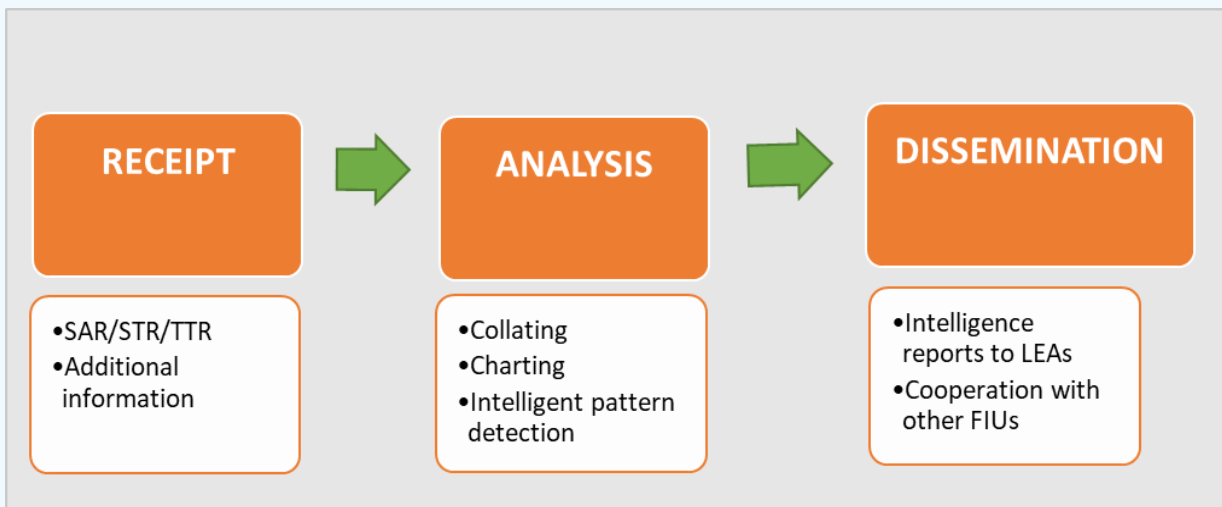


FIUs are responsible for receiving, processing, and analyzing reports made by financial institutions or other entities in accordance with the requirements of domestic AML/CFT laws and regulations. Such reports and other information gathered by FIUs often provide the basis for investigations into ML/TF/PF and other serious offences. As of today, goAML is used in more than 60 jurisdictions.

goAML helps online receipt of SARs, STRs and TTRs from the REs and helps analyze such reports

in an automated form. It helps rule-based analysis, risk-score and profiling of subjects, dissemination to LEAs and receiving feedback while ensuring confidentiality of the data . As per the experiences shared by some jurisdictions, goAML has not only enhanced the capacity of FIU in its core function like receiving and analyzing information, but it has also assisted in enhancing quality of analysis. FIU-Nepal too need to develop technical and analytical skills of FIU staffs to enhance the quality of analysis through goAML.

Figure 4 : Steps in goAML Software System



**3.5.1 goAML Reporting Environments**

FIU-Nepal has provided two environments in goAML for reporting entities: Test Environment and Production Environment.

**(a) Test Environment:**

- The Test Environment is a sandbox or simulation environment of the goAML for practice and testing purposes.
- It allows organizations, such as financial institutions, to familiarize themselves with the reporting process without the risk of submitting actual reports.
- Users can create and submit sample SARs, test data feeds, and perform various operations to ensure that their reporting procedures are correctly configured and compliant with regulatory requirements.
- Any data entered or reported in the Test Environment does not have legal or

regulatory significance and is not forwarded to authorities.

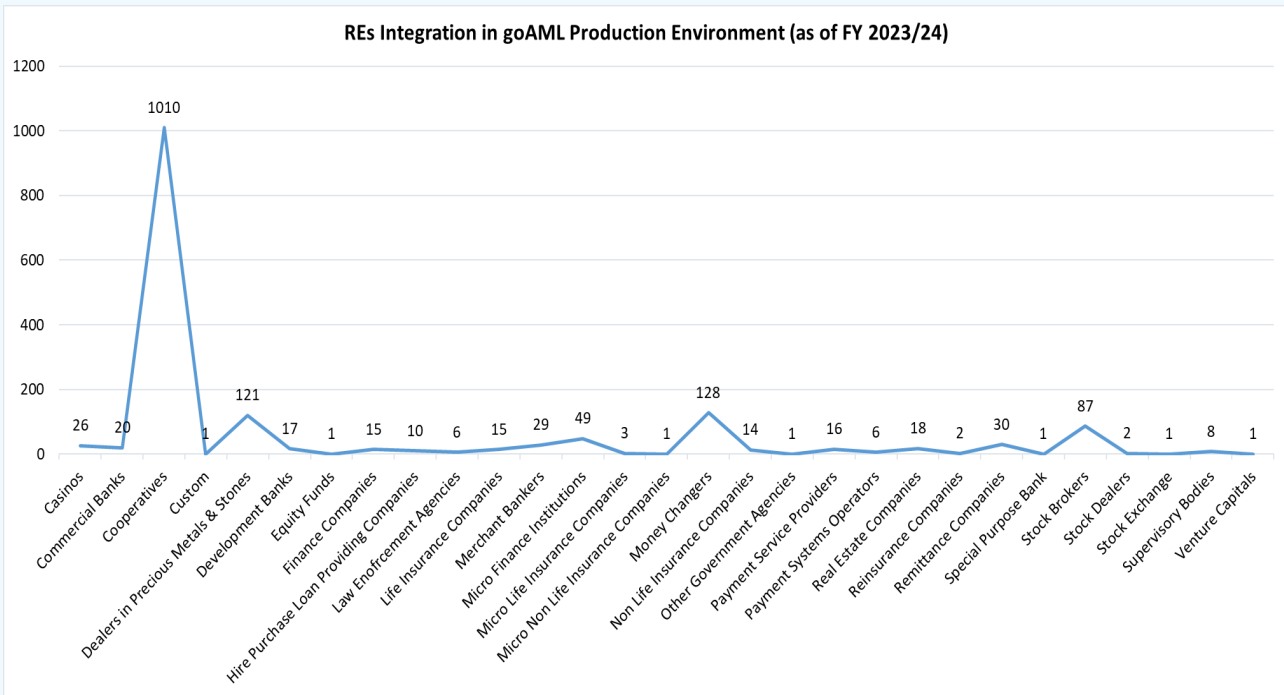
**(b) Production Environment:**

- The Production Environment is the live, real-world environment where actual reporting of TTR, STRs/SARs and other financial intelligence activities takes place.
- In this environment, organizations submit genuine TTR, STRs/SARs and financial intelligence reports to FIUs.
- Reports submitted in the Production Environment are processed, reviewed, and potentially acted upon by relevant authorities as part of their efforts to combat money laundering, terrorism financing, and other financial crimes.
- Data submitted in the Production Environment carries legal and regulatory weight, and compliance with reporting

requirements is essential to meet legal obligations and support the broader efforts to maintain financial system integrity.

Figure below shows integration of REs in goAML Production Environment

Figure 5 : goAML Integration in Production Environment (till July 15, 2024)



3.5.2 Methods of reporting in goAML system

REs can submit reports in goAML system in the following ways:

a) **Web Report:** SAR/STR/TTR reports in goAML system can be submitted by typing manually in web form. There are mandatory and non-mandatory fields in goAML. The mandatory fields which are marked by asterisk sign (\*) should be filled. The non-mandatory fields or optional fields can be leave as blank. Certain fields which are not marked as mandatory in goAML can also be provided as per operational guideline issued by FIU-Nepal. While filling in the web form, there are other different types of cascading web forms that should be saved one after another before submitting. If there are errors in the form (shown with red color), that should be revisited and corrected accordingly.

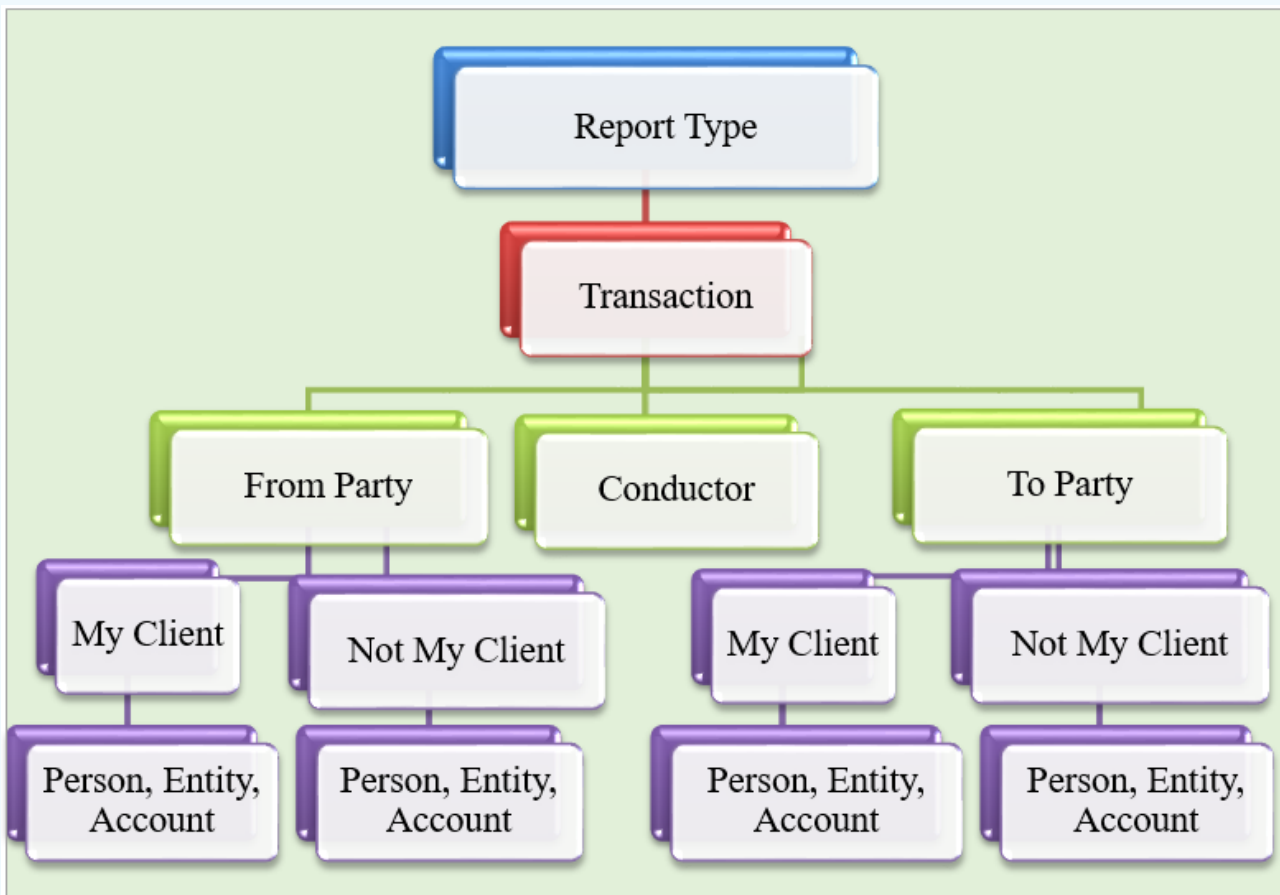
b) **XML Report:** XML is a file format used for structuring data. It contains both tags (defining structure) and text (the actual data). XML schemas describe the rules for specific types of XML documents, going beyond basic syntax.

XML files compatible with goAML can be created using middleware software, which takes data from organizations' core systems and generates XML files. These files are then validated using goAML's XML validator. Validated XMLs can be uploaded in bulk. This method is efficient for handling large volumes of reports compared to manual web-based entry.

goAML has two types of validation: schema-level (for XML structure) and business rule (for logical consistency). Once reports pass all validations, they are processed and stored in the goAML database

### 3.5.3 Report Structure

Figure 6 : Report Structure in goAML

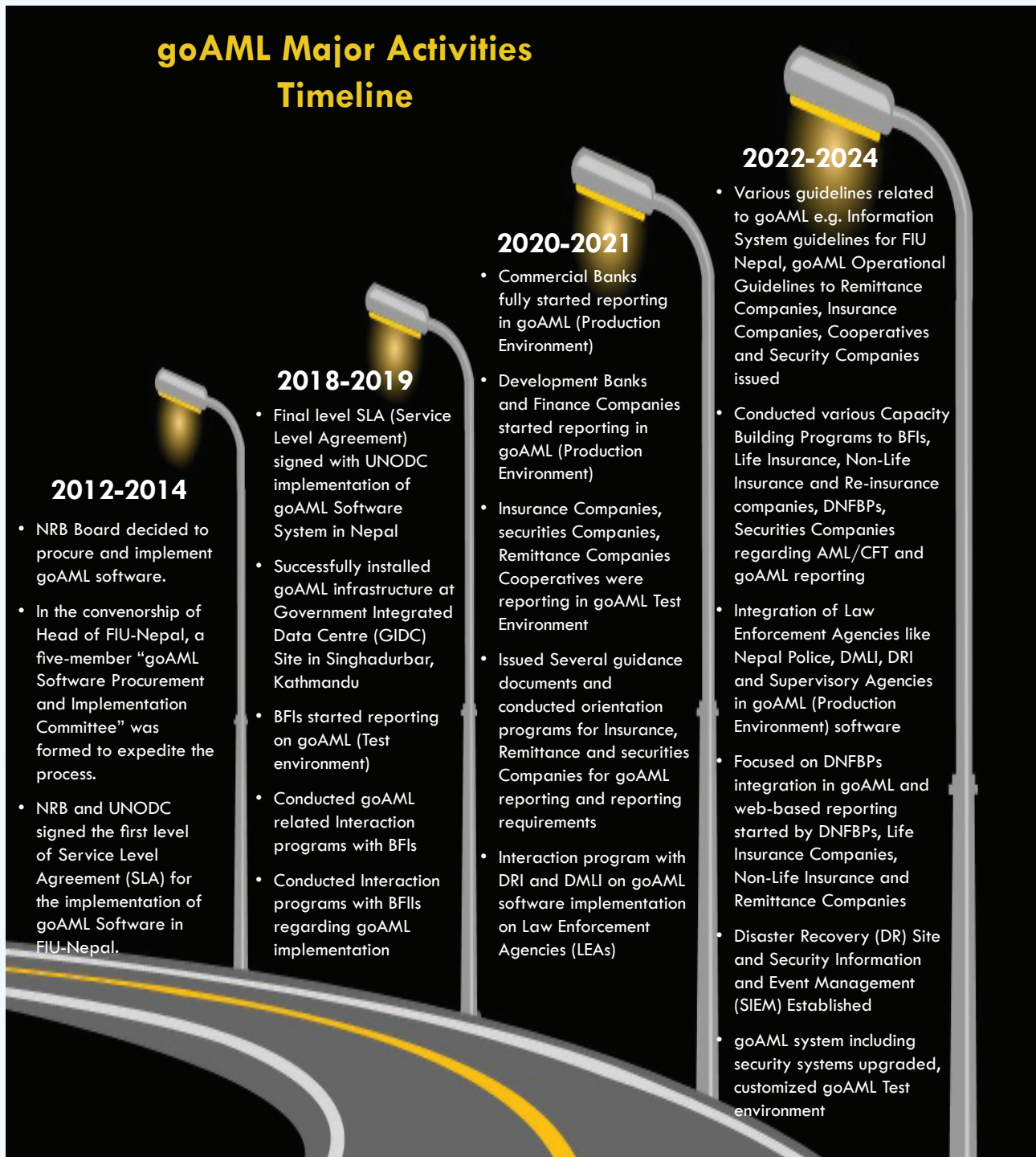


The goAML reporting structure encompasses three report types: SAR, STR, and TTR. TTRs require the reporting of threshold transactions involving persons, accounts, or entities, while STRs demand the inclusion of suspicious transactions involving specific parties, with at least one such transaction mandatory. The system captures party information, distinguishing between 'from party' (source party) and 'to party' (destination party) in bi-party transactions, with details dependent on the flow of currency. Conductor details, always

representing natural persons, are crucial for tracking suspects. The classification includes 'My Client' for parties with account information within the reporting entity's institution and 'Not My Client' for transactions involving individuals or accounts not affiliated with the reporting entity. Specifics regarding 'Persons,' 'Accounts,' and 'Entities' depend on transaction scenarios, with minimal information required for 'Not My Client' cases, as detailed in goAML's operational guideline issued by FIU-Nepal.

### 3.5.4 goAML Timeline in Nepal

Figure 7 : goAML Timeline



In 2019, FIU-Nepal conducted training, seminars, workshops, and interaction programs for BFIs to facilitate the implementation of the goAML system. BFIs began reporting in the Test Environment, and a staged implementation plan was devised.

In 2020, “A” class banks started reporting SARs, STRs, and TTRs in the goAML Production Environment, while “B” and “C” class banks, financial institutions, and insurance companies reported in the Test Environment. FIU-Nepal issued guidance documents and held orientation programs.

In 2021, “B” and “C” class banks and financial institutions transitioned to reporting in the goAML Production Environment. Other sectors reported in the Test Environment, and guidance documents and interaction programs were provided.

In 2022, Life Insurance Companies, Non-Life Insurance, and Remittance Companies started to join the goAML Production Environment. FIU-Nepal registered additional reporting entities for manual reporting through the goAML Message Board System. Various interaction programs were conducted, including with LEAs, and video tutorials were released for goAML guidance.

In 2023 FIU-Nepal focused on integration of Securities Companies, DNFbps and Cooperative in goAML System Production Environment . In this year, REs registered in goAML and which were reporting via goAML Message Board were integrated to Web/XML reporting.

The use of web/XML reporting in the goAML system offers several advantages over the message board option. Here are some key reasons for the implementation of web/XML reporting:

- **Structured Data:** Web/XML reporting allows for the submission of structured and standardized data. This structured format ensures consistency and uniformity in reporting, making it easier for authorities to process and analyze the information.
- **Efficiency:** Web/XML reporting is typically more efficient than the message board option. It enables reporting entities to automate the submission process by integrating their systems with goAML. This reduces manual data entry, minimizes errors, and saves time.
- **Data Validation:** The goAML system can perform real-time data validation and integrity checks when receiving web/XML reports. This helps reporting entities identify and rectify errors before submission, improving data accuracy.
- **Data Security:** Web/XML reporting provides a secure and encrypted channel for transmitting sensitive financial information to the appropriate authorities. This enhances data security and confidentiality, which is crucial for compliance with data protection regulations.
- **Enhanced Traceability:** Web/XML reports can be tracked and monitored more effectively within the goAML system. This traceability allows reporting entities to keep records of their submissions and ensures that reports are received and processed by the relevant authorities.
- **Integration Capabilities:** Web/XML reporting can be seamlessly integrated with an organization’s existing Information Technology (IT) infrastructure, enabling automated reporting and reducing the administrative burden. This integration supports a more streamlined compliance process.
- **Data Analysis:** Structured data from web/XML reports is easier to analyze and query. Analysts can use advanced data analytics tools to identify patterns and trends related to financial transactions and suspicious activities more effectively.
- **Scalability:** Web/XML reporting is scalable and can accommodate a higher volume of reports as reporting requirements grow over time. This scalability ensures that the reporting system remains robust and responsive.

In 2024, the primary focus was on the integration of DNFbps and utilization of the goAML system in Nepal. DNFbps like casinos, Dealers in Precious Metals and Stones (DPMS), and real estate companies and hire purchase loan providers were on-boarded into the goAML Production Environment. Similarly, Law Enforcement Agencies (LEAs) and supervisory agencies were also integrated in goAML, bringing all stakeholders together on a unified platform,

enhancing operational efficiency and privacy of data. In this year the goAML system was upgraded to newer version and was customized to some extent to meet the needs of various reporting entities (REs), with particular focus on DNFBPs. Extensive capacity-building initiatives were undertaken to train REs on web/xml reporting and effective use of goAML. FIU-Nepal collaborated with associations of REs, supervisory agencies and similar agencies to enhance quality of reports and to meet compliance with AML/CFT regulations.

### 3.5.5 Major challenges faced during implementation of goAML

The major challenges faced during the implementation of goAML are:

- Difficult to incorporate in the goAML system because of poor literacy of information communication technology and non-uniform understanding about AML/CFT
- Resource constraints, such as limited number of staffs, especially in smaller organizations
- Lack of coordination between stakeholders
- Multiple regulators of some REs and regulators not able to provide the list of REs
- Difficult to accommodate goAML reporting template as per the requirement of different type of REs
- Inconsistency on reporting because of weak implementation of KYC
- Analysis features of goAML not fully implemented because of data inconsistency and lack of digitized data with the REs
- Lack of comprehensive goAML related training to FIU-Nepal staffs

## 3.6 Major Activities Performed in FY 2023/24 and Future Plan

Major activities performed in FY 2023/24 are as follows: -

### i. Integration of REs/LEAs in goAML

In FY 2023/24, FIU-Nepal focused on integrating the goAML system to enhance AML/CFT efforts.

Key sectors, including 26 casinos, 121 DPMS, 18 real estate companies, 10 hire purchase loan providers, seven LEAs, and eight supervisory agencies, were integrated into the system, improving data security and operational efficiency. Additionally, capacity-building programs and training sessions were conducted to enhance goAML reporting and strengthen AML/CFT compliance across sectors.

### ii. goAML System Upgrade from version 4.9.2.0 to 5.2

The goAML system was upgraded to version 5.2 on August 16, 2023, introducing several key improvements over version 4.9. Major new features include automated Intel Report dissemination to law enforcement agencies, comprehensive report lifecycle analysis, and categorization of report indicators. The upgrade also enhanced the sanctions module and introduced improved risk scoring capabilities. These changes aim to modernize and strengthen AML/CFT efforts by making the system more efficient and effective at identifying and combating financial crimes.

### iii. Actions taken against cyber-attacks attempted to goAML Software

FIU-Nepal has officially taken action against cyber-attacks (unauthorized attempts to access the goAML software). FIU-Nepal has reported the list of suspected IP addresses along with their hit counts and severity of the issue to in coordination with Cyber Bureau, Nepal Police. Cyber Bureau has taken necessary action as per law in some the reported cases.

### iv. Review of top 100 TTRs by total transaction volume in goAML System

FIU-Nepal conducted a review of the top 100 TTRs by volume from July 17, 2023, to February 19, 2024. The review process included email verification with reporting entities and aimed to check transaction accuracy and regulatory compliance. While the analysis revealed



dominant transaction types and sector patterns, it also uncovered reporting errors including incorrect codes, duplicated amounts, and exchange rate miscalculations. These findings emphasized the need to improve data validation processes in the goAML system.

#### v. Feedback on TTR Reporting to all REs

FIU-Nepal sent feedback emails to approximately 1,405 REs across various financial sectors regarding TTRs. The communication highlighted common reporting errors such as misplaced account numbers, duplicate amounts, and incorrect exchange rate usage. The email also addressed specific discrepancies in TTR reporting by Class A, B, and C Banking and Financial Institutions (BFIs) related to NRB Unified Directives No. 19, particularly regarding client code-based transaction tracing. FIU-Nepal stressed the importance of accurate reporting for AML/CFT compliance and requested cooperation from all REs to meet reporting requirements.

In FY 2024/25, FIU-Nepal plans to further enhance the goAML system in collaboration with the UNODC. A key focus will be customizing reporting templates to align with the specific requirements of different sectors. While continuing the integration of remaining reporting entities and ensuring effective system utilization, FIU-Nepal will prioritize improving report quality by analyzing volume, identifying patterns, and applying a risk-based approach.

Additionally, FIU-Nepal will explore advanced goAML features, such as report prioritization and data linking/merging, to strengthen the analysis of STRs and SARs. Implementing these features will refine goAML's risk-based methodology, improving the detection and classification of suspicious reports. These enhancements will lead to more efficient reporting and more effective financial crime monitoring.

### 3.7 Challenges to FIU-Nepal

FIU-Nepal works as buffer between REs, LEAs, and other stakeholders. FIU-Nepal has focus on its core functions; receiving, analysis and dissemination of intelligence. It has made efforts

to take REs into confidence for reporting of STR/SAR/TTR and has provided intelligence LEAs regarding ML/TF/PF issues on regular basis. Similarly, FIU-Nepal believes in cooperation, coordination, collaboration and communication among domestic and international agencies for effective functioning of AML/CFT regime. However, it is possible only with sincere involvement of multiple agencies within the territory (supervisors, LEAs, prosecutors and judicial authorities), and cooperation of the international communities. Hence, FIU-Nepal has to maintain a balance among the stakeholders in its AML/CFT efforts.

Some major challenges that FIU-Nepal is facing are as follows:-

- To create common understanding of AML/CFT regime among stakeholders
- To integrate all the REs, especially DNFBPs and co-operatives into goAML, and create awareness among them about goAML reporting system
- To enrich the quality and consistency of data reported by all REs, especially from DNFBPs and cooperatives, for in-depth analysis and risk assessment
- To encourage DNFBPs to apply risk based approach to identify and report more number of STRs/SARs
- To implement risk based analysis of STR/SARs for disseminate information as per risk categorization of predicate offence identified by NRA
- To receive feedback from LEAs on disseminated SAR/STR
- To enhance skills and capacity of FIU-Nepal staffs and related stakeholders regarding goAML and emerging issues in AML/CFT
- To enhance analytical skills and capacity building of analysts at FIU-Nepal
- To maintain inter-agency coordination and cooperation in policy and operational levels, and Mutual Evaluation process and outcome

- To coordinate with different agencies to develop action plans based on MER report's findings and recommended actions.
- To obtain access to government database for information necessary for analysis of STRs/SARs
- To ensure the security of sensitive financial data reported predominantly using digital reporting

CHAPTER 04

## DATA RECEIPT, ANALYSIS AND DISSEMINATION

Core functions of FIU-Nepal includes receiving, analyzing and disseminating financial information and intelligence on suspected money laundering, terrorist financing, and proliferation financing activities to the relevant law enforcement/ investigative agencies. Such financial information is received by FIU-Nepal in the form of TTR/ STR/SAR and other additional data, analysts of FIU-Nepal analyses such information and FIU-Nepal disseminates such analyzed intelligence to relevant LEAs for further investigation. Major activities of FIU-Nepal can be broadly divided into receipt, analysis and dissemination.

institutions and DNFBPs are required to file to FIU-Nepal including deposit, withdrawal, exchange of currency, and payment or transfer exceeding the defined threshold. TTRs are crucial to develop the data bank of customer/clients' profile for future use in case such transactions happen to be connected with ML and TF offences. TTRs also adds value in to form a link chart during the analysis of a STR/SAR and help analyst to find the criminal elements involved in the transactions and convert the financial information into financial intelligence. REs are required to file TTRs to FIU-Nepal within fifteen days from the date of transaction.

### 4.1 Receipt of TTR, STR and SAR

#### 4.1.1 Threshold Transaction Reports (TTRs)

TTR is a report of transactions that financial

The designated thresholds for different Reporting Entities (REs) are as follows:-

Table 4 : Designated Threshold across Industries/Agencies

S.N.	Sector	Threshold
1	Bank and financial institutions	Deposit or withdrawal of Rs. 1 million or more in cash in single or series of transactions in one day in single account. Cross Border Electronic or other transfer of Rs. 1 million or more in single or in a series of transactions in one day in single account. Exchange of foreign currency equivalent to Rs 5,00,000/- or more by a customer in single or in a series of transactions in one day.
2	Cooperatives	Cash deposit or cash withdrawal of Rs. 1 million or more in a single or series of transactions by a member in one day. Cash deposit of Rs. 1 million or more in single or series of transactions in cooperative institution's account maintained at any bank or financial institution by a member in one day.
3	Insurance Company	<b>For life insurance:</b> Purchase of policy by a client with an annual premium of Rs 100,000/- or higher, regardless of whether the premium is paid in a single installment or multiple installments in a year. <b>For non-life insurance:</b> Purchase of policy with an annual premium of Rs 300,000/- or higher, regardless of whether the premium is paid in a single installment or multiple installments in a year.

S.N.	Sector	Threshold
4	PSP/PSOs	Total transaction of Rs 1 million or more by a customer in one month (as per Nepali Calendar)
5	Money Remitters	Inward remittance of Rs 1 million or more in the name of a customer in single or in a series of transactions in one day.
6	Real Estate Business	Purchase or sale of real-estate property of Rs 30 million or more by a customer in a single or series of transactions in one day.
7	Securities Business	Purchase or sale of securities of Rs 1 million or more by a customer in a single or series of transactions in one day.
8	Money Changers	Exchange of foreign currency equivalent to USD 5,000 or more by a customer in single or series of transactions in one day.
9	Casinos	Win or lose of more than Rs. 1 million by an individual in a single or series of transactions in one day.
10	Dealers in precious gems, stones and metal	Transaction of precious gems, stones and metal (gold, silvers, platinum, etc.) of more than Rs. 1 million by a customer in a single or series of transactions in one day.
11	Hire Purchase Loan Provider company	a. Hire purchase loan of Rs. 3 million or more in a single or series of transactions in one year by a customer. b. Payment of Rs. 1 million or more in one transaction or in a series of transactions in one day by a customer.

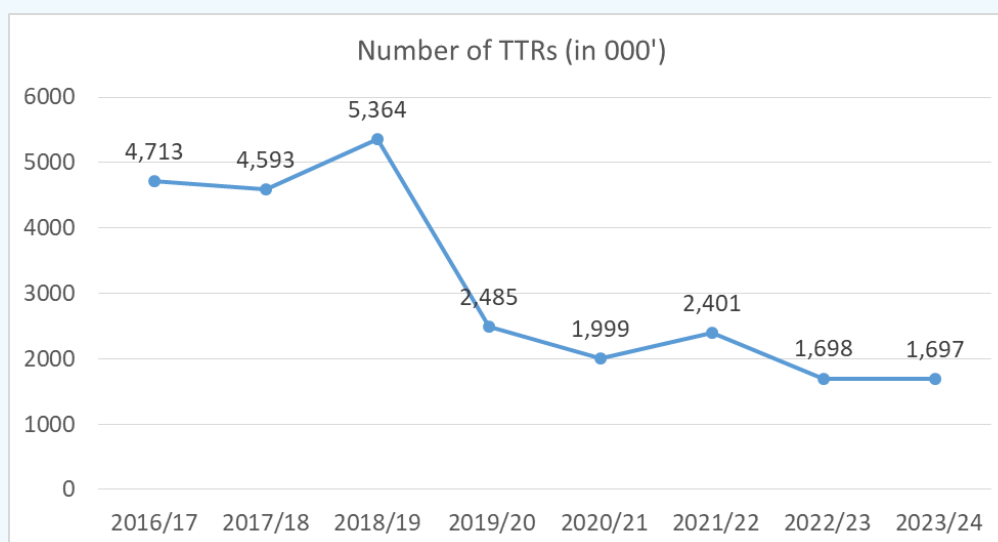
Sources: Directives issued by concerned regulators

### (a) Yearly Receipts of TTRs

Figure below shows the number of TTRs reported by different REs to FIU-Nepal over the last eight FYs. Number of TTRs shows a declining trend over the period, with sharp decline in FY 2019/18 from previous year. Before goAML implementation, each transaction crossing threshold was counted

as one which resulted in of double/multiple counting. After goAML implementation this problem was minimized because more than one transactions resulting in TTR for person/entity/account was counted as only one TTR. This resulted in sharp decline in number of TTRs 2020/21 than corresponding previous year.

Figure 8 : Yearly receipt of TTRs



The decline in TTR is outcome of declining 'TTR-Cash' category in recent years. Access to and use of digital medium like mobile banking, internet banking, connectIPS and real time gross settlement (RTGS) for payment is in increasing trend. So, one of the major factor for decline in TTR might be decline in cash transactions due to increasing use of digital medium for transactions.

**(b) Number of TTRs reported by Different REs**

FIU-Nepal has updated and issued TTR Guidelines, 2020 exercising the power conferred by ALPA (2008) that clarifies the obligation to report threshold transactions.

Following table presents the numbers of TTRs reported by different REs for last five fiscal years.

*Table 5 : Numbers of TTRs Received from Reporting Entities*

Reporting Institutions	2019/20	2020/21	2021/22	2022/23	2023/24
BFIs <sup>@</sup>	2,256,163	1,292,625	1,384,728	1,175,021	1,101,293
Cooperatives	44,360	234,517	274,113	221,422	122,524
Insurance companies	139,015	155,344	195,305	154,365	196,584
Securities companies	32,846	306,643	532,343	131,711	261,708
Money Changer	-	-	-	11	10
Citizens Investment Trust (CIT)	-	-	-	6,353	7,651
PSP/PSO	-	-	-	2,203	3,260
Remittance companies	-	-	-	7,299	4,464
Casino	-	-	-	-	12
Dealers in precious metals & stones	-	-	-	-	157
Hire purchase loan providing companies	-	-	-	-	8
Others*	12,977	9,917	15,225	13	41
<b>Total</b>	<b>2,485,361</b>	<b>1,999,046</b>	<b>2,401,714</b>	<b>1,698,398</b>	<b>1,697,712<sup>#</sup></b>

*# In FY 2023/24, total number of TTR received via message board (hardcopy) is 151,916.*

*\* In FY 2019/20, 2020/21 and 2021/22, this category included TTRs from Money Changers, CIT, PSP/PSOs, Remittance companies and Land registration offices. From FY 2079/80 onwards, it includes TTRs from of Land registration offices only.*

*@ Includes A, B, C & D class BFIs.*

Table shows that majority of TTRs are still received from the BFIs which indicates the need to integrate more REs, both financial institutions and DNFBPs, in goAML and create awareness regarding their reporting obligations. However, portion of TTRs reported by BFIs in total number of TTRs is seen gradually decreasing due to onboarding of other REs and their reporting via goAML.

DNFBPs and non-bank financial institutions like cooperatives contributed fewer reports compared to BFIs. It is because only few REs from these sectors were on boarded in goAML Production Environment. Until recently, they were reporting via either hard copy or message board. FIU-Nepal has now facilitated these REs to report via goAML using web/XML reporting.

#### ***BFIs (Bank and Financial Institutions):***

- BFIs accounted for 69.18% of the total number of TTRs in FY 2022/23, which slightly decreased to 64.87% in FY 2023/24. In FY 2016/17, around 90.78% of total TTRs were reported by BFIs.
- From FY 2019/20 onwards there is decline in number of TTRs reported by BFIs to FIU-Nepal. This coincides with the implementation of the goAML software for reporting which minimized the issue of double or multiple counting of TTRs, resulting in lower reported numbers. The decline in TTRs by BFIs might be an indicator of the decreasing reliance on cash transactions as more transactions are now carried out using digital medium.

#### ***Cooperatives***

- TTR reporting from cooperatives have fluctuation over the years. It was 11.41% of total TTRs in FY 2021/22, 13.04% in FY 2022/23, which dropped to 7.22% in FY 2023/24.

#### ***Insurance Companies:***

- Insurance companies' share of the total TTR

was 9.09% in FY 2022/23 and it increased to 11.57% in FY 2023/24.

#### ***Securities Companies:***

- There is significant fluctuations in TTRs reported by securities companies over the years. Securities companies have reported 7.76% the total TTRs reported in FY 2022/23, which rose to 15.42% in FY 2023/24. Highest share of TTRs reported by securities companies was in FY 2021/22.
- The trend of TTR reported by securities companies has coincided largely with the transaction volume in share market in corresponding years.

#### ***DNFBPs (Designated Non-Financial Businesses and Professions):***

- DNFBPs reported for the first time in FY 2023/24, contributing 0.01% to the total TTR.
- Initiation of reporting by DNFBPs indicate active role of regulators and FIU-Nepal in creating awareness about AML/CFT regime to sectors like casinos, dealers in precious metals and stones, and hire purchase loan providers. They have also provided necessary support and guidelines to report TTR/STR/SAR in goAML. The inclusion of DNFBPs is a crucial step in enhancing the overall transparency and monitoring of financial activities across a broader range of sectors.

#### ***Others (Money changers, CIT, PSP/PSO, Remittance companies, Land registration office):***

- These sectors collectively accounted for 0.63% of the total TTR in FY 2021/22, 0.93% in FY 2022/23 and 0.91% in FY 2023/24.
- The growth in TTRs from PSP/PSOs reflects the increasing use of and digital wallets for payments.

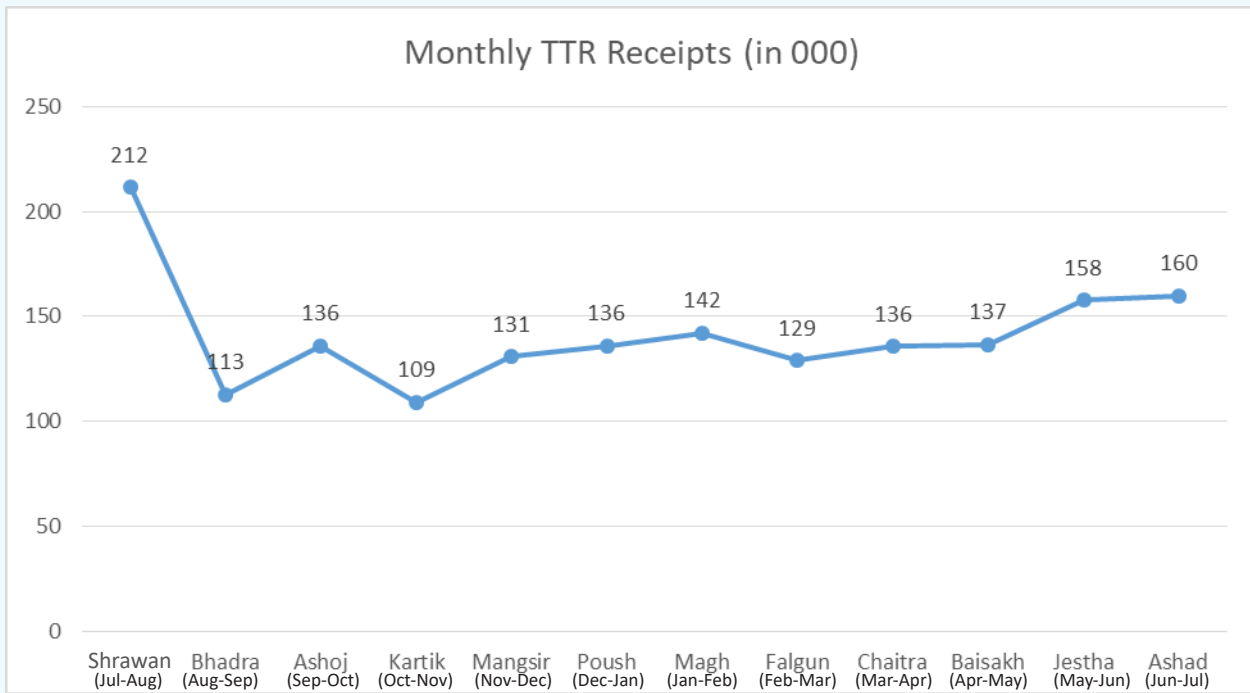
(Link of TTR Guidelines: <https://www.nrb.org.np/fiu/threshold-transactions-reporting-guidelines/>)

**(c) Monthly Receipt of TTRs**

The figure below shows the number of TTRs

reported (in thousand) by all REs in each month in FY 2023/24.

Figure 9 : Monthly receipt of TTR in FY 2023/24



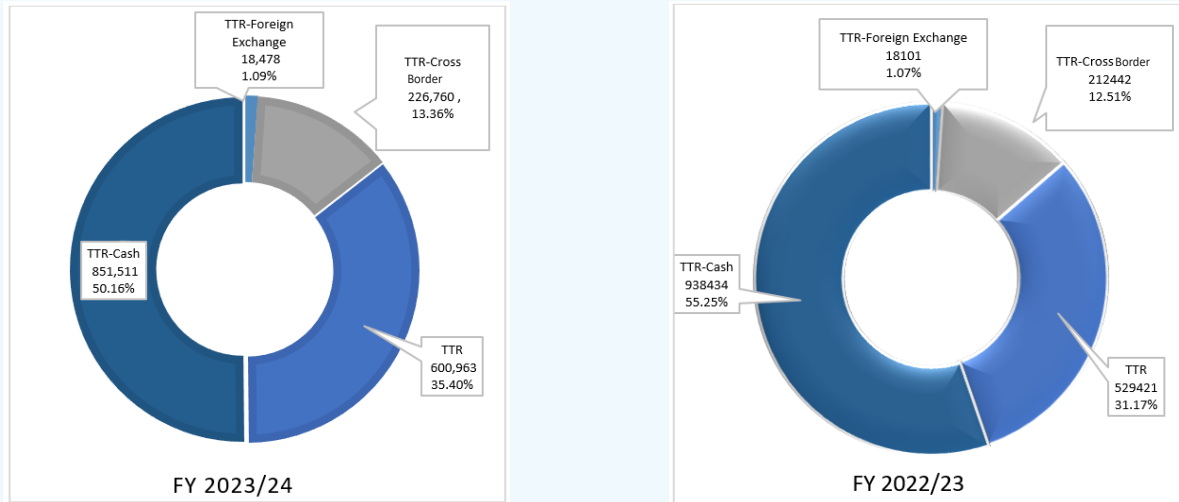
The figure shows some fluctuation in number of TTRs reported per month. Whereas lowest number of TTRs were reported in month of Kartik, highest number of TTRs were reported in month of Sharwan, which is almost double the number of TTRs reported in Kartik. Second and third highest number of TTRs were reported in month of Ashad and Jestha respectively. Baishakh, Jestha and Ashad are last three months of FY in Nepal. REs generally report TTRs every two weeks (to comply with fifteen days deadline). This suggests higher number of TTRs in Jestha, Ashad and Shrawan might be reflection of increased transactions volume in last quarter of FY due to financial transactions for year-end settlement like tax payments, loan repayment, recovery of receivables and overdue

amount etc. This also suggests highest number of threshold transactions might have occurred in Ashad i.e. last month of fiscal year due to such year-end financial transactions of individuals and institutions.

**(d) Receipt of TTRs by TTR Category**

Unified Directive issued by NRB for A, B & C class BFIs has categorized TTR into TTR-cash, TTR-cross border, TTR-foreign exchange. These BFIs are required to report TTRs by selecting one of these three TTR categories. However, no such category is defined for other REs and thus they report TTRs without such categorization. TTRs reported to FIU-Nepal for FY 2022/23 and FY 2023/24 under different categories are presented in figure below:

Figure 10 : Categorical TTR in FYs 2023/24 and FY 2022/23



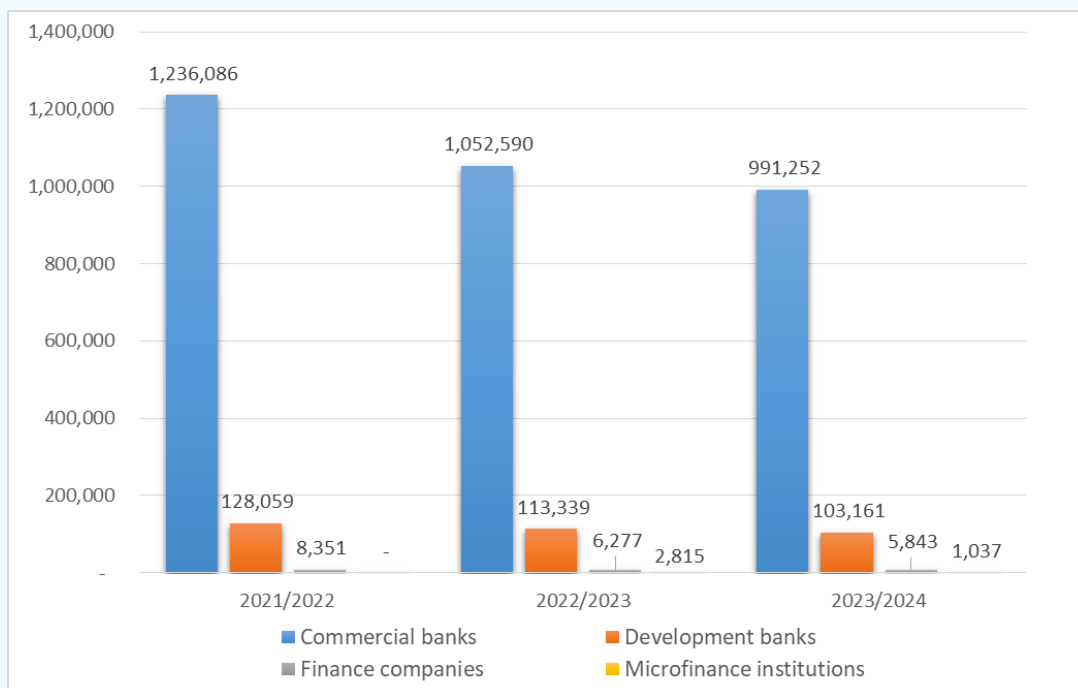
The number of TTR-Cash reported in FY 2022/23 and FY 2023/24 are 938,434 and 851,511 respectively. Both, the number of TTR-Cash and its portion in total TTRs has declined in both of these years compared to previous FYs. The number of TTR-Foreign Exchange reported in FY 2022/23 and FY 2023/24 are 18,101 and 18,478 respectively. Number of TTR-Cross Border increased in FY 2023/24 to 226,760 from 212,442 in FY 2022/23. Meanwhile, the receipt from TTRs from REs other than BFIs increased significantly in FY 2023/24. While number of TTRs reported from these REs was 529,421 (31% of TTRs from

all REs) in FY 2022/23, it reached 600,963 (35% of TTRs from all REs) indicating integration of more REs (other than BFIs) in goAML and subsequent reporting by them.

**(e) Receipt of TTRs From Different BFIs**

The number of TTRs received from BFIs and their portion in total TTRs received by FIU-Nepal has gradually declined as in last five years. Nevertheless, FIU-Nepal still receives significant high number of the TTRs from BFIs compared to other BFIs. This section presents number of TTRs reported by different BFIs in last three fiscal years.

Figure 11 : Number of TTRs Received From BFIs in Last Three Fiscal Years





Commercial banks clearly dominate the number of TTRs reported by BFIs contributing around 89.2%, 89.5% and 90% of the TTRs in FY 2021/22, FY 2022/23 and FY 2023/24 respectively. Similarly, development banks accounted for 9.24%, 9.65% and 9.37% of TTRs reported by BFIs respectively during FY 2021/22, FY 2022/23 and FY 2023/24 respectively. Finance companies and microfinance institutions have contributed very small number of TTRs compared to other two BFIs. Microfinance institutions have started reporting TTRs from FY 2022/23.

The contribution of TTRs from A, B, C and D Class BFIs in total TTRs reported by BFIs is consistent with the volume of transaction by these BFIs. As seen in the figure, the number of TTRs reported by all BFIs show a declining trend. Among the categories of TTRs reported by BFIs, number of TTR-Cash has seen a decline while number of other categories of TTRs has increased in last three fiscal years. As suggested by various reports from Payment Systems Department (PSD) of NRB, access to and use of digital medium like mobile banking, internet banking, connectIPS and real time gross settlement (RTGS) for payment is in increasing trend. So, while there may be many factors contributing to the decline in TTRs by BFIs, one of the major factor might be decreasing reliance on cash transactions and increasing use of digital medium for transactions.

#### **4.1.2 Suspicious Transaction Reports (STRs) and Suspicious Activity Reports (SARs)**

STR/SAR is a report filed with a FIU when a suspicious transaction is identified. REs are required by law to file STR when they have reasonable grounds to suspect criminal activity or terrorist financing. It helps FIUs to identify individuals, groups and organizations involved in fraud, ML, TF, and other other predicate offences. In many instances, STR/SARs have been instrumental in enabling law enforcement to initiate or supplement major ML or TF investigations and other criminal cases. Information provided in STR/SAR helps

identifying emerging trends and patterns associated with financial crimes. The information about these trends and patterns is vital REs, law enforcement/investigative agencies and other stakeholders in AML/CFT.

#### **STRs**

As per Section 7 Dha(1) of ALPA (2008), REs shall file a STR to the FIU-Nepal immediately after carrying out examination, with respect to any customer, transaction or property if:

- it suspects or has reasonable grounds to suspect that the property (money) is the proceeds of ML/TF/PF or other offence, or
- it suspects or has reasonable grounds to suspect that the property is related or linked to, or is to be used for, financing of terrorism, terrorist acts or by terrorist persons or terrorist organizations.

#### **SARs**

As per Section 7 Dha(2) of ALPA (2008), REs shall also file SAR to FIU-Nepal even if customer has only attempted to carry out any transactions referred to in Section 7 Dha(1).

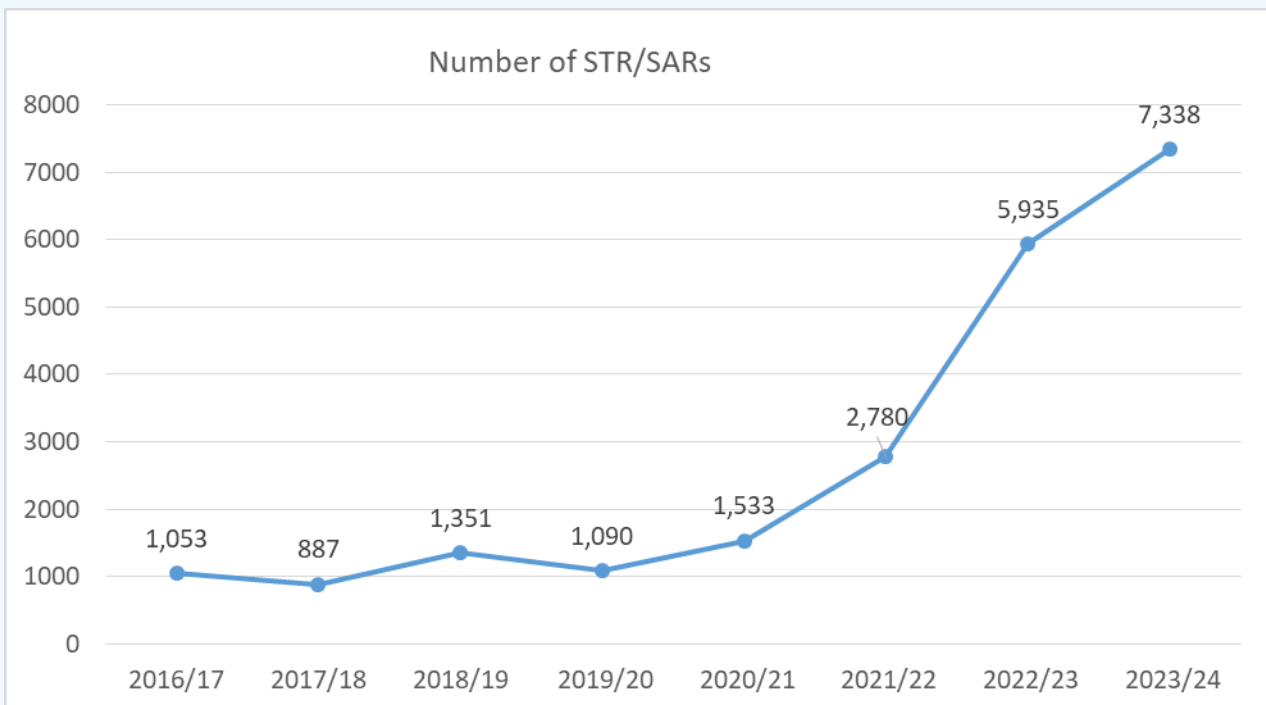
The goal of STR/SAR filing is to help FIU-Nepal to identify individuals, groups and organizations involved in predicate offences mentioned in ALPA (2008). There are several red flags to detect suspicious transactions. FIU-Nepal has provided STR/SAR Guidelines clarifying the obligation to report suspicious transactions under the ALPA (2008) and ALPR (2024). FIU-Nepal has also shared red flags and indicators of suspicious activities/transactions for various predicate offence and sectors

The general red flags of suspicious financial transactions/activities are:

- Economically irrational, complex and unusual transactions; unusually large deposits or withdrawals.
- Primary use of third party for transactions, and avoiding personal contact or refusing to provide information; documentation that is suspicious or incomplete.

- Huge volume of transactions or inconsistent transactions by high-risk customers or politically exposed customers.
  - Transactions conducted by individuals in relatively large amount cash
  - Businesses primarily using cash, especially when they should use electronic payments.
  - Suspicious transactions involving employees and agents of REs
  - Sudden change in transaction pattern of customer unexplained by the profile of customer.
- (Link of STR/SAR Guidelines: <https://www.nrb.org.np/fiu/suspicious-transaction-reporting-suspicious-activity-reporting-str-sar-guidelines/>)
- (a) Yearly Receipt of STRs/SARs**
- STR/SARs received by FIU-Nepal in last eight fiscal years are presented in the below figure.

Figure 12 : Yearly Receipt of STRs/SARs



The number of STRs/SARs received increased sharply in 2015/16 resulted by the increased cross border IC withdrawals through automated teller machines (ATMs) in India. However, the number falls significantly in 2017/18 as FIU-Nepal advised REs through different programs to conduct preliminary analysis before submitting STRs/SARs. The number of STR has been in an increasing trend since the implementation of goAML in 2020/21. FIU-Nepal has witnessed significant increase in the number of STR/SARs over past five years. The number was 1,090 in FY 2020/21 which reached 7,338 in FY 2023/24.

A combination of many factors has contributed to this surge in number of STR/SARs . The implementation of the goAML system made

reporting process more accessible and efficient to REs which has streamlined and enhanced the reporting. The interaction programs conducted by FIU-Nepal has also fostered awareness and understanding among institutions to report STR/SARs promptly and consistently. FIU-Nepal have integrated more number of REs from various sector in goAML of during the period. Reporting form these REs has increased number of STR/SARs. Moreover, the dedicated team of FIU-Nepal to ensure the effective and efficient operation of goAML has also contributed to increase in number of STR/SARs.

The outreach and training programs conducted by FIU-Nepal, regulators/supervisors, respective associations of the REs and other stakeholders

of AML/CFT have encouraged REs to become more compliant with AML/CFT regulations. This increased understanding and compliance of AML/CFT measures in safeguarding our financial system has encouraged REs for proactive reporting. Implementation of various transaction monitoring systems to detect red flags, suspicious transactions and trend of particular transactions have also helped REs report more

STR/STRs to FIU-Nepal. Moreover, the increase in onsite/offsite supervision related to AML/CFT by respective supervisors has also resulted in increased STR/SAR reporting.

### **(b) Number of STRs/SARs Reported by Different REs**

The table below presents the numbers of STRs/SARs received by FIU-Nepal in last five years:

*Table 6 : Numbers of STRs/SARs Receipt From REs*

S.N.	Reporting Institutions (REs)	2019/20	2020/21	2021/22	2022/23	2023/24
1	Commercial Banks	924	1403	2380	5187	6181
2	Development Banks	93	64	119	257	491
3	Finance Companies	1	12	19	44	217
4	Micro Finance Institutions	0	3	44	28	12
5	Insurance Companies	4	3	9	19	62
6	Remittance Companies	52	29	187	146	126
7	Securities Companies	14	18	8	46	52
8	Cooperative	2	0	3	1	8
9	PSP/PSOs	-	-	-	202	181
10	Casino	-	-	-	-	1
11	Government agencies and other	0	1	11	5	7
<b>Total</b>		<b>1090</b>	<b>1533</b>	<b>2780</b>	<b>5,935</b>	<b>7,338*</b>

*\* In FY 2023/24, total number of STR/SAR received via message board (hardcopy) is 57 only.*

Commercial Banks have consistently dominated the number of STR/SAR in reporting in last five years. Number of STR/SARs reported by Commercial banks in FY 2022/23 and FY 2023/24 were 87.4% and 84.2% of total STR/SARs reported by all REs. Number of STR/SARs reported by Commercial banks, Development banks, Finance companies, Insurance companies and Securities companies show an increasing trend in over last three years. STR/SAR reporting from Microfinance institutions, Remittance companies and PSP/PSOs has been decreased in FY 2023/24 compared to FY 2022/23. Major integration of DNFbps sector in web/xml reporting of goAML

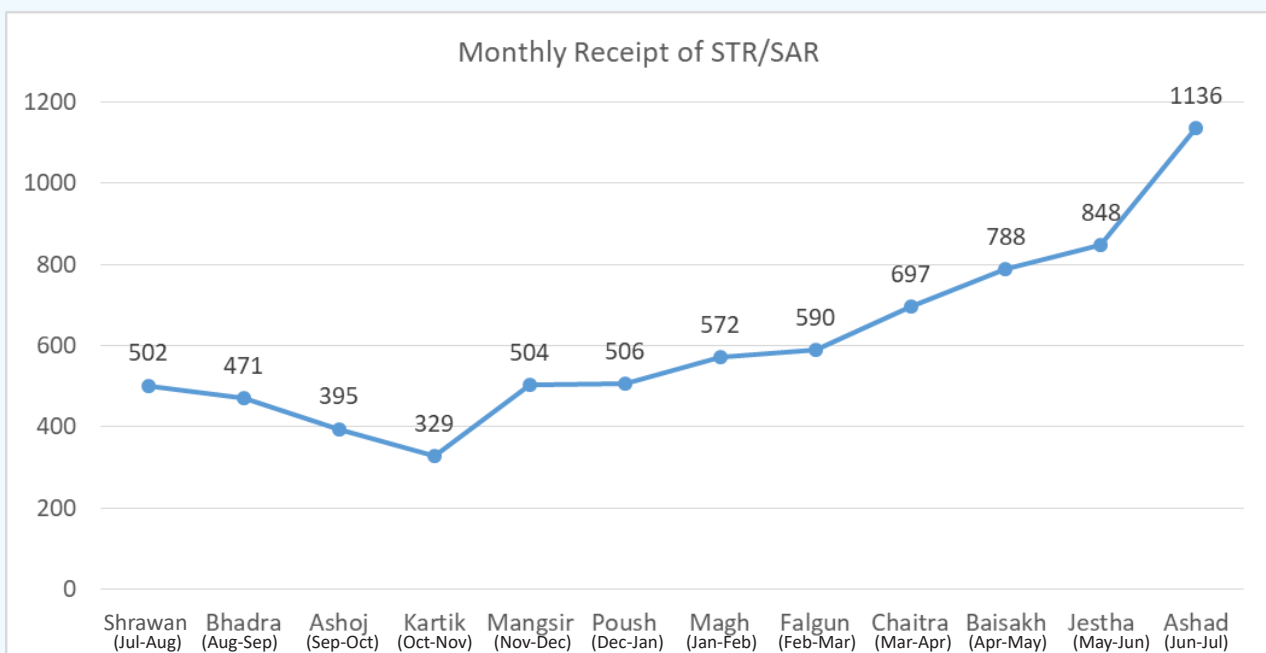
started in current FY 2023/24. Thus, they are in early stages of learning and reporting, and STR/SAR reporting from this sector is expected to grow in future. With the integration of DNFbps in goAML, 1 STR from Casino has been received which is positive sign for long journey in AML/CFT regime. However, it will require more effort to improve reporting from this sector and their compliance with AML/CFT regulations. The Cooperatives sector is also in in early stage of reporting. They were reporting STR/SAR via hard copy and message board. FIU Nepal has facilitated them for Web/XML reporting from FY 2023/24.

Commercial banks have important role in AML/CFT efforts of Nepal by detecting suspicious activities and transactions. Overall, the data reflects an increasing STR/SAR reporting trend in the financial sector of Nepal with a substantial surge in the number of STR/SARs. Increased number of STR/SARs warrants thorough analysis of these STR/SARs by FIU-Nepal for effectiveness AML/CFT efforts and regulatory oversight.

The figure below shows trend of monthly STRs/SARs reporting by REs in FY 2023/24. The number of STR/SARs decreased for first four months of FY and then increased steadily till last month of FY. Number of STR/SARs reported was lowest in Kartik (329) and highest in Ashad (1136). The number of STR/SARs seems to follow the trend of economic activities and financial transaction of country as there were few working days in Kartik due to festivals and highest number of transactions are carried out towards FY end.

**(c) Monthly Receipt of STRs/SARs for FY 2023/24**

Figure 13 : Monthly receipt of STR and SAR in FY 2023/24

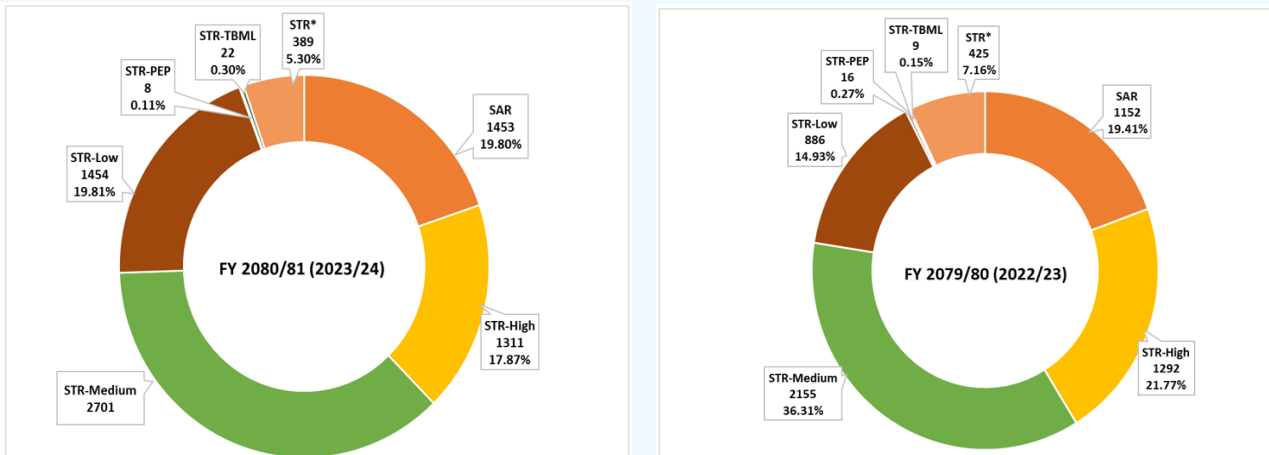


**(d) Suspicious Activities/Transactions Reported Under Different Categories of STR/SARs for FY 2023/24 and FY 2022/23**

AML/CFT related directives issued by NRB requires A, B & C class BFIs to categorized STRs into STR-PEP, STR-High, STR-Medium and STR-Low. One additional STR category 'STR-TBML' is added for commercial banks in order to report suspicious transactions related to trade based

money laundering. No such classification is not defined for other REs and thus they report suspicious transactions under 'STR' category. SAR is filed when there is attempted transaction or any suspicious activity. STRs/SARs received under different categories for FY 2022/23 and FY 2023/24 and their respective portion is presented in figures as below:

Figure 14 : STR by Category in FY 2022/23 and FY 2023/24



SARs reported were around 19% of total STR/SARs in both FYs. Number of STR-High was 21.77% of total STR/SARs in FY 2022/23 which decreased to 17.87% in FY 2023/24. While STR-Medium remained around 36% of total STR/SARs in both FYs, portion of STR-Low in total STR/SARs increased in FY 2023/24 to 19.81% from 14.93% in FY 2022/23. Number STR-TBML has increased to 22 from 9 during the same period. Number of all other categories of STR/SARs was increased in FY 2023/24, STR-PEP and STR from REs other than A, B and C class BFIs was declined in FY 2023/24.

**(e) STR/SAR reported in FY 2023/24 Based on Predicate Offence via goAML**

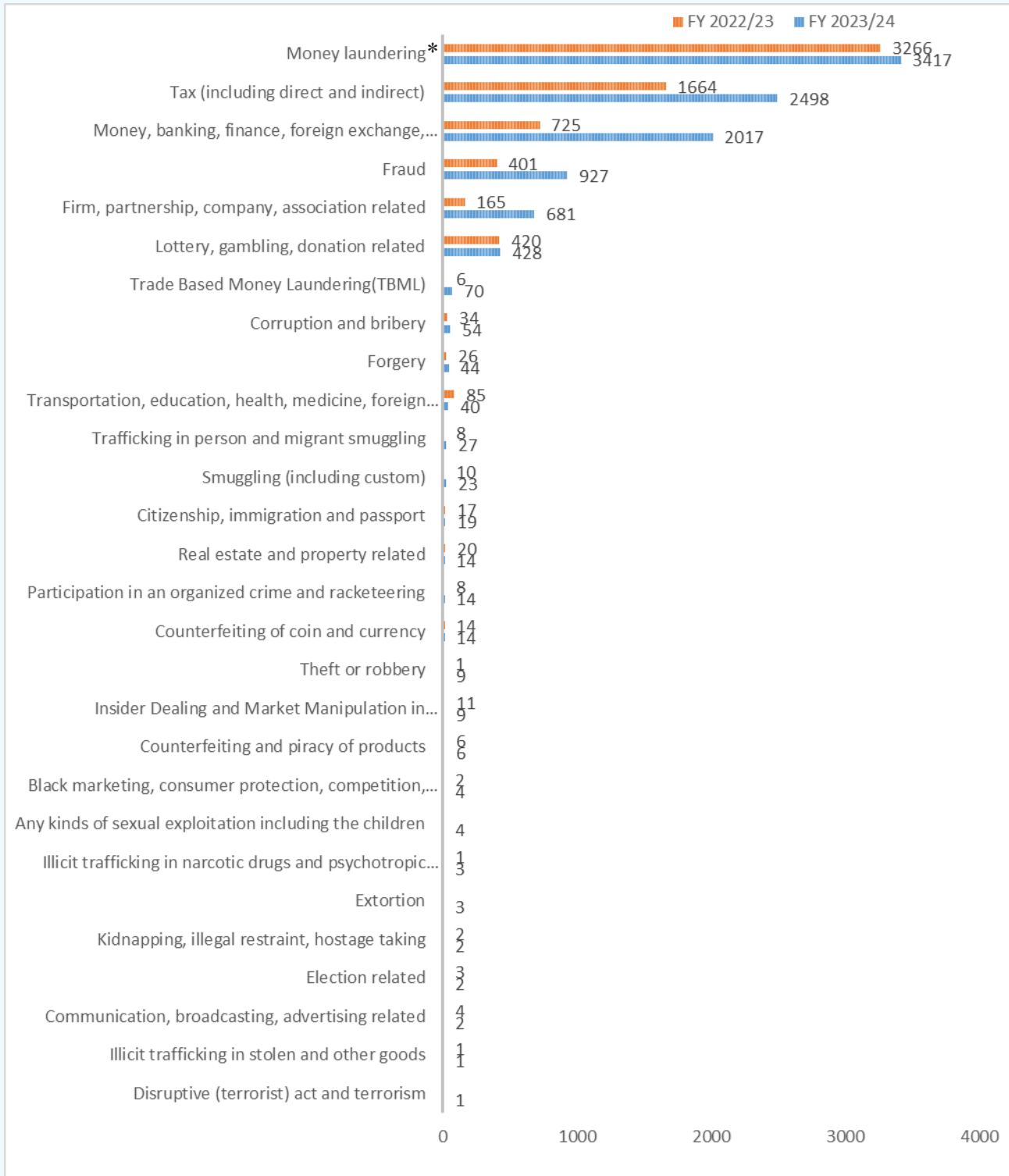
The below figure shows STR/SARs received by FIU-Nepal categorized under predicate offenses for FY 2023/24.

ML, Tax (including direct and indirect), Money, banking, finance, foreign exchange, negotiable instruments, insurance, cooperatives related,

Fraud, Firm, partnership, company, association related, Lottery, gambling, donation related, TBML (consisting of all trade based money laundering related predicate offences), Corruption and bribery, Forgery and Transportation, education, health, medicine, foreign employment related were the major predicate offense indicators selected by REs.

There was significant increase in reporting of Firm, partnership, company, association related (from 165 to 681), Fraud (from 401 to 927), Money, banking, finance, foreign exchange, negotiable instruments, insurance, cooperatives related (from 725 to 2017) and Tax (including direct and indirect) and TBML (from 6 to 70) predicate offence in FY 2023/24 compared to FY 2022/23. Although small in number, increase in reporting of Corruption and bribery (from 34 to 54), Forgery (26 to 44), Trafficking in person and migrant smuggling (from 8 to 27) predicate offence was also significant in FY 2023/24 compared to FY 2022/23.

Figure 15 : Receipts of STR/SAR (via goAML system) based on Predicate Offence



**Notes:**

- TBML related STR/SARs were obtained under further 16 categories. Of them 'TBML-Trade Based Money Laundering', 'TBML-Fraud', 'TBML-Under Invoicing' and 'TBML-Over Invoicing' were selected in significantly higher number of STR/SARs than other categories.
- \*When RE is not able to link STR/SAR to any of the given predicate offences (listed in annexure of ALPA, 2008) then it reports the STR/SAR under 'Money Laundering' as predicate offence.

Increase in reporting of TBML related offences is a result of initiatives like training and awareness

of FIU-Nepal, NRB and other stakeholders related to international trade. Sharp rise in Fraud related STR/SARs is outcome of increased number of cyber enabled frauds taking place in Nepal. FIU-Nepal has published 'Strategic Analysis Report on Cyber Enabled Fraud' for FY 2023/24 which suggests sharp increase in cyber enabled frauds in recent years. Increase in Firm,

partnership, company, association related and Money, banking, finance, foreign exchange, negotiable instruments, insurance, cooperatives related offenses are concerning as it suggest emerging issues in corporate governance, financial frauds, issue of cheque bounce, misuse of foreing exchange, and misuse of insurance and cooperative sectors etc. Additionally, tax-related offenses saw a notable rise indicating intensified efforts to combat tax evasion and improve compliance.

Increase in reporting of offences highlighted by NRA indicates continued effort and monitoring of these areas. These trends suggest that ongoing capacity-building initiatives, regulatory enhancements, and the integration of reporting entities into the goAML are contributing to improved reporting. However, challenges remain in addressing emerging threats and ensuring the quality of reports, particularly in areas like corruption and bribery and trafficking-related offenses.

### 4.1.3 Reporting via goAML System

Table 7 : Overall Reporting in goAML System

FY	Report Type	Total Received	Received via goAML	Received via goAML (%)
FY 2023/24	TTR	1,697,712	1,545,796	91.05%
	STR/SAR	7,338	7,281	99.22%
FY 2022/23	TTR	1,698,398	1,301,829	76.65%
	STR/SAR	5,935	5,643	95.08%

In FY 2080/81, the FIU-Nepal saw significant improvements in reporting efficiency through the goAML system. Of the 1,697,712 TTRs received, 91.05% were submitted via goAML, a notable increase from 76.65% in the FY 2022/23. This rise indicates improved integration of reporting entities into the system and promotion of Web/XML reporting mechanism.

Similarly, 99.22% of the STR/SARs were submitted through goAML in FY 2023/24, up from 95.08% in FY 2022/23. Increase in number of STR/SARs and reporting of almost all STR/SARs using goAML suggests that more REs are now adopting goAML for reporting due to ease of reporting, and there is increase in trust towards goAML's data security and efficiency. This shift toward digital reporting aligns with global trends in regulatory compliance and financial intelligence reporting.

Despite these improvements, the high dependence on goAML necessitates regular system upgrades, and use of additional measures like use of artificial Intelligence

for data management, risk scoring, report prioritization and capacity-building efforts. This helps to ensure data quality, real-time reporting, and compliance of all REs. In addition, with this FIU-Nepal should think about data warehouse management, database management, data quality improvement, security of database etc.

### 4.2 Analysis of STR/SARs

Analysts at FIU-Nepal analyze the STRs/SARs based on the preliminary analysis of REs and supporting documents attached with STR/SARs. They can ask for additional information to explore whether the activity/conduct extends to other institutions and involves other parties domestically or abroad. Conclusion is reached after the analysis of STR/SAR regarding, whether to disseminate the intelligence to LEAs or not based available information and gravity of the case. When there is reasonable ground of suspicion of ML/TF/PF and predicate

offence, such intelligence is disseminated to the appropriate LEAs, investigative agencies, regulators and supervisors.

**4.2.1 Operational analysis**

Operational analysis is related with analysis of STRs/SARs received at FIU-Nepal. It is core function carried out on the regular basis. Analyst at FIU-Nepal also considered TTRs of the subject during analysis of STR/SARs. Analysis is focused on identifying specific targets (e.g. person, assets, criminal networks and associations) and to follow the trail of particular financial activities or transactions to determine the links between the targets and possible proceeds of crime (ML/TF or predicate offences). FIU-Nepal has implemented goAML for operational analysis.

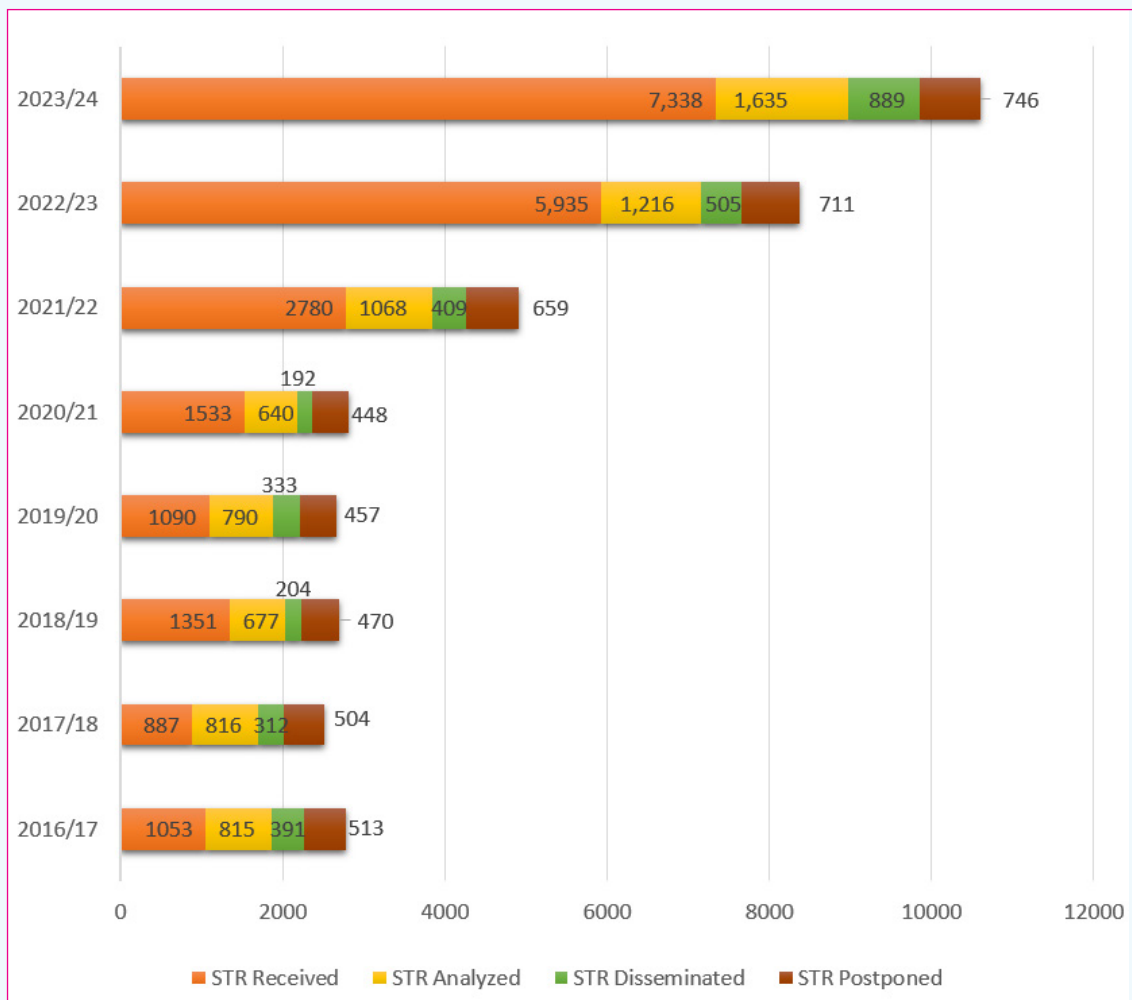
**(a) Yearly Analysis of STRs/SARs and Their Status**

The figure below illustrates the status of total

STR/SARs received, analyzed, disseminated, and postponed during different FYs. It offers a concise snapshot of the reporting workflow’s efficiency and progress.

The figure shows a significant rise in both reporting and analysis of STR/SARs over the past eight fiscal years. In FY 2023/24, 7,338 STR/SARs were received, a steep rise from 5,935 that in the previous year. While STR receipt has surged, the number of analysis and dissemination has not scaled at the same pace, with only 1,635 STR/SARs analyzed in FY 2023/24. Of the analyzed STR/SARs 889 STR/SARs were disseminated to different LEAs, investigative agencies, regulators and supervisors. After analysis 746 STR/SARs were postponed for the time being due to lack of strong grounds for suspicions and gravity in the cases.

*Figure 16 : Number of STR/SARs Received, Analyzed, Disseminated and Postponed*





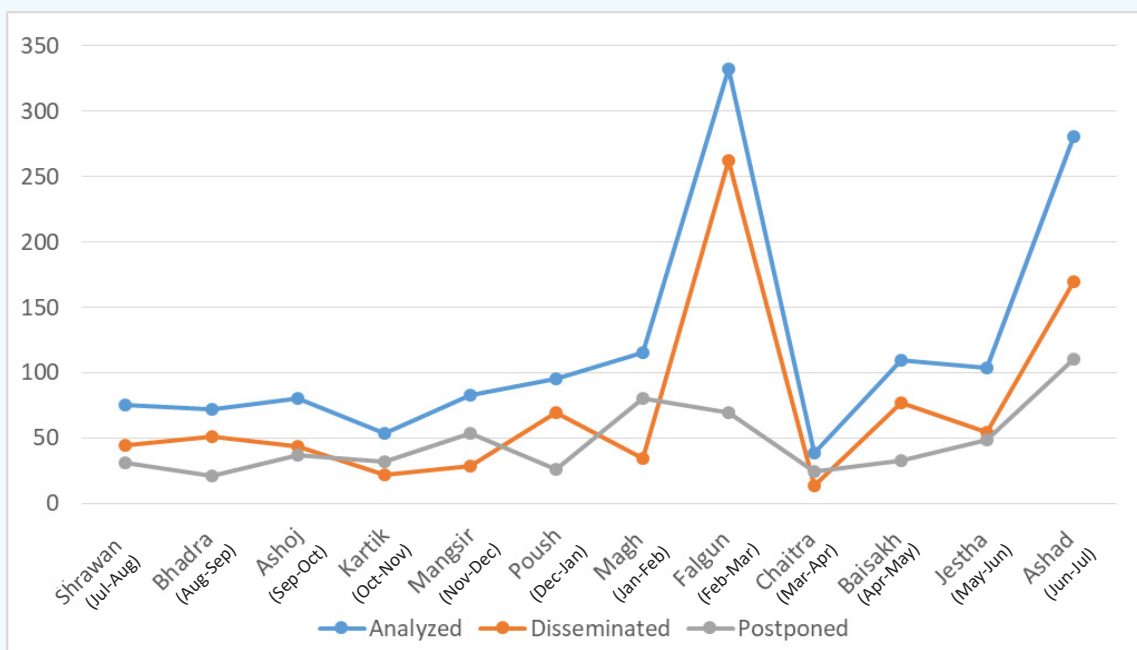
Although both figures represent improvements compared to prior years, low analysis figure compared to reporting highlights a potential strain on analytical resources. This indicates a need for enhanced processing and dissemination capabilities to match the escalating volume of reports. Improvement in goAML system, enhancement of analysis techniques and capability of FIU staffs, adoption of advanced analysis techniques including the integration

of AI on goAML can help FIU-Nepal's enhance efficiency and quality of STR/SAR analysis. FIU-Nepal has implemented risk-based priority setting in goAML for effective use of the resources and quality analysis.

**(b) Monthly Analysis of STRs/SARs in FY 2023/24**

The figure below presents the number of STR/SARs analyzed each month in FY 2023/24 for STR/SARs obtained via goAML, along with number of dissemination and postponement.

Figure 17 : Month-wise status of STR/SARs



The table below presents the number of STR/SARs disseminated or postponed each month after the analysis of STR/SARs (obtained via

goAML) in FY 2023/24. Last row of table shows aggregate data for analysis of STR/SARs obtained via message board and hard copy.

Table 8 : Month-wise reporting status of goAML System

Month / FY 2023/24	STR/SAR Analyzed	STR/SAR Disseminated	STR/SAR Postponed
Shrawan	76	45	31
Bhadra	72	51	21
Ashoj	81	44	37
Kartik	54	22	32
Mangsir	83	29	54
Poush	96	70	26

Month / FY 2023/24	STR/SAR Analyzed	STR/SAR Disseminated	STR/SAR Postponed
Magh	116	35	81
Falgun	332	262	70
Chaitra	39	14	25
Baisakh	110	77	33
Jestha	104	55	49
Ashad	281	170	111
<b>goAML Total</b>	<b>1444</b>	<b>874</b>	<b>570</b>
Offline/Message Board	191	15	176
<b>Grand Total</b>	<b>1,635</b>	<b>889</b>	<b>746</b>

Of the STR/SARs obtained from goAML, highest number of STR/SARs were analyzed and disseminated in Falgun followed by Ashad. Similarly, highest number of postponement was observed in Ashad, Magh and Falgun in descending order. The trend of analysis is in rising trend towards FY end, except for the month of Falgun and Chaitra. High number of analysis in Falgun is result of analysis of cases involving large number of linked STR/SARs. Such cases entail careful analysis of large number of STR/SARs obtained from different REs, and may take more than one month time for analysis. Also, analyst at FIU-Nepal are usually involved in analysis of more than one cases at a time, with varied complexity and gravity of each case. The number of cases analyzed in a month are outcome of continuous and regular analysis process over a period covering more than one month. So, fluctuation in number of STR/SAR analyzed and their subsequent dissemination and postponement is normal for FIU analysis.

During the FY 2023/24, FIU-Nepal analyzed 191 STR/SARs obtained via Message board and hard copy, of which 15 were disseminated and 176 were postponed.

#### 4.2.2 Strategic Analysis

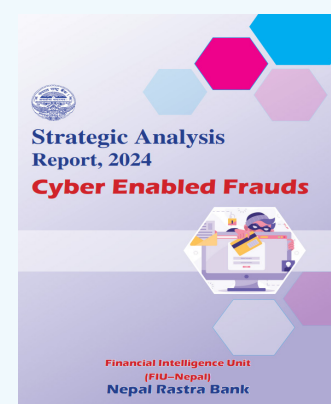
FIU-Nepal has been conducting strategic analysis since FY 2020/21. FIU published strategic analysis

report on “Suspicious Tax Evasion through Use of Personal Bank Accounts for Business Transaction” in 2023.

FIU-Nepal published strategic analysis report on ‘Cyber Enabled Fraud’ on 2024. This report analyzes the frauds enabled through or conducted in the cyber environment. The report discusses

characteristics of CEF, key source of detection, money laundering techniques used, and vulnerabilities in social media and payment system. The report analyzed the STR/SARs received in first five months of 2024 to study demographic profile of offenders, account transaction pattern, sources of STR/SARs, typologies adopted for fraud, and geographical location of suspicious accounts. Report provides recommendations to key stakeholders based on findings, and highlights key red flags for reporting entities to detect CEF. The report also summarizes some noteworthy practices adopted by various jurisdictions and organizations in combating CEF.

(Key Findings, Recommendation and red flags of ‘Cyber Enabled Fraud’ are provided in Annex 9.)



### 4.3 Dissemination of Analysis

FIU-Nepal disseminates information on suspected ML/TF to LEAs, investigative agencies, regulators and supervisors as per the scope and jurisdiction of those entities. Dissemination involves the disclosure of sensitive personal, financial and law enforcement information. FIU-Nepal has to ensure that the intelligence is disseminated using secured medium; disclosures are well documented; and dissemination is made to the appropriate authorized recipient. In some cases FIU-Nepal disseminates the intelligence to regulators/supervisors if breach of regulations is found and it requires supervisory action on KYC/CDD and transaction monitoring process.

FIU-Nepal has adopted 'No Informal Disseminations and No Oral Disseminations' policy in order to minimize the risk of intelligence reaching to unauthorized recipients. All disseminations are in written form, and approved by the Head of FIU-Nepal. Following measures are taken to maintain confidentiality:

- Most of the dissemination are made through goAML via in-built email system i.e., Message Board. goAML integration is ongoing at a rapid pace. Very few numbers of dissemination are done through paper based manual system.
- Record of the date and time of dissemination, the person and entity to which it was made, and the mode of delivery are properly maintained.
- In case of manual delivery, disseminations are made through secure packaging and through secure delivery mechanisms. For

courier delivery or pickup dissemination, confirmation of identity of authorized recipient (and any courier) is necessary.

- When the FIU-Nepal receives additional material information in regard to an already disseminated intelligence, a case update is prepared and follow-on dissemination is done to the earlier dissemination.

#### 4.3.1 Dissemination to LEAs, Investigative agencies, Regulators and Supervisors through goAML

Most of FIU-Nepal's disseminations to LEA is through goAML by using its in-built email system called 'Message Board'. There are five message-types in message board viz., LEA-Feedback, FIU-Nepal Dissemination, Domestic-Cooperation, International-Cooperation and Others. FIU-Nepal can use these message types while communicating with LEAs, Investigative agencies, Regulatory/Supervisory Authority etc.

Total 889 reports were disseminated to LEAs through goAML system for FY 2023/24, a significant increase from 505 in FY 2022/23. FIU-Nepal is integrating LEAs, Investigative agencies, Regulators and Supervisors in goAML system in a rapid pace. FIU-Nepal plans to disseminate intelligence to these authorities via goAML only in near future. Intelligence gained from each STRs/SARS can be disseminated to one or more LEAs like, DMLI, Nepal Police, DRI, IRD, CIAA and other competent authorities. Dissemination is often spontaneous, and in some cases FIU-Nepal can respond upon request of such agencies as well. Domestic disseminations in last five FYs in this regard are as follows.

Table 9 : Dissemination of SARs/STRs to LEAs, Investigative agencies, Regulators and Supervisors

S.N.	Agencies	2019/20	2020/21	2021/22	2022/23	2023/24
1	DMLI	39	26	61	40	60
2	Nepal Police	119	98	210	318	615
3	DRI	200	75	162	152	197

4	IRD	26	3	16	32	38
5	CIAA	15	2	13	5	19
6	Dept. of Co-operatives	18	1	2	2	0
7	Nepal Insurance Authority (NIA)	-	-	2	1	1
8	SEBON	-	-	5	0	3
9	Social Welfare Council	-	-	3	16	2
10	NRB, Bank and Financial Institutions Regulation Department (BFIRD)	-	-	11	4	0
11	NRB, Bank Supervision Department(BSD)	-	-	29	10	2
12	NRB, Financial Institution Supervision Department (FISD)	-	-	9	-	-
13	NRB Foreign Exchange Management Department (FEMD)	-	-	2	-	-
14	NRB, Payment Systems Department (PSD)	-	-	30	7	30
15	NRB, Non-bank Financial Institution Supervision Department (NBFISD)	-	-	4	30	5
16	Others	2	7	-	-	-
	<b>Total Dissemination</b>	<b>419</b>	<b>212</b>	<b>559</b>	<b>617</b>	<b>972</b>
	<b>Actual Dissemination* (Without counting multiple dissemination)</b>	<b>333</b>	<b>192</b>	<b>409</b>	<b>505</b>	<b>889</b>

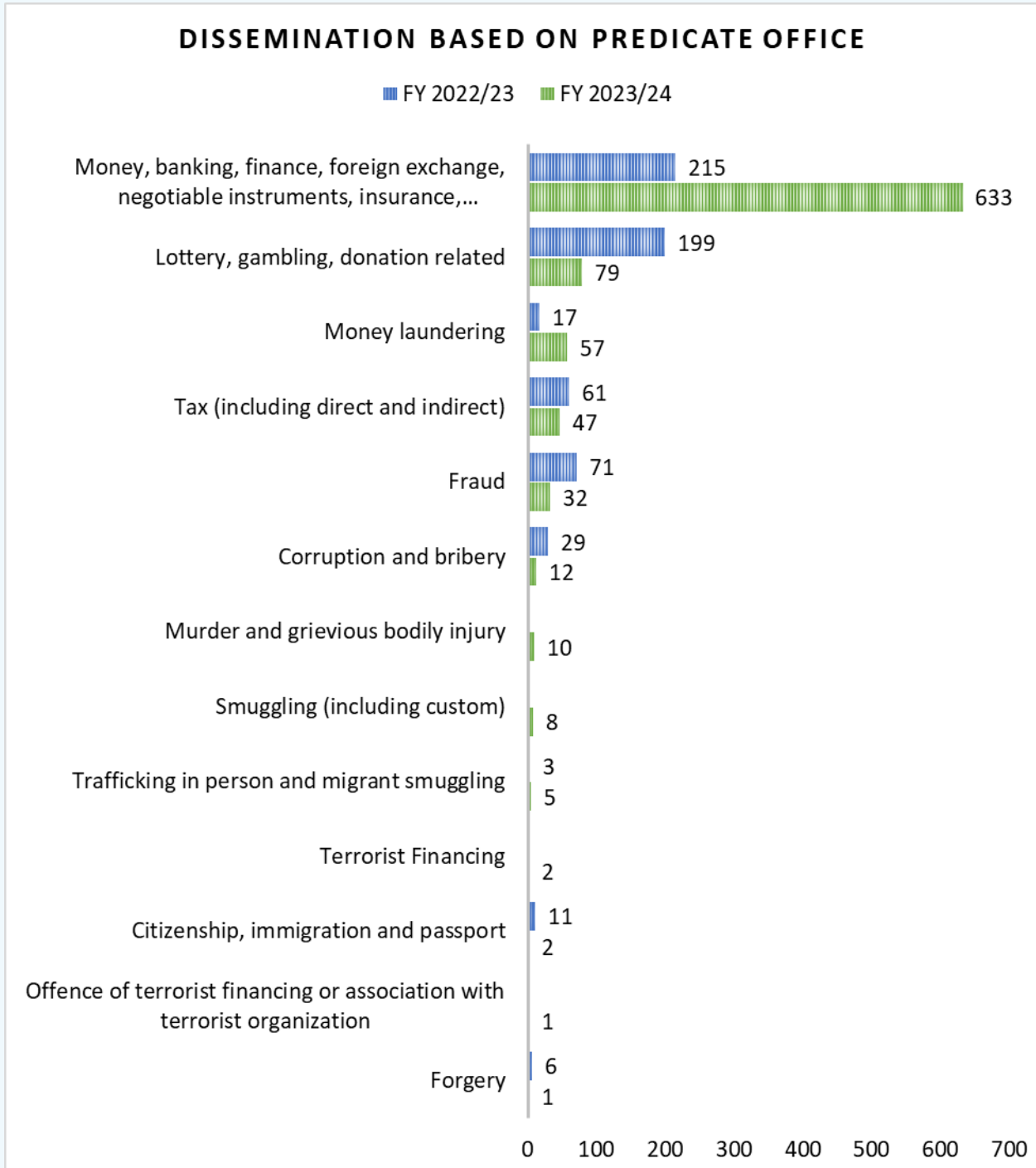
*\*One STR/SAR can be disseminated to more than one agency. So, same STR/SAR disseminated to multiple LEAs' have been included in concerned LEAs. Total number of STR disseminated to LEAs is shown in last row of the table by eliminating such multiple counts.*

Highest number of STR/SARs are disseminated to Nepal Police following the trend of previous FYs. 615 STR/SARs were disseminated to Nepal Police in FY 2023/24 followed by DRI and DMLI with 197 and 60 STR/SARs respectively. In FY 2023/24 disseminations to IRD, NRB, CIAA, SEBON, Social Welfare council and NIA were 38, 37, 19, 3, 2 and 1 respectively.

#### 4.3.2 Dissemination of STR/SAR based on Predicate Offence in FY 2023/24 and FY 2022/23

Figure below shows number of disseminated STR/SAR based on Predicate Offence involved.

Figure 18 : Predicate Offence wise STR/SAR Dissemination in FY 2023/24 and FY 2022/23



Note: Total number of dissemination for FY 2023/24 is 889 STR/SARs while count of dissemination of STR/SARs to concerned agencies is 972. This is because STR/SAR with same predicate offence may be disseminated to more than agencies.

Based on the predicate offence, the highest number of STR dissemination in FY 2023/24 falls under the category of Money, Banking, Finance, Foreign Exchange, Negotiable instrument followed by Lottery, gambling, donation related, Money Laundering, Fraud and Tax(including

direct and indirect) respectively. There is significant rise in dissemination related to indicators ‘Money, Banking, Finance, Foreign Exchange, Negotiable instrument’ and ‘Money laundering’ than previous FY. Similarly, dissemination related to ‘Lottery, gambling,

donation related', 'Fraud' and 'Corruption and bribery' have declined significantly during the same period. Dissemination of STR/SARs with indicators 'Murder and grievous bodily injury', 'Smuggling (including custom)' were new in FY 2023/24 from FY 2022/23.

'Money laundering' indicator is selected highest number of time while reporting STR/SARs. Dissemination of 'Money laundering' related STR/SARs are very low compared to their reporting. Reporting entities select the indicator 'Money Laundering' when they cannot ascertain the predicate offence in STR/SAR for

the customer, but there is reasonable ground of suspicion regarding the transactions of the person/entity. In many cases REs have selected this indicator along with other predicate offence indicators. FIU-Nepal makes dissemination after thorough analysis of the STR/SARs and related documents. So, there is high chance of assigning predicate offence other than 'Money laundering' in dissemination of STR/SARs resulting in dissemination of lower number STR/SARs of related to 'Money Laundering' indicator in comparison to their reporting.

## DOMESTIC & INTERNATIONAL COOPERATION

### 5.1 Domestic Cooperation and Engagement

#### FATF Recommendation 2: National Cooperation and Coordination

- Countries should have national AML/CFT/CPF policies, informed by the risks identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies.
- Countries should ensure that policy-makers, the financial intelligence unit (FIU), law enforcement authorities, supervisors and other relevant competent authorities, at the policymaking and operational levels, have effective mechanisms in place which enable them to cooperate, and, where appropriate, coordinate and exchange information domestically with each other concerning the development and implementation of policies and activities to combat money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.
- This should include cooperation and coordination between relevant authorities to ensure the compatibility of AML/CFT/CPF requirements with Data Protection and Privacy rules and other similar provisions (e.g. data security/localisation).

Combating ML/TF/PF, which involves all aspects of Nepal's AML/CFT regime, including suspicious transactions or activities reporting, analysis, dissemination, investigation, prosecution, judicial other functions. It requires coordination and collaboration among all relevant entities and agencies. According to FATF Recommendation No. 2, "National Cooperation and Coordination," nations should establish national AML/CFT/CPF policies based on the identified risks with

regular review of such risk, and should assign responsibility for these policies to a mechanism or authority. Countries should assure that supervisors, FIU, LEAs and other concerned authorities have mechanisms in place, at both the policymaking and operational levels. Such mechanism should allow them to collaborate, coordinate, and exchange information with one another regarding the formulation and implementation of policies and activities to combat ML/TF/PF.

Cooperation and coordination among these domestic authorities is essential for the effective compliance with AML/CFT/CPF regulations. FIU-Nepal holds regular meetings and programs with REs, LEAs, Supervisors/Regulators and representatives of other concerned agencies to discuss AML/CFT/CPF issues. FIU-Nepal receives information requests from LEAs in some cases to which FIU-Nepal responds by gathering information from both domestic REs/Agencies and foreign FIUs. Investigating agencies ask FIU-Nepal for financial intelligence for the purpose of their investigations. FIU-Nepal gathers information from REs and disseminate them to such investigating agencies after thorough analysis.

FIU-Nepal maintains strong relationships with all stakeholders effectively combat ML/TF/PF. Consequently, fostering cooperation among stakeholders and ensuring smooth, confidential, and motivating inter-agency relationships has always been a fundamental priority for FIU-Nepal. The organization engages in a wide range of activities and plays a policy role in various committees. Additionally, it has established a dedicated division for domestic cooperation and coordination to ensure seamless relationships

with Reporting Entities (REs), LEAs, Regulators/ Supervisors, and other relevant agencies and committees.

**5.1.1 Committees as per ALPA (2008)**

There are two committees as per ALPA (2008): Directive Committee and Coordination Committee.

**(a) Directive Committee**

Directive Committee is formed under Section 7Ba (1) of latest amendment in ALPA (2008) dated 12<sup>th</sup> April, 2024 to oversee and review the effectiveness of activities related to AML/CFT. This is the apex committee in AML/CFT regime of Nepal. Composition of the committee is:

• Minister of Finance, Government of Nepal (GoN)	Chairperson
• Minister of Law, Justice and Parliamentary Affairs, GoN	Member
• Attorney General	Member
• Chief Secretary, GoN	Member
• Governor, Nepal Rastra Bank	Member
• Coordinator, Coordination Committee	Member
• Secretary, Ministry of Law, Justice and Parliamentary Affairs, GoN	Member
• Secretary, Ministry of Finance, GoN	Member-Secretary

Functions, duties and power of the committee as per ALPA (2008) are as follows:

- i. To review the national strategy and programs related to AML/CFT received from Coordination Committee and recommend it to Government of Nepal for approval.
- ii. To implement national strategy and programs related to AML/CFT and review the progress of implementation.
- iii. To determine tasks to be performed by the federal, provincial and local government in relation to AML/CFT and coordinate these tasks by creating necessary mechanism.
- iv. To provide necessary directives to

the concerned authorities for the implementation or enforcement of the provisions of the Act.

- v. To approve the National Risk Assessment Report received from Coordination Committee.
- vi. To prepare annual report and submit it to Government of Nepal.

**(b) Coordination Committee (CC)**

Section 7Bha (1) of latest amendment in ALPA (2008) has provision of Coordination Committee (CC) to create and maintain operational coordination among the concerned authorities in order to enhance effectiveness of AML/CFT related tasks. Composition of the committee is:

• Secretary (Legal), Office of the Prime Minister and Council of Ministers, GoN	Coordinator
• Secretary, Ministry of Finance, GoN	Member
• Secretary, Ministry of Law, Justice and Parliamentary Affairs, GoN	Member
• Secretary, Ministry of Home Affairs, GoN	Member
• Secretary, Ministry of Foreign Affairs, GoN	Member
• Secretary, Ministry of Land Management, Cooperatives and Poverty Alleviation, GoN	Member
• Secretary, Commission for the Investigation of Abuse of Authority (CIAA)	Member
• Deputy Attorney General, Office of the Attorney General (OAG)	Member
• Deputy Governor, Nepal Rastra Bank	Member
• Inspector General of Police, Nepal Police	Member
• Chief, Department of Money Laundering Investigation (DMLI)	Member
• Head, Financial Intelligence Unit (FIU-Nepal)	Member-Secretary



As per ALPA (2008) CC shall have following functions, duties and power:

- To draft AML/CFT related national policy and programs and submit it to Directive Committee.
- To carry out sectoral and NRA, and submit the integrated risk thereof to Directive Committee.
- To make relevant agencies draft and implement action plans and guidelines on the basis of risk assessment, and monitor whether such action plans are effectively implemented or not.
- To furnish necessary suggestions or instructions to maintain functional coordination between related bodies.
- To implement or cause to implement the decision made by the Directive Committee.
- To issue necessary guidelines regarding the security, confidentiality and use of details or intelligence to be maintained in accordance with this Act.
- to conduct necessary studies, investigations, or make recommendations to relevant agencies for the prevention of financial crimes, and
- To carry out other functions related to coordination.
- CC holds regular meetings and also invites high-level authorities and government agencies to discuss matters related with AML/CFT. In FY 2023/24, the meetings of CC were held for 10 times and the major decisions are as follows:

**Major Decisions of CC in FY 2023/24**

- To prepare agency wise action plan as per Priority Actions, Key Findings and Recommended Actions mentioned in Nepal’s MER 2023.
- To request FIU-Nepal to coordinate/communicate with FATF and APG for trainings, virtual meetings and other coordination.
- To prepare and finalize the agenda for FATF ICRG Country Meeting for Nepal, as well as APG Strategic Implementation Planning (SIP) Visit, conducted on February 2024 at Kathmandu.
- To submit draft of 'AML/CFT Prompt Corrective Initiatives' to National Review Council (currently redefined as Directive Committee after amendment in ALPA(2008)).
- To submit the request to APG secretariat for re-ratings of 19 Recommendations among 40 FATF recommendations which are rated 'Partially-Compliant' or 'Non-Compliant' in Mutual Evaluation Report, 2023.
- To submit the draft of AML/CFT National Strategy and Action Plan (2024/025-2028/029) to Directive Committee in order to get approval from Nepal Government.
- To request Ministry of Finance to allocate required budget for key AML/CFT functions proposed by concerned agencies for implementation of key recommendations mentioned in Mutual Evaluation Report, as well as for capacity development and inter-agency coordination.
- To request all agencies not to transfer employees involved in Mutual Evaluation (ME) Process and post-ME activities for at least one more year.
- To request all concerned agencies to submit progress report on AML/CFT Prompt Corrective Initiatives.

**5.1.2 Other Mechanisms and Committees for Domestic Cooperation**

There are additional three mechanisms and one committee mandated by AML/CFT National Strategy and Action Plans (2024/025-2028/029) in order to strengthen coordination mechanism

and one committee as per ALPR (2024) to facilitate domestic cooperation.

***(a) Regulatory Coordination Mechanism (RCM)***

The main function of this committee is to coordinate implementation of national policies, strategies and laws in the preventive and

regulatory areas and ensuring preventive and controlling methods by determining the regulatory approach to combat ML/TF/PF on the basis of risk. Composition of the committee is :

• Governor, Nepal Rastra Bank	Coordinator
• Coordinator, Investigation Coordination Mechanism	Member
• Chairperson, Securities Board of Nepal	Member
• Chairperson, Nepal Insurance Authority	Member
• Joint Secretary, Ministry of Finance, GoN	Member
• Registrar, Department of Cooperatives	Member
• Chief, Regulatory authority of the Designated Non-Financial Business and Profession [DNFBPs] (may be invited as per requirement)	Member
• Head, Financial Intelligence Unit (FIU-Nepal)	Member

NRB acts as the secretariat of the Regulatory Co-ordination Mechanism (RCM).

### **(b) Investigation Coordination Mechanism (ICM)**

The main function of this committee is to coordinate the implementation of policy, strategy and laws in the areas of investigation,

prosecution and adjudication and to ensure the control measures by determining the country's approach to financial crimes on the basis of risks. Composition of the committee is as follows:

• Deputy Attorney General, Office of the Attorney General (OAG)	Coordinator
• Additional Inspector General (AIG) of Police, Nepal Police	Member
• Chief, Department of Money Laundering Investigation	Member
• Joint Secretary, Commission for the Investigation and Abuse of Authority	Member
• Director General, Department for Management of Proceeds of Crimes	Member
• Director General, Judgment Execution Directorate, Supreme Court	Member
• Chief, Office of the Special Public Prosecutor	Member
• Representative, other investigating authorities (as per requirement)	Member
• Head, Financial Intelligence Unit (FIU-Nepal)	Member

OAG acts as the secretariat of the Investigation Coordination Mechanism (ICM).

### **(c) Counter Terrorism Mechanism**

The main function of this committee is to determine the country's position against terrorism and ensure control measure and to coordinate and facilitate the implementation of the matters related to prevention of terrorism,

financing of terrorist activities, resisting the financing of proliferation of weapons of mass destruction and targeted financial sanction of the United Nations Security Council or similar other lists.

Composition of the committee is as follows:

• Secretary, Ministry of Home Affairs, GoN	Coordinator
• Lieutenant General, Nepali Army	Member
• Inspector General (IG) of Police, Nepal Police	Member

• Inspector General (IG) of Armed Police, Armed Police Force, Nepal	Member
• Chief Investigation Director, National Investigation Department	Member
• Joint Secretary, Office of the Prime Minister and Council of Ministers, GoN (AML related)	Member
• Joint Secretary, Ministry of Foreign Affairs, GoN	Member
• Chief, Department of Money Laundering Investigation (DMLI)	Member
• Head, Financial Intelligence Unit (FIU-Nepal)	Member

Ministry of Home Affairs acts as the secretariat of the Counter Terrorism Mechanism.

facilitate the implementation of the prevailing legal provisions, strategies and action Plans and submit the progress report to CC.

**(d) Task Coordination Committee**

The main function of this committee is to coordinate among concerned agencies and

Composition of the committee is as follows:

• Joint Secretary, Office of the Prime Minister and Council of Ministers, GoN (AML related)	Coordinator
• Under Secretary, Ministry of Law, Justice and Parliamentary Affairs, GoN	Member
• Under Secretary, Ministry of Finance, GoN	Member
• Director, Department of Money Laundering Investigation (DMLI)	Member
• Director, Department for Management of Proceeds of Crimes	Member
• Deputy Attorney, Office of the Attorney General (Secretariat of the Investigation Coordination Mechanism)	Member
• Superintendent of Police (SP), Nepal Police	Member
• Deputy Director, Financial Intelligence Unit (FIU-Nepal)	Member
• Under Secretary (AML related), Office of the Prime Minister and Council of Ministers, GoN	Member

**(e) Technical Committee**

ALPR (2024) has provision of Technical Committee to bring efficiency in the investigation related work by maintaining coordination between the

agencies investigating money laundering related offences. Composition of the committee is as follows:

• Chief of the Department of Money Laundering (DMLI)	- Coordinator
• Joint Secretary, Commission for the Investigation of Abuse of Authority	- Member
• Deputy Attorney General, Office of the Attorney General (OAG)	- Member
• Director General, Inland Revenue Department	- Member
• Director General, Department of Revenue Investigation	- Member
• Director General, Department of Customs	- Member
• Director General, Department for Management of Proceeds of Crime	- Member
• Head, Financial Intelligence Unit (FIU-Nepal)	- Member
• Deputy Inspector General of Police, Nepal Police	- Member
• Director, Department of Money Laundering Investigation (DMLI)	- Member Secretary

The ALPR 2024 has outlined following functions, duties and power of the committee:

- i. To discuss and make suggestions based on the needs of the investigating agency, ensuring consistency and effectiveness in the investigation of money laundering-related offenses.
- ii. To make suggestions to the investigating agency regarding the use of special investigation techniques.
- iii. To study and do research on the emerging trends, typologies and practices related to financial crimes, and via OPMCM, submit the findings to Coordination Committee for policy feedback.
- iv. To study and investigate possible methods of identification, search, freezing or seizing of the proceeds of crime,
- v. To assist and facilitate investigating agencies to issue and implement procedures, standards and guidelines for effective investigation of crimes.

### 5.1.3 FIU-Nepal's Cooperation with REs

While LEAs, investigative agencies, regulators and supervisors are the end users of FIU intelligence, REs serve as the AML/CFT system's gatekeepers and information feeders. There is regular interaction between FIU-Nepal and REs. The focus of such engagement is to create awareness of reporting responsibilities of REs and develop necessary skills in order to improve their compliance with AML/CFT regulations. FIU-Nepal offers outreach programs to REs covering topics like AML/CFT/CPF, goAML Integration, STR/SAR/TTR reporting, domestic cooperation and feedback, NRA, AML/CFT related National Strategy and Acton Plans (NSAP), strategic analysis, emerging trends and typologies. FIU-Nepal has regularly provided feedback to REs which are listed as below:

Table 10 : Feedback from/to FIU-Nepal on STR/SAR/TTR for FY 2023-24

Description	Count
Feedback on STR/SAR via Message board of goAML System ( <i>During Analysis</i> )	1,575
Feedback on improvement of STR/SAR via goAML System ( <i>During Screening</i> )	557
Phone call communication by Analyst to Compliance officers (approx.)	300
Meetings with Compliance officers of REs for reporting related specific feedback / discussion	16
Outreach program (Interaction/Orientation sessions) with REs for general feedback	25
Feedback on TTR via email to all REs (Feedback generated after analysis of Top 100 TTR Reports)	1405
Feedback received from LEAs/Agencies	8

Note: Please refer to Annex of this annual report for complete list of events/programs/ activities of FIU-Nepal for FY 2023/24.

### 5.1.4 FIU-Nepal's Cooperation with LEAs

FIU-Nepal has established close ties with LEAs in order to perform its AML/CFT related function as envisioned by ALPA (2008). FIU-Nepal and LEAs frequently to discuss about issues of

shared interest. LEAs can request information from foreign FIUs about foreign nationals or institutions through FIU-Nepal. FIU-Nepal sends the request to foreign FIUs via ESW and forwards the obtained information to LEAs. FIU-Nepal also receives the feedback from the LEAs. Following table shows disseminations to LEAs on their request, i.e. when LEA initiates the request for information/intelligence.

Table 11 : Total Requests Initiated by LEAs and Successfully Replied by FIU-Nepal

LEAs	2076/77 (2019/20)	2077/78 (2020/21)	2078/79 (2021/22)	2079/80 (2022/23)	2080/81 (2023/24)
DMLI	162	115	87	106	118
Nepal Police	21	14	39	14	29
IRD		1	1		
DRI	2				1
CIAA	3				
Dep. of Foreign Employment				1	13
<b>TOTAL</b>	<b>188</b>	<b>130</b>	<b>127</b>	<b>121</b>	<b>161</b>

Information request of LEA includes the availability of STR/SARs, TTRs, financial linkages, transaction history etc. FIU-Nepal received total 52 requests from LEAs in FY 2023/24 requesting the information about 161 persons or entities. Such number 61 requesting the information about 121 persons or entities in FY 2022/23; and 74 requests for information of 127 persons or entities in FY 2021/22.

FIU-Nepal replies to such information requests by analysis of data obtained from its own databases, and in some cases by collecting data from REs. FIU-Nepal tries its best to analyse such requests and reply them within a few days. Previously LEAs used to request documents like bank statements and financial data such as KYC, personal details etc. with FIU-Nepal. LEAs no longer ask for such documents with FIU-Nepal, and instead request for financial intelligence and availability of STR/SARs, TTRs, financial linkages, transaction history etc. for persons or entities.

Feedback plays an important role in the operation of FIU-Nepal and in overall AML/CFT regime. FIU-Nepal requests feedback on its dissemination and actions from the stakeholders of AML/CFT effort in Nepal. In FY 2023/24 DMLI, Department of cooperatives and Nepal Insurance Authority provided 5, 1 and 2 feedbacks to FIU-Nepal regarding its dissemination and other information.

### 5.1.5 FIU-Nepal's Cooperation with Regulators and Supervisors

Regulators and supervisors are responsible for inspection/supervision and implementation of AML/CFT policies and procedures by the REs. Regulators and supervisors should be proactive for compliance of AML/CFT regulation within REs. They also play an important role in high quality reporting to FIU-Nepal. FIU-Nepal regularly gives feedback to regulators and supervisors on the AML/CFT related circulars, guidelines issued by them, and on potential non-compliance of AML/CFT regulations. FIU-Nepal has uploaded AML/CFT directives issued by various regulators in its website for quick reference.

### 5.1.6 FIU-Nepal's Memorandum of Understanding (MoU) with Domestic Agencies

FIU-Nepal has entered into MoU with partner agencies in order to provide a structural framework for enhanced cooperation and understanding. FIU-Nepal has signed MoU with major LEAs, Regulators and concerned agencies for domestic cooperation and exchange of information via secured goAML platform to enhance the pace of the on-going fight against ML/TF/PF. FIU-Nepal continues its endeavor to sign MoU with all major LEAs and agencies to achieve the objectives mandated by ALPA (2008).

List of agencies with which FIU-Nepal has signed MoU are given in table below:

*Table 12 : List of MoUs with Domestic Agencies*

SN	Agency	Type of agency
1	Department of Customs	LEA
2	Department of Drug Administration	LEA
3	Department of Forest And Soil Conservation	LEA
4	Department of Immigration	LEA
5	Department of Money Laundering Investigation (DMLI)	LEA
6	Department of National Parks and Wildlife Conservation	LEA
7	Department of Revenue Investigation (DRI)	LEA
8	Nepal Police	LEA
9	Armed Police Force, Nepal	G o v e r n m e n t Agency
10	Department of Cooperatives	Regulator
11	Department of Land Management and Archive (DOLMA)	Regulator
12	Inland Revenue Department (IRD)	Regulator
13	Ministry Of Culture Tourism And Civil Aviation	Regulator
14	Nepal Rastra Bank (NRB)	Regulator
15	Office of the Company Registrar	Regulator
16	Securities Board of Nepal (SEBON)	Regulator
17	The Institute of Chartered Accountants of Nepal (ICAN)	Regulator
18	National Information Technology Center (NITC)	Other

## 5.2 International Cooperation and Engagement

### FATF Recommendation 40: Other forms of international cooperation\*

- Countries should ensure that their competent authorities can rapidly, constructively and effectively provide the widest range of international cooperation in relation to money laundering, associated predicate offences and terrorist financing.
- Countries should do so both spontaneously and upon request, and there should be a lawful basis for providing cooperation.
- Countries should authorize their competent authorities to use the most efficient means to cooperate.
- Should a competent authority need bilateral or multilateral agreements or arrangements, such as a Memorandum of Understanding (MOU), these should be negotiated and signed in a timely way with the widest range of foreign counterparts.
- Competent authorities should use clear channels or mechanisms for the effective transmission and execution of requests for information or other types of assistance.
- Competent authorities should have clear and efficient processes for the prioritization and timely execution of requests, and for safeguarding the information received.

**\*INTERPRETIVE NOTE TO RECOMMENDATION 40: -**

**Exchange of information between FIUs**

- o *FIUs should exchange information with foreign FIUs, regardless of their respective status; be it of an administrative, law enforcement, judicial or other nature. To this end, FIUs should have an adequate legal basis for providing cooperation on money laundering, predicate offences and terrorist financing.*
- o *When making a request for cooperation, FIUs should make their best efforts to provide complete factual, and, as appropriate, legal information, including the description of the case being analysed and the potential link to the requested country. Upon request and whenever possible, FIUs should provide feedback to their foreign counterparts on the use of the information provided, as well as on the outcome of the analysis conducted, based on the information provided.*
- o *FIUs should have the power to exchange:*
  - a) *all information required to be accessible or obtainable directly or indirectly by the FIU under the FATF Recommendations, in particular under Recommendation 29; and*
  - b) *any other information which they have the power to obtain or access, directly or indirectly, at the domestic level, subject to the principle of reciprocity.*
- o *Countries should ensure that the FIU or other competent authority is able to take immediate action, directly or indirectly, to withhold consent to or suspend a transaction suspected of being related to money laundering, predicate offences, or terrorist financing, in response to a relevant request from a foreign counterpart. If the competent authorities having this power in the requesting and the requested countries are not counterparts, countries should ensure that the FIU is able to send or receive such requests.*

FATF Recommendation 40, “Other forms of international Cooperation” states that FIUs are required to provide a wide range of international cooperation. International cooperation by means of sharing of financial intelligence or related information between FIUs is essential for tackling ML/TF and associated predicate offences. It is a medium for combating illicit activities that have cross border networks and ensuring a stable AML/CFT regime. FIU-Nepal is member of Egmont group of FIUs since June 10, 2015. Egmont Group of FIU’s ‘Principles of Information Exchange’ and ‘FIU Nepal Guidelines for Information Exchange, 2022’ governs FIU-Nepal’s international cooperation.

FIU-Nepal receives, acknowledges and respond to requests for information from other FIUs in a timely manner via the ESW. Similarly, the request for information from competent authorities is sent upon request or spontaneously to respective

FIUs in a timely manner via the ESW. In addition to exchange of information/intelligence, FIU-Nepal regularly participates in other activities of Egmont Group such as surveys of Egmont, reviewing & providing comments on Egmont questionnaires, governance papers and projects.

**5.2.1 FIU-Nepal’s Cooperation and Exchange of Intelligence/Information with Foreign FIUs**

FIU-Nepal adheres to the principles of Egmont on exchange of information. All requests for information are replied to, in time, including cases where no information could be found. Similarly, the request for information from competent authorities is sent, upon request or spontaneously, to respective FIUs in a timely manner via the ESW. FIU-Nepal has been proactively participating in the Information Exchange confidentially to combat ML/TF/PF, from its inception.

Table below presents the number of cases in which FIU-Nepal made requests to other foreign FIUs and the number of cases where FIU-Nepal received requests from foreign FIUs in last five FYs :

*Table 13 : Information/Intelligence Exchange with Foreign FIUs*

Year / Action Taken	Requests received from foreign FIUs	Requests sent to foreign FIUs	Spontaneous disclosures from foreign FIUs	Spontaneous disclosures made to foreign FIUs	TOTAL
2019/20	4	24	10	1	39
2020/21	5	17	4	0	26
2021/22	13	18	9	0	40
2022/23	5	14	4	0	23
2023/24	17	24	5	0	46

In FY 2023/24, FIU-Nepal sent 24 requests to foreign FIUs. Among them 22 requests were made to foreign FIUs on the request of LEAs of Nepal with DMLI, Nepal Police and CIAA making 6, 7 and 9 requests respectively.

FIU-Nepal has participated in various surveys of Egmont Group and other counterpart FIUs in the last fiscal year 2023/24. Table below shows the information regarding participation of FIU-Nepal in International Surveys in the fiscal year 2023/24.

*Table 14 : Participation in International Surveys in FY 2023/24*

S.N.	Survey Title	Surveyor
1	The Information Exchange Working Group (IEWG ) Survey	Egmont Group of FIUs
2	Survey on development of new Egmont Secure Web (ESW)	
3	Survey on Egmont group annual report data	
4	The Information Exchange Working Group (IEWG) Business Plan 2024-2025 Survey	
5	Survey on the Role of FIUs in the National Risk Assessment Process	
6	Survey on Egmont Information Exchange Working Group (IEWG) Project - Most Effective Data Analysis IT Tools and Cloud Services	
7	Survey on Most Effective Data Analysis IT Tools and Cloud Services	
8	Survey on Egmont Policy and Procedures Working Group	
9	Survey by FinCEN	FinCEN
10	Survey on Cross-border Transactions and Data Analytics: FIUs	IMF

### 5.2.2 FIU-Nepal's MoUs with Foreign FIUs

FIU-Nepal has continued signing Memorandum of Understanding (MoU) with various foreign FIUs for enhancing cooperation and exchange of information/intelligence relating to ML/TF/PF and related offences. Because of FIU-Nepal's membership in the Egmont Group, it is able to exchange information/intelligence with 177 member FIUs without requiring a MoU. The objectives of MoU is to facilitate the parties of the MoU to exchange of financial intelligence/

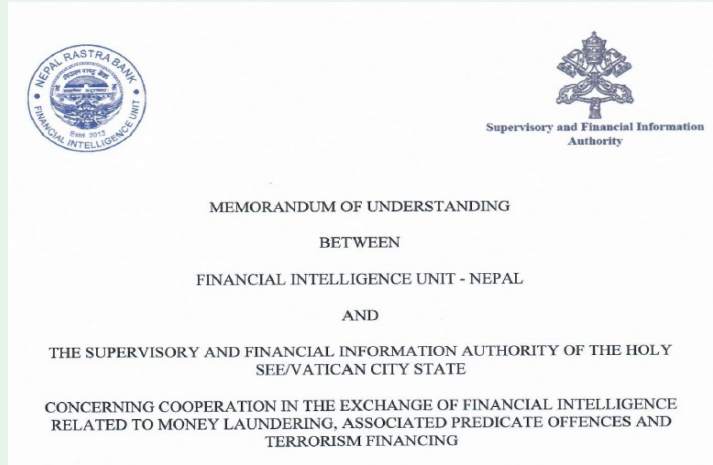
information of individuals/entities suspected of ML, TF, PF and associated predicate offenses. MoU also facilitates them to disseminate information to each other, which may ultimately result in investigations and prosecution of such individuals/entities by the competent authorities in their respective jurisdictions.

FIU-Nepal has taken initiative to sign MoU with the FIUs of other jurisdictions to facilitate cooperation, information/intelligence exchange and strengthen relationships among them.



FIU-Nepal has signed MoU with 19 foreign counterparts. In the Fiscal Year 2023/24, FIU-Nepal has signed MoU with 'The Supervisory and Financial Information Authority (FIU of The Holy See/Vatican City State)'. It is in process of conducting MoU with other counterparts as well.

**MoU between FIU-Nepal and FIU of Holy See/Vatican City State**



MoU between Financial Intelligence Unit of Nepal (FIU-Nepal) and the Supervisory and Financial Information Authority - ASIF (FIU of the Holy See/Vatican City State) was signed on October 4, 2023.

President of ASIF Mr. Barbagallo Carmelo and head of FIU-Nepal Mr. Dirgha Bahadur Rawal had signed on the MoU concerning cooperation in the exchange of financial intelligence related to money laundering, associated predicate offences and terrorism financing.

## CAPACITY BUILDING

Every day Sophisticated ML/TF trends and instruments are appearing worldwide unraveling the new threats and vulnerabilities. After the Covid-19 pandemic, money launders and criminals are attacking the financial system using new tools and methods, and are abusing e-wallet, e-banking, mobile banking systems. Number of online fraud cases have increased. There is emergence of cryptocurrency and other new technologies in payment system.

FIU-Nepal is continuously developing and strengthening the skills, instincts, abilities, processes and resources every year. FIU-

Nepal has given utmost priority to enhance the capacity and skills of its analysts and staffs who are engaged in detecting such criminal elements through STRs/SARs analysis. FIU-Nepal has made several strategic and operational efforts to enhance its capacity. Capacity building focus on enhancing the skills of workforce, knowledge building on red flags, trends and typologies of ML/TF and predicate offences. FIU-Nepal has organized various domestic and international trainings, knowledge sharing programs, meetings, seminars, etc. for its staffs and analysts.



Source: <https://swan.org.np/1757-2/1>

### 6.1 International Trainings

FIU-Nepal’s employees have participated in training/ workshop/ seminar organized by international organizations like APG, UNODC,

The South East Asian Central Banks Research and Training Centre (SEACEN), Egmont Group etc. The detailed lists of international trainings attended by FIU-Nepal staffs in FY 2023/24 are listed in the table below.

Table 15 : International Trainings and Meetings

S.N.	Name of Training/Meeting	Organizer	Venue
1	Macroeconomic Diagnostics	SEACEN	Kuala Lumpur, Malaysia
2	South Asia Anti-Corruption Regional Program	Embassy of United States	Dhaka, Bangladesh
3	Fight Money Laundering and Financing of Terrorism	Banke De France	Paris, France
4	Strengthening Transregional Acton and response against smuggling of migrants	UNODC	Maale, Maldives
5	Enhancing Effectiveness of AML/CFT Frameworks	IMF SARTTAC	New Delhi, India
6	Egmont and Regional Group Meetings	Egmont Group Secretariat	Malta
7	South East and South Asia Senior Official Regional Meeting	UNODC	Bankok, Thailand
8	FATF/APG Joint Assessor Training	APG	Hongkong
9	Improving STR/SAR Quality workshop	Egmont	Bankok, Thailand
10	Tentacle-Asia Pacific Subregional Workshop on AML-CFT	Egmont Group Secretariat	Suva, Fiji
11	SEACEN- Federal Reserve Course on Crisis management Recovery and Resolution Planning	SEACEN CENTRE	Manila, Philippines

International experts' knowledge, their impactful presentation, illustration of best practices, highlights on underlying international standards during trainings and meetings have enhanced the capacity, skills and knowledge of the FIU-Nepal staffs.

## 6.2 Domestic Trainings

Bankers' Training Centre (BTC) of NRB organizes various training programs for the central bank staffs. Staffs of FIU-Nepal have participated in

BTC's training programs which are structured to capacitate staffs on core banking functions.

The domestic training programs attended by the FIU-Nepals' employees mainly include the AML/CFT regimes, Banking fraud awareness, Management Development, Cyber Securitates Issues in Payment And Settlement in Nepal and Central Banking Trainings etc.

Detailed lists of domestic trainings attended by FIU-Nepals' staffs in FY 2023/24 are listed in the table below.

Table 16 : Domestic Trainings

S.N.	Trainings	Organizer	Participants
1	Legal	Legal Division, NRB	Assistant-1
2	Risk Based Internal Audit	BTC, NRB	Assistant Director-1
3	Banking Fraud Awareness	Management Association of Nepal	Assistant Director-1
4	Research Methodology & report Writing	BTC, NRB	Assistant-1
5	AML/CFT Regimes	BTC, NRB	Assistant Director-4

S.N.	Trainings	Organizer	Participants
6	Ethics and Behaviour in organization	BTC, NRB	Assistant Director-1 Assistant-1
7	Macroeconomic Management	BTC, NRB	Assistant Director-1
8	Behavioral Science for middle class Officer	BTC, NRB	Deputy Director-3
9	Central Bank's Law and application in Department level Decision Making	BTC, NRB	Deputy Director-1
10	Planning, Budgeting & Risk Management	BTC, NRB	Deputy Director-1
11	Central Banking Training	BTC, NRB	Assistant Director-1 Head Assistant-2
12	Amendment of Accounting Manual	FMD, NRB	Head Assistant-1
13	Organization Behavior	BTC, NRB	Assistant-1
14	GL software	BTC, NRB	Deputy Director-1 Head Assitant-1
15	EDR Training	Yantra Solution	Assistant-2
16	Macroeconomic Modeling & Forecasting	BTC, NRB	Assistant Director-1
17	Management Development Program	BTC, NRB	Deputy Director-1
18	Procurement Training	BTC, NRB	Assitant-1
19	Protocol Management	BTC, NRB	Assistant-1
20	Forex Management in Nepal	BTC, NRB	Assistant Director-1
21	Cyber securities issues in payment and settlement in nepal	BTC, NRB	Assitant-1
22	Training on financial investigations on wildlife and forestry related crimes	UNODC	Assistant Director-3

In addition, FIU-Nepal has been providing training sessions to the REs for goAML implementation and others. It has also been assisting for capacity building of REs through interaction/training programs, discussion and counseling, providing feedbacks and handling their queries.

### 6.3 Knowledge Sharing within FIU-Nepal

FIU-Nepal organized knowledge sharing programs each quarter of FY 2023/24 among

its staffs. These programs covered different avenues of AML/CFT in which observations, experiences, ideas and best practices were shared by staffs of FIU-Nepal. These programs help to enrich the skills and knowledge of the human resource of FIU-Nepal as well as to builds uniformity in official working process.

The detailed lists of Knowledge Sharing within FIU-Nepal in the fiscal year 2023/24 are listed below in the table.

Table 17 : Knowledge sharing among FIU-Staffs

S.N.	Programs
1	Third Mutual Evaluation and Report Manageable Software
2	RMS (Report Management Software) and Software/Hardware in FIU
3	Improving STR/SAR Workshop, APG/FATF Assessor Training and Enhancing Effectiveness of AML/CFT Framework
4	Use of Ms-Excel tools in Financial Analysis

FIU-Nepal also organized capacity-building program through training program by inviting national/international expert to deliver and share their experiences on activities by FIUs, international good practices, trend and typologies, Mutual Evaluation and other related topics.

### 6.4 Interaction Programs with Stakeholder of AML/CFT in Nepal

FIU-Nepal organized various interaction programs in the fiscal year 2023/24, among different stakeholder. The details of such programs is listed in the table below.

Table 18 : Interaction Programs Organized by FIU-Nepal in FY 2023/24

S.N	Programs
1.	Workshop on AML/CFT with DNFBPs
2.	Interaction Program on AML/CFT and goAML Reporting with Cooperatives
3.	Interaction Program on goAML Reporting with Remittance Companies
4.	Interaction Program on AML/CFT and goAML Reporting with Regulators and Reporting Entities related to Securities Sector
5.	Interaction Program on AML/CFT, Mutual Evaluation and Interagency Cooperation/Coordination/Feedback with Regulatory & Supervisory Agencies
6.	Interaction Program on AML/CFT, Mutual Evaluation and Interagency Cooperation/Coordination/Feedback with LEAs and other related agencies
7.	Interaction Program on AML/CFT , Mutual Evaluation and Reporting to FIU with AML Committee Members of Commercial Banks
8.	Interaction Program on AML/CFT, Mutual Evaluation and Reporting to FIU with AML Committee members of Class B, C and D (Deposit Collecting) Financial Institutions

**Note:** Please refer to Annex 10 for complete list of events/programs/ activities of FIU-Nepal for FY 2023/24.

FIU-Nepal plans to organize various interaction different stakeholder. The details are listed in the programs in the fiscal year 2024/25, among table below.

Table 19 : Interaction Programs Planned to be organized by FIU-Nepal in 2024/25

S.N	Programs
1.	Workshop on AML/CFT and feedback on goAML Reporting with DNFBPs
2.	Interaction Program on AML/CFT and goAML Reporting with Cooperatives
3.	Interaction Program on Interagency Feedback with Reporting Entities, LEAs, Regulatory & Supervisory Agencies and other related agencies
4.	Interaction Program on AML/CFT, Mutual Evaluation and Interagency Cooperation/Coordination/Feedback with LEAs, Regulatory & Supervisory Agencies and other related agencies

Besides formal program, FIU-Nepal also Nepal provides its staffs as resource person to conducts meeting with stakeholders and invited the stakeholders as per their need. to meeting organized by stakeholders. Also, FIU-

## THIRD MUTUAL EVALUATION OF NEPAL

### 7.1 Mutual Evaluation (ME): Brief Overview

FATF/FSRB conducts mutual evaluation (ME) of its members’ levels of implementation of the FATF Recommendations on an ongoing basis. These are peer reviews, where members from different countries assess another country. A MER provides an in-depth description and analysis of a country’s system for preventing criminal abuse of the financial system. It also provides focused recommendations to the country to strengthen its system based on such analysis. The assessment of AML/CFT system is done based on:

- FATF revised standards 2012
- FATF methodology 2013
- APG third round ME procedures 2021

The MER allows country to determine how they should improve their national AML framework and how to do this via tailored recommendations provided by FATF. Mutual evaluations are useful to country authorities, regulators, the financial sector and the general public as they help determine the ML/TF risks of a jurisdiction. The FATF/FSRB follows a very structured methodology and predefined procedures to measure two

distinct components that make up the overall assessment given in below points:

- Technical compliance** with the 40 Recommendations created by FATF – an assessment of the legal, regulatory and institutional regime of the nation and the powers of the relevant authorities.
- Operational effectiveness** measuring how well a country delivers on a set of defined outcomes considered essential by FATF to achieve a robust AML/CFT framework. Effectiveness is measured during the onsite visits, which are part of an evaluation, where the country provides concrete evidence that its measures are working and delivering the right outcomes.

As Nepal is member of APG, one of the FSRBs, ME of Nepal is conducted by APG. During Mutual Evaluation process, it does not only look at what laws and institutions are in place to foster an effective AML framework, but also at how effective these measures are and what results and consequences they are having. Typically, countries respond to ME observations by taking additional policy measures.

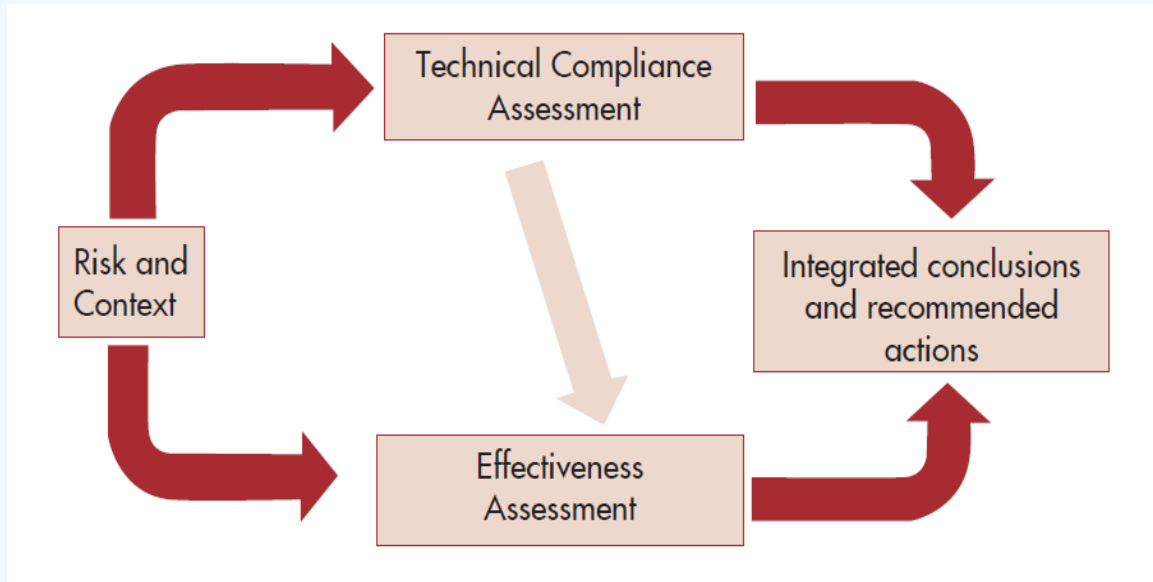
#### *Relationship between Recommendations and IOs*

EFFECTIVENESS	TOPIC	RELATED RECs
IO 1	Risk and policy coordination	R. 1, 2, 33, 34
IO 2	International cooperation	R. 36-40
IO 3	Supervision	R. 14, 26-28, 34, 35
IO 4	Preventive measures	R. 9-23
IO 5	Transparency of legal persons and arrangements	R. 24, 25
IO 6	Financial intelligence	R. 29-32

IO 7	Money laundering investigations and prosecutions	R. 3, 30, 31
IO 8	Confiscation	R. 1, 4, 32
IO 9	Terrorist financing investigations and prosecutions	R. 5, 30, 31, 39
IO 10	Terrorist financing targeted financial sanctions and non-profit organizations	R. 1, 4, 6, 8
IO 11	Proliferation financing targeted financial sanctions and domestic coordination	R. 7

The Mutual Evaluation framework/s is presented in the following figure:

Figure 19 : Mutual Evaluation Process



Source: APG

Mutual Evaluations have four basic components, Risk and Context, Technical Compliance (TC) Assessment, Effectiveness Assessment and Integrated Conclusions and Recommended Actions.

**a) Risk and Context:** The starting point for every assessment is the assessors' initial understanding of the country's risks and context, in the widest sense and the elements which contribute to them. The ML/TF risks are critically relevant to evaluating technical compliance (TC) with FATF Recommendation 1 and the risk-based elements of other Recommendations and to assess effectiveness. The make-up of and nature of financial/DNFBP sectors and economy along with the structural elements such as political commitment, rule of law, accountability, integrity,

transparency and effective judicial systems are considered to understand the risk and context. Assessor considers the nature and extent of the ML/TF risk factors to the country at the outset of the assessment and throughout the assessment process. One of the major documents for APG for assessing risk and context is NRA report and sectoral risk assessment reports prepared by the country.

**b) Technical Compliance (TC) Assessment:** A desk-based TC analysis assesses compliance by an APG member with the specific requirements of each of the 40 FATF recommendations- the relevant legal and institutional framework of the jurisdiction, and the powers and procedures of competent authorities. These recommendations represent the building blocks of an AML/

CFT system. The TC analysis is undertaken by an assessment team prior to an on-site visit of the member being evaluated. In case of requirement Pre-Onsite Visit is conducted by the Assessment Team to gauge the level of TC.

c) **Effectiveness Assessment:** The main component of a ME is effectiveness assessment. It assesses the extent to which an APG member achieves a defined set of outcomes that are central to a proper functioning and effective AML/CFT system with expected results based on the ML and TF risk profile of that jurisdiction. An effectiveness assessment comprises of the extent to which an APG member achieves a defined set of outcomes that are central to a proper functioning and effective AML/CFT system with expected results based on the ML and TF risk profile of that jurisdiction. Experts forming the assessment team use “11 IOs,” including core issues for each

outcome, in the 2013 methodology with an aim to achieve the High Level objective of “Protecting the Financial System and the Broader economy from ML/TF threats and Proliferation, Strengthening Financial System Integrity and contributing to safety and security”.

#### **Integrated Conclusions and Recommended**

**Actions:** It is the final step of ME where the key findings with recommended actions are presented. On the basis of a), b) and c) as mentioned above, the detailed analysis of the level of compliance with the technical criteria and the final conclusion are presented by the assessor team. A MER is not the end of the process. It is a starting point for the country to further strengthen its measures to tackle ML/TF/PF. Mutual Evaluation Report is not the end of the process. It is a starting point for the country to further strengthen its measures to tackle ML/TF/PF.

#### **Rating Scales for Technical Compliance and Effectiveness Assessment**

Compliance/Achievement Ratings			
Technical-40	Shortcomings	Effectiveness - 11	Extent of achievement/Improvements needed
Compliant (C)	No	High level of effectiveness	Very large/minor
Largely compliant (LC)	Minor	Substantial level of effectiveness	Large/moderate
Partially compliant (PC)	Moderate	Moderate level of effectiveness	Some/major
Non-Compliant (NC)	Major	Low level of effectiveness	No/fundamental
Not applicable (NA)	–	–	–

#### **Ground for categorizing assessed jurisdiction in Follow-up (Monitoring)**

Types	Grounds
Regular	
Enhanced	1. 8 or more NC/PC Recs. on TC, or 2. NC/PC on 1 or more out of R 3, 5, 10, 11, 20 Recs. on TC or 3. L or M on 7 or more IOs, or 4. L on 5 or more los



Types	Grounds
Enhanced [Expedited]	<ol style="list-style-type: none"> <li>1. NC/PC on 10 or more out of Recs: R 3, 5, 10, 11, 20 and 1, 4, 6, 26, 29, 36, 37, 40, or</li> <li>2. L or M on 9 or more IOs</li> </ol>
International Cooperation Review Group/ Monitoring	<ol style="list-style-type: none"> <li>1. 20 or more NC/PC Recs, or</li> <li>2. NC/PC on 3 or more of R 3, 5, 6, 10, 11, 20, or</li> <li>3. L or M on 9 or more or</li> <li>4. L on 6 or</li> <li>5. Non-participation in FSRB or</li> <li>6. Nomination by FSRB/FATF delegation</li> </ol>

Recs.: Recommendations; TC: Technical Compliance; IOs: Immediate Outcomes

## 7.2 Nepal’s Mutual Evaluation Report (MER)

Nepal underwent its first and second APG Mutual Evaluation in 2005 and 2010, with the report adopted in 2011. Nepal engaged in ICRG process with FATF through since 2009. Nepal has improved its AML/CFT regime for facilitating international cooperation in line with the FATF principles. As a result, Nepal was relieved from the ‘Improving Global AML/CFT Compliance List’ of FATF/ICRG from June 2014. APG conducted third round of Mutual Evaluation (ME) and published Mutual Evaluation Report (MER) on September 2023.

APG Annual Meeting held at Vancouver, Canada in 2023 adopted the Nepal’s MER and APG published the report on it’s official website on September 2023. Nepal amended various AML-CFT related laws April 2024 based on the MER comments, and requested for re-ratings on Technical Compliance on 19 Recommendations after such amendments. APG secretariat had agreed to upgrade some of Nepal’s request and agreed to upgrade nine recommendations which is mentioned in Nepal’s Follow Up Report (FUR) 2024 prepared by APG. Nepal’s Follow Up Report (FUR) 2024 was discussed in Mutual Evaluation Committee (MEC) Annual Meeting in 2024. Delegates from Nepal’s team answered queries raised by MEC Member during the MEC meeting. Mutual Evaluation Co-Chairs adopted Nepal’s

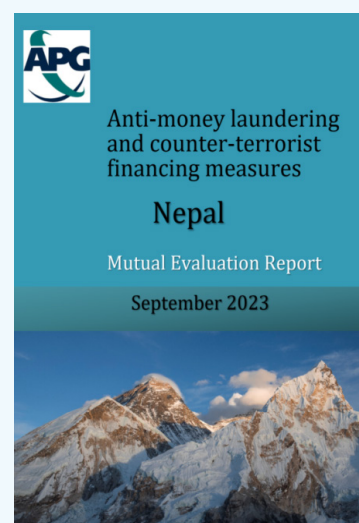
Follow-Up Report (FUR) prepared by APG Secretariat at 2024 APG Annual Meetings.

As per MER of Nepal, APG and the assessment team has following key findings and recommended actions that Nepal

government and different AML-CFT stakeholders need to do:

### (a) Nepal Government

- Nepal should pass the *Amendments to Some Laws relating to AML and Business Promotion Bill*, which aims give ML investigation authority to the predicate crime investigation agency. When passed, Nepal should expedite implementation and significantly enhance the capacity of impacted competent authorities to undertake their new/modified functions.
- Nepal should ensure all future high-level confiscation policies support a whole of government approach to deprive individuals of their ill-gotten gains while also improving individual agencies’ confiscation results. Recovery from offences generating significant proceeds of



crime, and crimes consistent with Nepal's risk profile (corruption, tax evasion, human trafficking, and other higher risk crimes and movement of proceeds abroad) should be a clear and explicit focus.

- Expedite national identification roll-out to ensure robustness of documents used in the CDD process and provide access to the national identity card or other similar government database for verification purposes.

### **(b) ML-TF Risk Assessment**

- Update and enhance all competent authorities' understanding of ML/TF risk including through conducting a comprehensive assessment of Nepal's ML/TF risk. Particularly around ML typologies for all higher risk predicate crimes including human trafficking and sexual exploitation, and in all vulnerable FI/DNFBP sectors on legal persons, PEPs, cross-border issues (including TBML), virtual assets/ virtual assets service providers (VASPs), the impact of the informal economy, and emerging risks.
- Nepal should adequately assess its TF risk (in line with the RA in IO.1) and use this enhanced understanding to improve its mechanisms to identify potential TF cases and integrate CFT into its counter-terrorism strategies, activities, coordination and cooperation mechanisms.
- Nepal should assess NPO's TF risks in accordance with Recommendation 8, and based on this review implement measures and provide appropriate TF-related outreach and targeted monitoring to at-risk NPOs.
- Ensure the National Strategy and Action Plan gives more focus on AML/CFT supervision priorities and LEA operational priorities set appropriately to address Nepal's ML/TF risks.

- Promote and develop awareness the Nepal's ML/TF risks including in relation to all high risk predicate crimes through ongoing outreach and engagement with FIs and DNFBPs.
- Sector and cross-sector vulnerability analysis should be undertaken to increase understanding of risks including with cash transactions, foreign currency transactions, legal persons and arrangements, Hundi, casinos, real estate, precious metals or stones and cross-border activities.
- Require and support all FIs and DNFBPs to enhance their understanding on ML/TF risks (including by conducting institutional risk assessments) and to take mitigating measures consistent with risk understanding.

### **(c) FIU-Nepal**

- The FIU-Nepal's goAML division should be given priority for available human resources to expedite full adoption and operation of goAML.
- The FIU should enhance FIs reporting with a focus on enhancing the quality and quantity of STRs/SARs reporting through additional outreach and guidance, targeting Nepal's higher ML/TF risks (particularly corruption) and FI sectors.
- The FIU should enhance its analysis capability with a focus actionable financial intelligence for corruption, tax evasion and other high risks predicate crimes
- The FIU should strengthen and regularly build upon strategic intelligence analysis to further support LEAs target Nepal's high and emerging ML/TF risks; and FIs and DNFBPs identifying and report ML/TF and other criminal offending.
- All declarations under Nepal's cash declaration system should be shared with the FIU in a timely manner as and when it occurs and not on a bulk-forwarding basis.

- Increase quality and quantity of FIU reporting. This should include supporting and encouraging FIs and DNFBPs to adopt automated AML/CFT systems for the identification of suspicious transactions and the submission of electronic reports to the FIU, taking into consideration their specific circumstances and ML/TF risks.
- Nepal should enhance FIU reporting by DNFBPs. This should prioritise casinos and higher risk DPMS and real estate agents.

#### **(d) LEAs and other Investigative Agencies**

- All LEAs should prioritise and increase the identification of ML in their cases, particularly high risk predicates related to corruption, tax evasion, human trafficking, narcotics, smuggling (particularly cash and precious metals) and environmental crime.
- Nepal should prioritise and increase complex ML cases of all higher-risk predicates, such as corruption, tax evasion, human trafficking, narcotics smuggling crime, environmental crime and cases involving legal persons. This should include providing further ML investigation training and additional specialised human and institutional resources to DMLI.
- DMLI, Nepal Police, DRI and CIAA should increase their use of financial intelligence to develop and investigate ML/TF and trace proceeds in predicate crime offending particularly across the high risk predicates of corruption, tax, human trafficking and ML.
- All other LEAs and investigative authorities should be prioritised by Nepal to build their human and institutional capacity through development of adequate policies and standard operating procedures (SOPs) to develop and use financial intelligence in their predicate crime investigations.
- LEAs should provide regular feedback to the FIU on its analytical products to enable

the FIU to further increase quality of disseminations.

- All LEAs and Investigative Authorities should place a greater emphasis on the seizing/freezing and confiscation of proceeds of all crimes, including property of corresponding value.
- All relevant competent authorities should adopt adequate institutional-level policies to prioritise confiscation, and operational-level procedures/SOPs to support confiscation-related activities.
- All relevant competent authorities should record comprehensive statistics on their freezing/seizing and confiscation actions to ensure the full value chain of confiscation-related actions in predicate crime cases is captured accurately to better assess asset confiscation efforts.

#### **(e) Regulators and Supervisors**

- Nepal should address legal/technical deficiencies relating to market entry and fit and proper requirements and actively prevent criminals and their associates from ownership or management of FIs or DNFBPs. This should prioritise higher risk sectors such as commercial and development banks and casinos, as well as higher risk cooperatives, DPMS and real estate agents.
- Core principle AML/CFT supervisors should strengthen mechanisms for international cooperation on AML/CFT matters and increase their use with regional partners with close economic and financial sector connections
- NRB's new AML/CFT Supervision Division should be appropriately resourced to deliver supervision across all NRB supervised FI sectors. NRB should continue to embed and refine its risk-based supervision framework for commercial banks. This framework

should also be leveraged to develop risk-based supervision across all NRB supervised sectors, with the frequency and intensity of offsite and onsite supervision determined on the basis of risk.

- Nepal should significantly improve the implementation of all preventative measures and address technical compliance (TC) gaps. This can be achieved by conducting various activities, including sanctioning where appropriate. The goal is to ensure that all FIs and DNFBPs enhance their application of risk-based Customer Due Diligence (CDD) and specific measures, with a focus on Politically Exposed Persons (PEPs) and Beneficial Owners (BOs). Additionally, they should apply mitigating measures that match their risks, enhance FIU and regulatory reporting, and implement internal controls."
- For cooperatives, Nepal should increase AML/CFT supervisory resource and develop and expedite risk-based supervision.
- Risk-based supervision should be implemented for the DNFBP sectors. This should prioritise casinos and higher risk DPMS and real estate agents.
- All supervisors should apply proportionate and dissuasive sanctions for AML/CFT non-compliance. Casinos should also be sanctioned for engaging in illegal foreign currency or money value transfer service (MVTs) transactions in violation of the FERA. Real estate agents operating illegally should be identified and sanctioned when necessary.
- For the MVTs sector, Nepal should continue to promote and incentivise remittance through formal channels, while identifying and applying proportionate and dissuasive sanctions to illegal MVTs providers/hundi.
- NIA and SEBON should further develop

risk-based AML/CFT supervision, leveraging prudential supervision using data collected offsite from mandatory reporting and STRs/TTRs. IRD should implement risk-based AML/CFT supervision for pension funds.

- Nepal should significantly enhance risk-based AML/CFT supervision of cooperatives, casinos, DPMS, and real estate agents.
- Nepal should determine the extent to which lawyers, notaries, chartered accountants, registered auditors and other similar professionals engage in DNFBP activities and develop understanding of the associated risks and increase supervision.
- Enhance FIs and large DNFBPs use of AML/CFT independent audits to promote effective compliance with AML/CFT obligations focusing on higher risk issues and areas of lower compliance such as enhanced measures for legal persons and arrangements, PEPs and Targeted Financial Sanctions (TFS).
- Supervisors should conduct regular monitoring activities of FIs and DNFBPs to ensure compliance of TFS-PF obligations. Where non-compliance is identified, sanctions should be applied.
- Nepal should remedy gaps in the VASP prohibition and apply proportionate and dissuasive sanctions to illegal VASPs.
- Nepal's supervisors should conduct regular monitoring activities of FIs and DNFBPs to ensure compliance of TFS-TF obligations. Where non-compliance is identified, sanctions should be applied.

#### (f) Terrorism Financing

- Nepal should identify, investigate and prosecute TF cases in line with its TF offence set out in the ALPA
- Nepal should build the TF-related capacity of LEAs and prosecutors including by

implementing on-going TF specific training and developing comprehensive TF policies, procedures, guidelines, and SOPs to assist in identifying, investigating, prosecuting TF cases.

- Nepal should ensure proportionate and dissuasive sanctions are applied in TF convictions, and the court's judgments are enforced.
- Nepal should implement TFS-TF UNSCR 1267 and 1988 immediately.
- Nepal should operationalize the new TFS Committee to improve domestic cooperation and coordination in the implementation of TFS-TF.
- Nepal should provide clear direction and outreach programs to the private sector regarding TFS-TF.
- Nepal should establish a legal framework to implement TFS-PF immediately through setting up procedures, measures, compliance and sanction mechanisms that give effect to TFS obligations.
- Nepal should consider its sanctions evasion risk and ensure it has the capability to identify, deprive and prevent the raising, moving and use of funds for the financing of proliferation through participating in capacity building and training programs for competent authorities.
- Nepal should increase outreach and support to ensure all FIs and DNFBPs are conducting adequate TFS-PF screening.

#### **(g) *The Department for Management of Proceeds of Crime (DMPC)***

- The DMPC should receive significantly greater human and institutional resources to enable it to fully carry out its mandate of asset management and enforcement of confiscation orders and recovery of assets by the Government of Nepal.

- LEAs and investigative authorities and OAG should enhance their cooperation and coordination with DMPC for effective asset management, enforcement of confiscation orders and recovery of assets by the Government of Nepal.
- DOC should effectively implement Nepal's cash declaration system and should receive additional human and/or institutional resources to enable DOC effectively identify non-compliance.

#### **(h) *International Co-operation***

- Nepal should streamline its MLA response coordination mechanisms; and establish policies, procedures and SOPs that support LEAs and Investigative Authorities to prioritise the use of MLA and other forms of international cooperation in ML/TF and high risk predicate crime cases.
- DMLI, DRI, CIAA and other investigative authorities should continue to establish and strengthen their individual mechanisms for international cooperation with important regional counterparts and other jurisdictions who share risks and a criminal nexus.
- Nepal should enhance LEAs and other Investigative Authorities' use of MLA in applicable ML, TF and higher-risk predicate crime investigations including by implementation of policies, procedures and SOPs, and providing training.
- Nepal should streamline and enhance its MLA response coordination mechanisms to ensure incoming requests are prioritised and expeditiously transmitted to the operational level.
- Nepal should implement policies and procedures including a vetting process to ensure appropriateness and completeness of information in outgoing MLA to improve execution by requested jurisdictions.

- To significantly increase their ability to provide and seek extradition, Nepal should in line with its risk and context consider either removing the treaty requirement in the Extradition Act or enter into more treaties with other jurisdictions.
  - Nepal should enhance international cooperation on BO including coordinating and consolidating information on legal persons and arrangements with jurisdictions that have similar shared risks.
- (i) Training and Capacity Development**
- Nepal should provide targeted proceeds of crime confiscation training to DMPC, LEAs and investigative authorities and OAG.
  - Nepal should prioritise further training of all LEAs and the development of enhanced policies/procedures and SOPs to assist all LEAs to identify ML; cooperate between investigative agencies to prioritise ML investigations; and coordinate during investigations to efficiently refer cases to the DMLI.
  - Nepal should prioritise further ML training to OAG and provide additional human and institutional resources to increase OAG's Special Attorney Office's focus and capacity to prosecute complex ML cases involving high-risk predicates, including corruption cases and cases involving legal persons.
  - To support efficient judicial processes and the appropriate application of proportionate and dissuasive ML sanctions, Nepal should provide specialised ML training to judges.

## Summary of Technical Compliance and Effectiveness Assessment in MER 2023

### Technical Compliance Ratings

SN	Ratings of Recommendations	MER, 2023	First-FUR*, 2024
1	Compliant	5	5
2	Largely Compliant	16	23
3	Partially Compliant	16	11
4	Non-Compliant	3	1
<b>Total Recommendations</b>		<b>40</b>	<b>40</b>

\*FUR: Follow-Up Report

### Effectiveness Assessment Ratings

SN	Ratings of Immediate Outcomes (IOs)	MER, 2023
1	High level of effectiveness	0
2	Substantial level of effectiveness	0
3	Moderate Level of effectiveness	4
4	Low level of effectiveness	7
<b>Total IOs</b>		<b>11</b>

## Detailed Technical Assessment Rating

Recommendations	Rating	FUR 2024
R.1 - Assessing risk & applying risk-based approach	PC	----
R.2 - National cooperation and coordination	PC	Upgraded to LC
R.3 - Money laundering offence	LC	----
R.4 - Confiscation & provisional measures	LC	----
R.5 - Terrorist financing offence	LC	----
R.6 - Targeted financial sanctions – terrorism & terrorist financing	PC	----
R.7 - Targeted financial sanctions – proliferation	NC	Upgraded to PC
R.8 - Non-profit organizations	NC	----
R.9 - Financial institution secrecy laws	LC	----
R.10 - Customer due diligence	PC	Upgraded to LC
R.11 - Record keeping	C	----
R.12 - Politically exposed persons	LC	----
R.13 - Correspondent banking	LC	----
R.14 - Money or value transfer services	LC	----
R.15 - New technologies	NC	Upgraded to PC
R.16 - Wire transfers	LC	----
R.17 - Reliance on third parties	LC	----
R.18 - Internal controls and foreign branches and subsidiaries	LC	----
R.19 - Higher-risk countries	PC	Upgraded to LC
R.20 - Reporting of suspicious transactions	C	----
R.21 - Tipping-off and confidentiality	C	----
R.22 - DNFBPs: Customer due diligence	PC	Upgraded to LC
R.23 - DNFBPs: Other measures	PC	Upgraded to LC
R.24 - Transparency & BO of legal persons	PC	----
R.25 - Transparency & BO of legal arrangements	PC	----
R.26 - Regulation and supervision of financial institutions	PC	----
R.27 - Powers of supervision	C	----
R.28 - Regulation and supervision of DNFBPs	PC	----
R.29 - Financial intelligence units	C	----
R.30 - Responsibilities of law enforcement and investigative authorities	LC	----
R.31 - Powers of law enforcement and investigative authorities	PC	Upgraded to LC

Recommendations	Rating	FUR 2024
R.32 - Cash couriers	LC	----
R.33 - Statistics	LC	----
R.34 - Guidance and feedback	PC	----
R.35 - Sanctions	LC	----
R.36 - International instruments	LC	----
R.37 - Mutual legal assistance	LC	----
R.38 - Mutual legal assistance: freezing and confiscation	PC	Upgraded to LC
R.39 - Extradition	PC	----
R.40 - Other forms of international cooperation	PC	----

Note: Compliant (C); Largely compliant (LC); Partially compliant (PC); Non-Compliant (NC)

### Effectiveness Rating of Nepal

Immediate Outcome	Rating
IO.1 Risk, Policy and Coordination	Moderate
IO.2 International Cooperation	Moderate
IO.3 Supervision	Low
IO.4 Preventative Measures	Low
IO.5 Legal persons and Arrangements	Low
IO.6 Financial Intelligence	Moderate
IO.7 ML Investigation & Prosecution	Moderate
IO.8 Confiscation	Low
IO.9 TF Investigation & Prosecution	Low
IO.10 TF Preventative Measures & Financial Sanctions	Low
IO.11 PF Financial Sanctions	Low

### "Black and grey" lists by FATF (As of 21 February 2025)

- **High-Risk Jurisdictions subject to a Call for Action (referred as 'Black List')**
  - Democratic Republic of Korea
  - Iran
  - Myanmar
- **Jurisdictions under Increased Monitoring (referred as "Grey List")**

○ Algeria	○ Monaco
○ Angola	○ Mozambique
○ Bulgaria	○ Namibia
○ Burkina Faso	○ <b>Nepal</b>
○ Cameroon	○ Nigeria
○ Côte d'Ivoire	○ South Africa



- |                                    |               |
|------------------------------------|---------------|
| o Croatia                          | o South Sudan |
| o Democratic Republic of the Congo | o Syria       |
| o Haiti                            | o Tanzania    |
| o Kenya                            | o Venezuela   |
| o Lao PDR                          | o Vietnam     |
| o Lebanon                          | o Yemen       |
| o Mali                             |               |

## NEPAL

In February 2025, Nepal made a high-level political commitment to work with the FATF and APG to strengthen the effectiveness of its AML/CFT regime. Since the adoption of its MER in August 2023, Nepal has made progress on some of the MER's recommended actions including streamlining MLA requests and increasing the capabilities of the FIU. Nepal will continue to work with the FATF to implement its FATF action plan by:

- (1) Improving its understanding of key ML/TF risks;
- (2) Improving risk-based supervision of commercial banks, higher risk cooperatives, casinos, DPMS and real estate sector;
- (3) Demonstrating identification and sanctioning of materially significant illegal MVTs/hundi providers, without hindering financial inclusion;
- (4) Increasing capacity and coordination of competent authorities to conduct ML investigations;
- (5) Demonstrating an increase in ML investigations and prosecutions;
- (6) Demonstrating measures to identify, trace, restrain, seize and, where applicable, confiscate proceeds and instrumentalities of crime in line with the risk profile;
- (7) Addressing technical compliance deficiencies in its targeted financial sanctions regime for TF and PF.

**(Source: FATF)**

### 7.3 Way Forward

As Nepal's observation period ends on October 2024, way forward for Nepal are as follows:

- With respect to upgrading the ratings in technical compliance (TC), Nepal have to sufficiently address the underlying key deficiencies mentioned in the MER and show significant progress on the legal, institutional or operational frameworks since the onsite visit (i.e. after 16 Dec 2022) such as law amendments, issuance of new rules, by-laws, directives, manuals, procedures etc.
- With respect to effectiveness assessment, Nepal has to show positive and tangible progress, post onsite visit (i.e. after 16 Dec 2022), in recommended action highlighted in MER mentioning summarize efforts since the MER onsite visit, supported with charts, tables, statistics, case studies, success stories etc.

- The progress of Nepal as per above point has to be mentioned in Post Observation Period Report (POPR) to the Joint group on quarterly basis. First POPR of Nepal was submitted to the Joint Group on 06 November 2024. The rating scale on the POPR by the Joint group (comprising of FATF and APG members) based on POPR and additional information provided by Nepal will be on four categories Addressed, Largely Addressed, Partly Addressed and Not Addressed. If joint group is not satisfied with Nepal's progress it will give action plan to Nepal and Nepal will have to submit the progress quarterly on that Action plan.
- Prepare AML-CFT Rules, directives, guidelines and other delegated legislations as per amended AML-CFT related acts and rules
- Discuss and communicate with Joint Group regarding Nepal's POPR and progress with additional information
- Implement 10 Priority Actions (PA) and 77 Recommended Actions (RAs) mentioned in Nepal's MER 2023.
- Expedite implementation of AML-CFT related National Strategy and Action Plan (2024-25- 2029-30)
- Prepare NRA and Sectoral Risk Assessment
- Seek technical assistance from development partners as IMF, ADB, WB etc. as per requirement for implementation of 10 Priority Actions (PA) and 77 Key Recommended Actions (RAs) stated in Nepal's MER 2023.
- Focal persons of 57 related agencies of Nepal were appointed for ME process. (Ministries/Departments/LEAs/Regulators/Committees) (Agencies Involved in ME Process is mentioned in Annex).
- Virtual/physical interaction session for preparation of ME is done with stakeholders
- Virtual interaction programs were conducted with coordination with APG Secretariat
- Regular meeting of Mutual Evaluation Main Committee of Nepal
- Discussion of ME in all major AML-CFT committees such as National Co-ordination Committee (NCC), National Review Council, Regulators coordination committee, Investigation Coordination Committee, Counter Terrorism Mechanism, Mutual Evaluation Committee and Technical Group for Implementation.
- Nepal's Response on Technical Compliance Criteria's– 40 Recommendations, 251 Main Criteria (questions) & 425 Total Questions. This response included responses from all relevant agencies and their departments as well as for all immediate outcomes on all core issues along with examples of information that could support the conclusions on core issues, with Examples of specific factors supplemented by data, statistics, and case studies.
- Nepal's Response on Effectiveness Compliance – 11 IOs, 55 Main questions & Total 138 Questions
- Scoping Note and Onsite Agenda was discussed with the Assessment Team wherein the Head agency and participating agencies were decided.
- ME logistic team and liaison officers' team is formed to smoothly conduct ME related visits/meetings.

## 7.4 Nepal's Third Mutual Evaluation 2023: Key Activities

Key actions taken or activities performed by Nepal on MER 2023 are highlighted in following points:

- Laws, regulations, guidelines and other relevant documents related with AML/CFT are translated in English.

- Nepal's MER is discussed in 2023 APG Annual Meeting, Vancouver, Canada and Follow Up Report was discussed in 2024 APG Annual Meeting, Abu Dhabi, UAE

## 7.5 Role of FIU-Nepal in Onsite Meetings and Overall Mutual Evaluation (ME) Process

- All email communication between APG and Nepal is done through FIU-Nepal. FIU-Head has worked as the primary contact point for APG Secretariat. FIU-Nepal coordinated with all 57 agencies for the information exchange with APG.
- FIU-Head is the secretary of National Co-ordination Committee (NCC) co-ordination and co-operation between different agencies is discussed regarding ME.
- FIU-Head facilitated onsite entry and exit meeting as Master of ceremonies (Emcee) of the program.
- FIU-Head is the member of Mutual Evaluation Committee and Technical group, on which decision is made regarding ME process, such as finalization onsite agenda, participants in the meeting (lead agency and supporting agency), etc.
- FIU-Head facilitated onsite entry and exit meetings of all three onsite visits by the Assessment Team
- FIU-Nepal conducted and participated in all sessions/meetings (except meetings with private sectors) and also supported other leading agencies by adding significant responses.
- FIU-Nepal facilitated onsite visit of Head of the Assessment Team Mr. Shannon Rutherford and assessor Mr. Ayesh Ariyasinge visited FIU-Nepal on December 14, 2022.
- One Assistant Director from FIU-Nepal is deputed as a FIU-Nepal's representative in Mutual Evaluation Support Team at OPMCM for ongoing Report/Response writing regarding queries made by APG Secretariat and coordinating with relevant domestic agencies of Nepal as per requirement.
- Three employees from FIU-Nepal were a members of Mutual Evaluation Logistics Team.
- Two employees from FIU-Nepal worked as liaison officers during onsite visit for assessors and APG secretariats. The liaison officers facilitated airport transfer and hotel transfers of the assessment team.
- FIU-Nepal represented in APG Annual Meeting Vancouver, Canada. During APG plenary, Nepal was able to defend all ratings and was able to upgrade rating of Rec. 14 from PC to LC.

## 7.6 Key Timeline of Mutual Evaluation of Nepal

S.N.	Task	Date (AD)	Date (BS)
1	TC Response to APG	5 July 2022	2079/03/21
2	EC Response to APG	21 July 2022	2079/04/05
3	Pre- onsite visit (11 meetings)	12-14 October 2022	2079/06/26-28
4	ME on-site visit (102 meetings)	5-16 December, 2022	2079/07/08 / 08 / 19 - 2079/09/01
5	1 <sup>st</sup> draft of MER from APG to Nepal	6 February 2023	2079/10/23
6	Reviewers review (FATF, Canada, Singapore)	21 April 2023	8 Baisakh 2080
7	Face to Face Visit (12 meetings)	26-28, April 2023	13-15 Baisakh 2080
8	Circulation of final report to countries/ organizations	26 May 2023	12 Jestha 2080

S.N.	Task	Date (AD)	Date (BS)
9	2023 APG Annual Meeting discussion of Nepal MER, Vancoever, Canada	9-14 July, 2023	Ashadh-Shrawan 2080
10	Report publication	08 September, 2023	22 Bhadra 2080
11	Follow up Report (FUR) Discussion, Abu Dhabi, UAE	22-27 September, 2024	Asoj 2081

## 7.7 Consequences of low compliance in Mutual Evaluation (ME)

Country with low compliance in ME is subject to FATF ME and may be put in the global Negative List as non-cooperative country and faces: -

- Harder situation for banks to conduct international transactions
- Increase in cost of funds or delay or limitation
- Loss of credit lines or correspondent relationships
- Decrease in receiving assistance, loan and other facilities from international organizations and countries
- Restrictions on inward remittance, aid, capital and other flows
- Inability of institutions to expand overseas
- Withdrawal of foreign banks
- Loss of investor confidence
- Reputational problem to Nepal and its financial system
- Difficulty for Nepalese nationals to open account abroad

## RECENT TRENDS AND TYPOLOGIES

In case of Nepal, following are some of the major examples of ML related trends and typologies for last few years: -

### **(a) Underground Banking / Alternative Remittance Services (Hawala / Hundi etc)**

Hundi is used to send remittance through informal channel. In Nepal, it's seen that fund is received by the agent in foreign jurisdiction and payment is made through payment service provider and different person (including agent/representative) depositing cash in many accounts throughout the country. This year FIU-Nepal disseminated many such STR/SARs were to relevant LEA's.

#### **Case Example:**

The conductor, Mr. R made cash deposits of NPR 2.9 million through 5 transactions in various accounts maintained at Bank's various branches for the purpose of loan payment, business and savings. Similarly, he has deposited NPR 56 million in duration of 3 months in same bank. Further, during analysis it was noted that person has deposited 715 million in cash (as per TTR reporting) in the different firm's account along with 297 million in different personal account held at different bank. Nepal Police arrested him for Hundi related offense.

### **(b) Cyber Enabled Fraud**

Cyber enabled crimes, especially fraud using social media and internet is in rise in recent times. FIU-Nepal has published Strategic Analysis Report 2024 which has covered it in great detail (Please visit <https://www.nrb.org.np/departments/fiu/> to access this report).

#### **Case Example:**

ABC Pvt. Ltd. is an importer and distributor of computer and computer related accessories

located in Kathmandu. The company regularly imported items from an exporter XYZ Pvt. Ltd. based in Singapore and made payment from a bank in Nepal. On November 2019, ABC Pvt. Ltd. received a Performa Invoice in e-mail, seemingly from XYZ Pvt. Ltd. Bank account detail of exporter was changed in the Performa Invoice from CITI Bank, Singapore to LLOYDS Bank PLC, United Kingdom. On request of the client, the bank in Nepal transferred the invoice amount \$ 17,520.00 to LLOYDS Bank PLC, United Kingdom, for the import hard disks from Singapore. But XYZ Pvt. Ltd. did not receive the payment.

Upon inquiry, it was found that the email regarding Performa Invoice was fraud and email of ABC Pvt. Ltd. was hacked. The email regarding Performa Invoice was spear phishing email and hackers changed bank account details from CITI Bank, Singapore to LLOYDS Bank PLC, United Kingdom. The account at LLOYDS Bank PLC, in which fund was transferred, was found to be of an Individual. When ABC Pvt. Ltd. communicated with Lloyd's Bank regarding the fraud amount, the bank suggested the customer to go to the remitting bank and send swift to 'call bank funds under scam'. Until then most of the transferred amount was already withdrawn. Hackers had also sent spoofed emails to XYZ Pvt. Ltd. appearing like they were sent from ABC Pvt. Ltd. Such email domains were blocked after discovery of the incident.

### **(c) Gaming Activities (Internet Betting/Casino)**

Online betting site like 1xbet, Fifiya, Metabet etc. are operating in Nepal and is been advertised through social media. This companies hire people who provide their personal account for certain commission. The account is advertise/shown for certain time in the platform to receive

the deposit. Similarly, Small business unit like Stationary shop, Auto Workshop, etc. are also used in process for layering of fund including receiving of fund and showing it as legitimate fund derived from revenue income.

#### **Case Example:**

Small value transaction in huge number i.e. NPR 5.3 million was deposited into the account through Interbank Payment System (IPS) transaction in from 432 different individuals accounts from different 35 Bank and Financial Institutions. Nearly Same amount was transferred to the account of different unrelated individuals through IPS on same or following days. Transaction is not found reasonable, conducted with irrelevant party and not justifiable. The account was also appeared in 1xbet site.

#### **(d) Virtual Assets Cryptocurrency (Bitcoin etc.)/ Illegal Virtual Assets**

STR's/SARs are on rise where people has actually purchase the virtual assets using Nepalese account. Similar Pre-paid dollar card is also used to purchase such assets which is not legal as per current law of Nepal.

#### **Case Example:**

Mr. R was issued a dollar prepaid card for making various international payments for goods and services. He has top-up of \$350 and has made payment to different areas such as facebook ad boosts. However, some payments remarks have been mentioned as "POS Trn @ CRYPTO PAYMENTS" and "POS Trn @ \*\*\*\*\* JEWELRY".

On enquiry with the customer by the bank, he mentioned that he owns a shop which deals with recharge and e-sewa top-ups. He further added that his customer Mr. G paid him cash (who own jewellery shop) used the dollar card to purchase jewellery through it.

- 7/5/2022 POS Trn @ CRYPTO PAYMENTS USD 14.26
- 6/4/2022 POS Trn @ \*\*\*\*\* JEWELRY USD 8.25

#### **(e) Tax Evasion**

There are good number of people using their personal account to deposit proceed of business related income to understate the actual sales revenue. The detail of which is in Strategic Analysis Report 2023 published by FIU Nepal. (Please visit <https://www.nrb.org.np/departments/fiu/> to access this report).

#### **Case Example**

Customer has used saving account to receive the business related inward fund from foreign jurisdiction. He has deposited NPR. 9 Million (approx. USD 75,000) in saving account which was sent by third party of Country 'A' through Inward telex payment. After few days, he has transferred that fund to his current account and has done Telegraphic Transfer (TT) to import various medical items from country 'B' related to Covid-19 (i.e. Mask and Infrared Temperature Gun). Customer have been trying to get some short term benefits by taking the advantages of lockdown for his business, which seems to be unregistered. Same was also published in several newspapers. Based on adverse news and unusual transactions in personal account, Bank submitted STR to FIU-Nepal. After analysis, FIU-Nepal found suspicion about personal saving account been used by customer to evade tax evasion and disseminated to IRD for further investigation.

#### **(f) Corruption**

Corruption amount settled in foreign jurisdiction and disguise as a payment of consultancy service. Despite being officiated employee person has worked as a consultant to receive proceed of crime in his/her account held in foreign jurisdiction. Similarly use such proceed to purchase real estate in foreign jurisdiction and transfer in Nepal in his /her relatives (Close family member) account.

#### **Case Example:**

- Mr A is a ward chairperson. He is involved in formation of Upbhokta Samiti (Consumer

Group) where his wife became a member of the samiti. The fund was transferred from the samiti account to Ward chairperson's wife personal account and ultimately the fund was transferred to Ward Chairperson personal Account. The transactions seems to be embezzlement of Upabhokta Samiti fund created for development work.

- Mr B was high level official of a public entity. He has procedure many IT related component. Even one of supplier's partner was his close relative. The proceeds of crime were settlement in foreign Jurisdiction.

### **(g) Trade Based Money laundering (TBML)**

Using trade to disguise the origin of money. TBML used to transfer of fund to shell company in foreign jurisdiction, which was ultimately used for payment of settlement for corruption. In some case the IT components are imported which price is rarely be known and huge amount being transferred to foreign jurisdiction and ultimately the amount is used for different purpose including settlement of Corruption amount.

#### **Case Example:**

Company N has imported huge amount of IT related product from Singapore based company "Company C" whose beneficiary owner are same as Nepalese Company. Documents Against Acceptance (DAA) documents were pending for payment which gave suspicion of actually imported product being received in Nepal. The company was involving in settlement of fund in foreign jurisdiction.

### **(h) Donation**

Misuse of Online platform or selling grief of person to collect the fund through crowd sourcing and that amount been used for personal expenses rather than used for intended purpose. Similarly receiving of fund from foreign people and entity without relevant approval in personal account.

#### **Case Example:**

One famous youtuber/tiktoker famous for helping poor in need for health treatment has actually collected 1.75 crore in her one account

through many small value donation including remittance for Nepali diaspora throughout the world. The account has unused balance of 1.3 crore. Out the expenses i.e. 45 lakhs it is been used for purchase of gold, jewelry and other personal expenses. She has used other mule account (Friend's account) too for receiving such fund.

### **(i) Shell Companies**

Small business unit like auto workshop, stationary shop, retail shop, etc. account is being opened for receiving payment generated from online fraud, Virtual assets, hundi, etc. The account is used as mule account.

#### **Case Example:**

Mobile no. 98\*\*\*\*\* appeared 1xbet site. Further, mobile number was verified and observed that this mobile no. was related with B\*\*\*\*\* Shoes Collection which is a proprietorship firm in the name of Mr. S. Mr. S has been arrested by Nepal Police for betting related offence.

### **(j) Use of New Payment Technologies**

Nepal has recently provided license for payment related service providers. Some of such institutions are used for informal remittance payment, settlement of illegal activities including payment for gold smuggling.

#### **Case Example:**

Hundi and illegal payment settlement by using system of Payment Service Provider

Some Payment Service provider using its network for carrying illegal transaction including payment of Illegal trade and hundi.

A Payment Service Provider (PSP) which was licensed for financial transaction including deducting use of cash transaction was actually involve high cash transaction activities. Where its platform was used for settlement of illegal trade settlement (i.e. Gold) and hundi related transaction.

**Modus operandi**

- PSP established an agent network to carry out transaction.
- Agent deposit huge cash in the bank account of PSP provider from different location.
- PSP create the balance (in the account of agent) which was again withdrawn in cash. In the way PSP account was used as placement of cash in the banking system.
- During the investigation process it was reveal that people deposit the cash in the PSP account and that slip was send the receiver to get the cash from its' agent network.
- There was instance when NPR 95 crore cash was deposited by a single person in the account of one of the PSP.

- Nepal police has conducted the investigation and found that billions of rupees for settlement of illegal gold import was actually being paid through these network with the help of PSP

As the system function such that agent can deposit any amount of cash in the PSP bank account, this has allowed them to penetrate the system to inject huge amount of cash in the banking system. Similarly, instance was there when the agent account was loaded with fund without actually amount deposited by the agent. Currently illegal payment of gold and hundi related case is filed in the court.



## FREQUENTLY ASKED QUESTIONS (FAQs)

(Please note that these FAQs constitute brief guidance and are provided for information only)

### A. General FAQs

#### 1. What is Money Laundering?

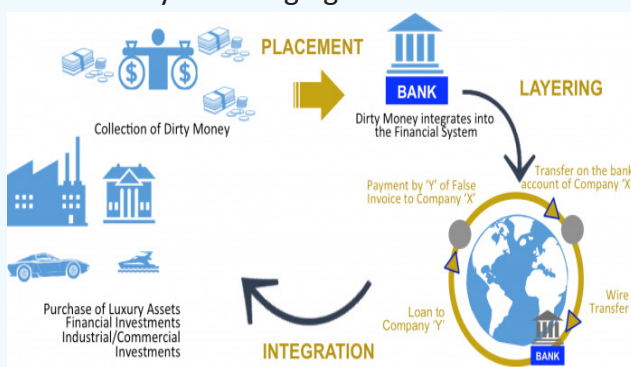
Criminal activities, such as drug trafficking, smuggling, human trafficking, corruption and others, tend to generate large amounts of profits for the individuals or groups carrying out the criminal act. However, by using funds from such illicit sources, criminals risk drawing the authorities' attention to the underlying criminal activity and exposing themselves to criminal prosecution. In order to benefit freely from the proceeds of their crime, they must therefore conceal the illicit origin of these funds.

Briefly described, "money laundering" is the process by which proceeds from a criminal activity are disguised to conceal their illicit origin. It may encompass

- (i) the conversion or transfer, knowing that such property is the proceeds of crime
- (ii) the concealment or disguise of the true nature, source, location, disposition, movement or ownership of or rights with respect to property, knowing that such property is the proceeds of crime; and
- (iii) the acquisition, possession or use of property, knowing, at the time of the receipt, that such property is the proceeds of crime.

#### 2. How is Money Laundered?

The process of money laundering can be best described by following figure:



Source: UNODC

- a) In the initial - or placement - stage of money laundering, the launderer introduces his illegal profits into the financial system. This might be done by breaking up large amounts of cash into less conspicuous smaller sums that are then deposited directly into a bank account, or by purchasing a series of monetary instruments (cheques, money orders, etc.) that are then collected and deposited into accounts at another location.
- b) After the funds have entered the financial system, the second – or layering – stage takes place. In this phase, the launderer engages in a series of conversions or movements of the funds to distance them from their source. The funds might be channeled through the purchase and sales of investment instruments, or the launderer might simply wire the funds through a series of accounts at various banks across the globe. This use of widely scattered accounts for laundering is especially prevalent in those jurisdictions that do not co-operate in anti-money laundering investigations. In some instances, the launderer might disguise the transfers as payments for goods or services, thus giving them a legitimate appearance.
- c) Having successfully processed his criminal profits through the first two phases the launderer then moves them to the third stage – integration – in which the funds re-enter the legitimate economy. The launderer might choose to invest the funds into real estate, luxury assets, or business ventures.

#### 3. What is Financial Intelligence Unit, Nepal (FIU-Nepal)?

Financial Intelligence Unit (FIU)-Nepal is a national agency responsible for receiving, processing, analyzing and disseminating financial information and intelligence on suspected money laundering and terrorist financing

activities to the relevant law enforcement/ investigative agencies, regulators/supervisors and foreign FIUs. It was established on 21 April, 2008 under the section 9 of the Assets (Money) Laundering Prevention Act, 2008 within the Nepal Rastra Bank (the central bank) as an autonomous and operationally independent unit. Basically, FIU-Nepal receives TTR, STR/SARs from REs and these reports are analyzed, processed and disseminated to relevant law enforcement/investigative agencies, regulators/supervisors and foreign FIUs in the form of financial intelligence.

#### 4. What is Predicate Offence?

Following offences are classified as predicate offence as per Asset (Money) Laundering Prevention Act (2008).

- Participation in an organized criminal group and racketeering
- Disruptive (terrorist) act and terrorism
- Trafficking in person and migrant smuggling
- Any kinds of sexual exploitation including sexual exploitation of children
- Illicit trafficking of narcotic drugs and psychotropic substances
- Illicit transportation of arms and ammunition
- Illicit transportation of stolen and other goods
- Corruption and bribery
- Fraud
- Forgery
- Counterfeiting of coin and currency
- Counterfeiting of goods and plagiarism or piracy of products
- Environmental related
- Murder, grievous bodily injury
- Kidnapping, illegal restraint or hostage-taking
- Theft or rubbery
- Smuggling (including custom, VAT and tax) related
- Tax (including direct and indirect) related
- Extortion
- Piracy

- Insider Dealing and Market Manipulation in securities and commodities related
- Ancient monument conservation related
- Forest, National park and wild animals related crime
- Money, banking, finance, foreign exchange, negotiable instruments, insurance, cooperatives related
- Black marketing, consumer protection, competition, supply related
- Election related
- Communication, broadcasting, advertising related
- Transportation, education, health, medicine, foreign employment related
- Firm, partnership, company, association related
- Real estate and property related
- Lottery, gambling, donation related
- Citizenship, immigration and passport related
- Offence of terrorist financing or association with terrorist organization
- Human Smuggling
- Hundi
- Virtual Currency
- Undue transaction
- Match fixing
- Unauthorized Casino Operation

#### 5. What is a Money Laundering offence?

Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of an offence of money laundering. As per ALPA 2008, involvements in following offences are regarded as money laundering offence:

- Converting and transferring property by any means knowing or having reasonable grounds to believe that it is proceeds of crime for the purpose of concealing or disguising the illicit origin of property, or assisting any person involved in the offence for evading legal consequences of offender.
- Concealing or disguising or changing the true nature, source, location, disposition,

movement or ownership of property or rights with respect to such property knowing or having reasonable grounds to believe that it is proceeds of crimes.

- Acquiring, using, possessing property knowing or having reasonable grounds to believe that it is the proceeds of crime.

## 6. What are Proceeds of Crime?

“Proceeds of crime” means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a predicate offence or the value of any such property.

## 7. What is Financing of Terrorism?

Terrorist financing involves the solicitation, collection or provision of funds with the intention that they may be used to support terrorist acts or organizations. Funds may stem from both legal and illicit sources. The primary goal of individuals or entities involved in the financing of terrorism is therefore not necessarily to conceal the sources of the money but to conceal both the financing and the nature of the financed activity.

## 8. How are efforts to combat Money Laundering and Financing of Terrorism related?

Money laundering is the process of concealing the illicit origin of proceeds of crimes. Terrorist financing is the collection or the provision of funds for terrorist purposes. In the case of money laundering, the funds are always of illicit origin, whereas in the case of terrorist financing, funds can stem from both legal and illicit sources. The primary goal of individuals or entities involved in the financing of terrorism is therefore not necessarily to conceal the sources of the money but to conceal both the funding activity and the nature of the funded activity.

Similar methods are used for both money laundering and the financing of terrorism. In both cases, the actor makes an illegitimate use of the financial sector. The techniques used to

launder money and to finance terrorist activities/terrorism are very similar and, in many instances, identical. An effective anti-money laundering/counter financing of terrorism framework must therefore address both risk issues: it must prevent, detect and punish illegal funds entering the financial system and the funding of terrorist individuals, organizations and/or activities. Also, AML and CFT strategies converge; they aim at attacking the criminal or terrorist organization through its financial activities, and use the financial trail to identify the various components of the criminal or terrorist network. This implies to put in place mechanisms to read all financial transactions, and to detect suspicious financial transfers.

## 9. How are Corruption and Money Laundering related?

Anti-corruption and anti-money laundering work are linked in numerous ways, and especially in recommendations that promote, in general, transparency, integrity and accountability. The essential connections are: Money laundering (ML) schemes make it possible to conceal the unlawful origin of assets. Corruption is a source of ML as it generates large amounts of proceeds to be laundered. Corruption may also enable the commission of a ML offense and hinder its detection, since it can obstruct the effective implementation of a country’s judicial, law enforcement and legislative frameworks.

When countries establish corruption as a predicate offense to a money laundering charge, money laundering arising as a corrupt activity can be more effectively addressed. When authorities are empowered to investigate and prosecute corruption-related money laundering they can trace, seize and confiscate property that is the proceeds of corruption and engage in related international cooperation. When corruption is a predicate offense for money laundering, AML preventive measures can also be more effectively leveraged to combat corruption.

## 10. Why is controlling of money laundering necessary?

Since money laundering is a financial crime, it does not serve the interest of any economic actor. Controlling money laundering is necessary for the following reasons:

- Money laundering undermines the integrity of financial institutions and markets, distorting asset and commodity prices, which can lead to economic instability and a loss of confidence in financial systems.
- It is often linked to serious crimes such as drug trafficking, terrorism, corruption, and fraud, and by controlling it, authorities can disrupt the financial networks that support these illegal activities.
- Financial institutions are required to comply with anti-money laundering (AML) laws and regulations, and failure to do so can result in severe penalties, legal consequences, and reputational damage.
- Money laundering can fund terrorist activities and other threats to national security, making effective AML measures crucial for enhancing national security.
- Businesses involved in money laundering often gain an unfair advantage over legitimate ones by offering lower prices or higher returns due to illicit gains, and controlling money laundering helps ensure fair competition.
- The integrity of financial systems is vital for public trust, and when money laundering is prevalent, it erodes trust in financial institutions and the broader economic system, making effective AML measures essential for maintaining and restoring public confidence.
- Money laundering often involves proceeds from activities with significant negative social impacts, such as human trafficking, drug abuse, and corruption, and controlling it helps mitigate these social harms.

- Money laundering is a global issue that requires international cooperation, as countries that fail to control it can become havens for illicit funds, undermining global efforts to combat financial crime.

## 11. Why Know Your Customer (KYC) is necessary?

KYC is the process of verifying the identity of clients and assessing potential risks of illegal intentions for the business relationship. The objective of KYC guidelines is to prevent banks and other institutions from being used, intentionally or unintentionally, by criminal elements for money laundering activities. Documents collected from the client at the start of business relationship enable banks and other institutions (including online portals) to better understand their customers, their financial dealings and manage their risks prudently. The key components of KYC are as follows:

- Customer Acceptance Policy (CAP)
- Customer Identification Procedures (CIP)
- Monitoring of Transactions
- Risk Management

The application of KYC process by financial institutions and a high degree of transparency is crucial to fight money laundering and the financing of terrorism effectively. Criminals use the financial system to transfer funds to launder money, or to finance terrorism. Financial institutions, in particular banks, are most vulnerable to abuse for that purpose. In order to protect them, it is essential that financial institutions have adequate control and procedures in place that enable them to know the person with whom they are dealing. Adequate KYC and due diligence on new and existing customers is a key part of these controls. Hence, KYC is necessary in today's banking sector.

## 12. What is Beneficial Ownership?

Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. Even if the legal

person or arrangement is registered under the name of another person or entity, the beneficial owner is the individual who ultimately exercises control over it or receives the financial benefits.

### 13. What is Money Mule?

A money mule is an individual that is recruited, knowingly or unknowingly, to transfer or move illegally acquired money on the behalf of criminals as part of a money laundering scheme. Money mules can be used to launder money obtained from illegal activities such as fraud, cybercrime, drug trafficking, or other organized crime. They are often unaware that they are participating in illegal activities, as they may be recruited under false pretenses.

Criminals recruit money mules through various methods, such as online job postings, social media, or even direct contact. They may be promised easy money, work-from-home opportunities, or other incentives. The money mule receives illicit funds into their bank account, often from victims of fraud or other crimes. The mule is then instructed to transfer the funds to another account, often in a different country, or to withdraw the money and send it via other means (e.g., cash, wire transfers, or cryptocurrency). Once the funds are transferred, the criminals sever contact with the mule, leaving them exposed to legal consequences.

### 14. What influence does money laundering have on economic development?

Money laundering significantly undermines economic development by eroding the integrity of financial institutions, distorting economic data, and encouraging crime and corruption. It reduces tax revenue, exacerbates income inequality, and deters foreign investment due to perceived risks. The need for costly regulatory compliance measures increases operational expenses, while illicit gains distort market competition, hampering legitimate businesses. Additionally, money laundering weakens legal frameworks, facilitates terrorism financing, and contributes to social instability. Addressing these

issues requires strong legal systems, effective enforcement, and international cooperation to mitigate its detrimental impact on economic growth and stability.

### 15. What is Threshold Transactions Reporting (TTR)?

TTR is a report of transactions that financial institutions and DNFBPs are required to file to FIU-Nepal for deposit, withdrawal, exchange of currency, and payment or transfer exceeding the defined threshold. Regulators of REs have designated different threshold to REs as per the nature of business and risk involved. Such threshold may be reached by a single transaction or by a series of transactions in single account or by a single customer over a prescribed period.

### 16. What is a STR/SAR?

STR/SAR is a report filed by REs to FIU when a suspicious transaction or activity is identified. REs are required by law to file STR/SAR when they have reasonable grounds to suspect money laundering or terrorist financing.

As per Section 7 Dha(1) of ALPA (2008), RE shall file a STR to the FIU-Nepal immediately after carrying out examination, with respect to any customer, transaction or property if:

- it suspects or has reasonable grounds to suspect that the property (money) is the proceeds of ML/TF/PF or other offence, or
- it suspects or has reasonable grounds to suspect that the property is related or linked to, or is to be used for, financing of terrorism, terrorist acts or by terrorist persons or terrorist organizations.

As per Section 7 Dha(2) of ALPA (2008), RE shall also file SAR to FIU-Nepal even if customer has only attempted to carry out any transactions referred to in Section 7 Dha(1).

REs should take reasonable measures to establish ground of suspicion regarding transactions of a person/entity in relation to ML/TF/PF offense. The general red flags of suspicious financial

transactions/activities are provided in STR/SAR Guidelines of FIU-Nepal. (*Link of STR/SAR Guidelines: <https://www.nrb.org.np/fiu/suspicious-transaction-reporting-suspicious-activity-reporting-str-sar-guidelines/>*)

### **17. How do REs submit STR/SAR to FIU-Nepal? What should be included in a STR/SAR ?**

REs submit STR/SARs using web or XML report format of goAML software. FIU-Nepal has provided two environments in goAML for reporting entities: Test Environment and Production Environment. The Test Environment is a simulation environment of the goAML for practice and testing purposes. The Production Environment is where actual reporting of TTR, STRs/SARs and other financial intelligence activities takes place. ALPA (2008) mandates REs to report any suspicious financial transactions or activities to FIU-Nepal in the format specified by FIU-Nepal.

STR/SARs should include detailed information about transactions that appear to be suspicious or have reasonable ground of suspicion in related to ML/TF or other offense. The quality of a STR/SAR is only as good as the content, therefore, it should include, 'who, what, where, when, why, how and which predicate offence'. It should also include all supporting documents as prescribed by FIU-Nepal in its STR/SAR Guidelines.

### **18. Should the business relationship with the customer be terminated after lodging STR/SAR to FIU-Nepal?**

Whether to terminate a business relationship with a customer after lodging a STR/SAR with FIU-Nepal depends on several factors, including legal obligations, regulatory requirements, and the specific circumstances of the case.

Unless instructed otherwise by the relevant authorities, it is usually wise to continue the business relationship with the customer after filing an STR/SAR. Prematurely terminating the relationship could tip off the customer, potentially compromising ongoing investigations.

However, REs should conduct a thorough risk assessment to determine whether continuing the relationship poses a significant risk based on the nature and severity of the suspicious activity and the potential impact on the institution's reputation. Enhanced due diligence and ongoing monitoring of the customer's transactions and activities are essential to detect further suspicious behavior and ensure adherence to regulatory requirements. The institution should follow its internal policies and procedures, including criteria for terminating a business relationship, which should be aligned with regulatory requirements and best practices. REs should maintain proper documentation of all actions taken, including the rationale for any decision to continue or terminate the relationship. Also, any decision to terminate a relationship should be communicated appropriately within the organization to avoid any inadvertent disclosure that could alert the customer or compromise an investigation.

As per ALPA(2008) REs shall terminate the business relationship with an existing customer who does not provide documents and details required for the customer identification and verification or whose identification and verification cannot be made on the basis of the documents, information and details provided by the customer.

### **19. What is difference between Information, Intelligence and Evidences?**

**Information** refers to processed data that provides meaning and understanding, while **intelligence** is the result of analyzing and further processing of information to generate evidence-based knowledge. Intelligence involves the ability to comprehend, understand patterns, and make informed decisions based on prior experiences. It incorporates context, corroboration, and value to provide guidance and resolve uncertainty. Intelligence is the collection of relevant aggregated information directed by an individual's experiences and understanding. For example, in AML/CFT, information could be transaction records, and intelligence would involve analyzing

those records to detect suspicious patterns or behaviors, ultimately guiding decision-making and action. **Evidence**, on the other hand, is the culmination of a rigorous investigation, whether based on information or intelligence. It is legally admissible proof, meticulously collected and verified to support legal actions against financial criminals.

FIU-Nepal receives information from REs in the form of SAR/STR/TTR and additional information. After analysis, such information is converted into actionable intelligence by FIU-Nepal. Any dissemination from FIU-Nepal should be treated as intelligence, not evidence. It is responsibility of LEAs to convert intelligence to evidence.

## 20. What is 'Tipping Off'?

Tipping off refers to the act of alerting or informing a customer or third party that a STR/SAR has been filed about them with the Financial Intelligence Unit (FIU) or relevant authorities. This disclosure can compromise ongoing investigations by giving the individual or entity an opportunity to alter their behavior, hide evidence, or move illicit funds.

Tipping off is prohibited by law, and REs or individuals who engage in it may face severe legal penalties, including fines or criminal charges. The purpose of this prohibition is to maintain the integrity of AML/CFT efforts, ensuring that suspicious activities can be investigated without interference.

## 21. What is Mutual Evaluation?

Mutual Evaluation is a peer review process in which country are assessed to determine the levels of compliance with the international AML/CFT standards. It has two aspects: technical compliance and effectiveness compliance.

a) **Technical Compliance Assessment:** A desk-based technical compliance analysis assesses compliance by an APG member with the specific requirements of each of the 40 FATF recommendations- the relevant legal and institutional framework

of the jurisdiction, and the powers and procedures of competent authorities. These recommendations represent the building blocks of an AML/CFT system. The technical compliance analysis is undertaken by an assessment team prior to an on-site visit of the member being evaluated.

b) **Effectiveness Assessment:** The main component of a mutual evaluation is effectiveness. It assesses the extent to which an APG member achieves a defined set of outcomes that are central to a proper functioning and effective AML/CFT system with expected results based on the ML and TF risk profile of that jurisdiction. The effectiveness analysis is not only based on information exchanged with the assessment team but also after the exchange of information, the team will visit the member under evaluation (usually for two weeks, sometimes longer) and interview government and private sector officials to gain a comprehensive understanding of how the AML/CFT system is working. Effectiveness assessment is done based on the FATF's 11 Immediate Outcomes (IOs).

## 22. What are the consequences of low compliance in mutual evaluation?

Country with low compliance in mutual evaluation is subject to FATF review and may be put in the global Negative List as non-cooperative country. Negative listed jurisdictions may face following consequences:

- Harder situation for banks to conduct international transactions
- Increase in cost of funds or delay or limitation
- Loss of credit lines or correspondent relationships
- Decrease in receiving assistance, loan and other facilities from international organizations and countries

- Restrictions on inward remittance, aid, capital and other flows
- Inability of institutions to expand overseas
- Withdrawal of foreign banks
- Loss of investor confidence
- Reputational problem to Nepal and its financial system
- Freezing of overseas assets
- Complete isolation from international financial markets

*(Please note that these FAQs constitute brief guidance and are provided for information only)*

## B. goAML related FAQs

### 1. How to register in goAML System?

Reporting Entities (REs) can register on the goAML system through a web-based application or by contacting FIU-Nepal which manages the system. FIU-Nepal provides guidance and necessary documents (e.g., videos, guidelines) to assist with registration.



During registration, REs must submit institutional details, including legal status, business type, and details of AML/CFT compliance personnel. FIU-Nepal shall review the request, and upon approval, issue access credentials for the goAML Production Environment to enable reporting and for regulatory compliance.

To access goAML website:

In web browser, navigate to the Nepal Rastra Bank (NRB) homepage: [NRB Home Page](http://www.nrb.org.np). ([www.nrb.org.np](http://www.nrb.org.np))

Go to the Quick Links section (bottom of NRB Home Page).

Click on goAML Nepal Registration and Reporting Portal or directly go to [goAML Nepal Portal](https://goaml.fiu.nrb.org.np/PRD/Home). (<https://goaml.fiu.nrb.org.np/PRD/Home>)

### 2. Do Reporting Entities (REs) need to pay fee or any charges to FIU-Nepal for membership of goAML software?

No, Reporting Entities (REs) do not need to pay any fees or charges to FIU-Nepal or/and any

other agencies for goAML registration and/or reporting. Registration in the goAML software is entirely free for all REs, including BFIs, insurance companies, securities firms, cooperatives, remittance companies, and others.

### 3. How should TTR be reported?

TTR can be reported either in XML format or through Web. XML files to be generated via middleware and to be uploaded individually or as a zip file comprising of multiple TTRs. Zip upload is recommended for large volume of TTRs.

### 4. In which format should TTR be reported?

TTR reports should be submitted in XML or Web format as prescribed by FIU. Each report should consolidate all transactions for the specified timeframe (e.g., daily, monthly, yearly) within a single file, following AML/CFT directives. The format must comply with FIU guidelines.

### 5. Should we submit separate TTR for debit threshold, credit threshold, cross border transfer threshold and foreign currency exchange thresholds if TTR was triggered by two or more instances?

For cash transaction thresholds, a single TTR should be submitted for an account, including all debit and/or credit transactions for that day or as per respective AML/CFT directive. However, if multiple threshold categories (e.g., Cash, Cross Border, and Foreign Currency Exchange) are triggered on the same day, separate TTRs should be submitted for each category or as per respective AML/CFT directives.

### 6. How should STR be reported?

STR can be reported either in XML format or through Web reporting in goAML. Information to be provided with STR is mentioned in Operational guideline designated to reporting entities. While reporting STR as XML file, related attachments



and the XML should be zipped together and uploaded as single zip file.

#### **7. What information should be provided in Reason Fields of STR?**

It has been specified in Operational guideline designated to reporting entities.

#### **8. What attachments should be provided with STR?**

Kindly refer to the Operational guideline designated to reporting entities.

#### **9. What information to provide in 'Registration No.' field for Entity that do not have registration number e.g. Joint Venture Accounts, Upabhokta Samtiti etc.?**

Provide 'Not Applicable' in such cases.

#### **10. What information to provide in 'PAN/VAT Number' field for Entity that do not require PAN/VAT to be registered?**

Provide 'Not Applicable' in such cases.

#### **11. Should Entity details be provided for My Client > Account > Entity though it is not Mandatory?**

'My Client > Account > Entity' is not mandatory only if the account is individual or joint account. In case the account belongs to an Entity, Entity details should be provided along with Director(s) and Signatory details.

#### **12. Should Director(s) and Signatory details be provided for My Client > Entity though it is not mandatory?**

Yes, Director(s) and Signatory details should be provided for all cases where REs need to collect such information. It is Non-Mandatory only for cases when such information isn't required to be collected as per existing regulations.

#### **13. If the Director or Signatory of an Entity having account in the BFI is involved in a Transaction, should they be reported as 'My Client' – Person or 'Not My Client' - Person?**

Individual or Joint Account holders in the BFI should always be reported as 'My Client' - Person.

#### **14. In cases where the Director or Signatory has separate individual or joint account in the BFI, then in such cases also it is required to be reported as 'My Client' - Person.**

In other cases, it is recommended to report the Director and Signatory of an Entity having account in the BFI as 'My Client'-Person.

#### **15. Should L/C transactions be reported as TTR?**

Regular Trading related L/C transactions needn't be reported as TTR. Only suspicious L/C related transactions should be reported as STR.

#### **16. What information should be provided for Mandatory fields that are not available or not relevant in the context?**

For Text fields - Provide 'Not Available' for information that could be available but not currently in the system. Provide 'Not Applicable' for the information that isn't relevant to the specific case.

For Date fields - Provide 01/01/1900

For Number fields - Provide 0

#### **17. Should Non-Mandatory information be provided? What information should be provided in Non-Mandatory fields?**

Mandatory fields are meant to capture only minimum information applicable to most of the cases. Depending upon different cases, additional information is required and it is recommended that any information available with the banks be provided in relevant fields whether Mandatory or Non-Mandatory.

If Non-Mandatory/Optional information is unknown, such fields may be omitted in XML or left blank instead of providing 'Unknown', 'Not Available', '-' etc. Same should be considered while submitting reports manually through Web.

#### **18. What information should be provided in 'Citizenship No.' field, 'ID number' field, 'Passport' node and 'Identification' node for Nepalese ID?**

In case of Nepalese Citizenship – Citizenship number should be provided in ‘Citizenship No.’ field and ‘ID number’ in respective field. Other Citizenship details should be provided in ‘Identification’ node as follows:

In case of any other form of Identification that have Citizenship number e.g. Driving License – Provide Citizenship number in ‘Citizenship No.’ field, Driving License number (ID number) in ‘ID number’ field and Driving License details (ID details) in ‘Identification’ node.

In case of Nepalese Passport – Citizenship number should be provided in ‘Citizenship No.’ field, Passport number should be provided in ‘ID number’ field. The Passport number and Country should also be provided in ‘Passport’ node and other Passport details should be provided in ‘Identification’ node.

In case of any other form of Identification that do not have Citizenship number – Provide ‘Not Applicable’ in ‘Citizenship No.’ field, corresponding ID number in ‘ID number’ field and other available ID details in ‘Identification’ node.

### **19. What additional details should be provided in Identification node for Nepalese Citizenship?**

For Nepalese Citizenship, Citizenship number should be provided in ‘Citizenship No.’ and ‘ID number’ field and Citizenship details should be provided in ‘Identification’ node. Information that should be provided in ‘Identification’ node is Citizenship Number, Issuing Authority (Name and Address E.g. District Administration Office, Jhapa), Issue Date and Issue Country.

### **20. What information should be provided in ‘Citizenship No.’ field, ‘ID number’ field, ‘Passport’ node and ‘Identification’ node for Indians and Foreigners?**

Citizenship Number is a mandatory field as per goAML schema so in case of Foreigners and Indians having Passport– Passport number should be provided in ‘Citizenship No.’ field and

‘ID number’ field. The Passport number and Country should also be provided in ‘Passport’ node and other Passport details should be provided in ‘Identification’ node.

In case of Indian Citizenship – Citizenship number should be provided in ‘Citizenship No.’ field and ‘ID number’ field. Other Citizenship details should be provided in ‘Identification’ node.

In case of Indian with any other form of Identification that have Citizenship number – Provide Citizenship number in ‘Citizenship No.’ field, ID number in ‘ID number’ field and ID details in ‘Identification’ node.

In case of Indian with any other form of Identification that do not have Citizenship number – Provide ‘Not Applicable’ in Citizenship No. field and ID number in ‘ID number’ field and other available ID details in ‘Identification’ node.

Any other relevant Information regarding ID can be provided in Comments field of Identification in all situations.

### **21. How to provide Citizenship number if it exceeds 25 characters?**

If Citizenship number exceeds 25 characters (as per limit in goAML), first 25 characters should be provided in Citizenship No. field. The complete Citizenship number should be provided in Id Number field and other details in Identification node.

### **22. What information should be provided in Identification details if there’s no sufficient information?**

Mandatory information required for ID is ID Type, Number, issued by (Issuing Authority) and Issue Country. Provide other information if available like Issue Date and Expiry Date. If mandatory information is not present in the ID provide ‘Not Applicable’ in such fields.

### **23. Should SWIFT/TT be reported as TTR?**

Yes, SWIFT/TT should be reported as per existing regulations.

#### **24. Can we register/report through multiple users for same organization?**

No, only one user (Compliance Officer or Authorized Personnel) per Reporting Entity is responsible for reporting in goAML. Hence, the registration email should be generic and information update request can be sent through goAML in case of personnel change.

#### **25. Can we use abbreviations/short forms for common terms?**

Abbreviations/short forms should be avoided as far as possible while providing information like Person Name, Entity Name, address, occupation, business etc. but if abbreviations/short forms are present in legal documents like Citizenship, Registration Certificate etc., then such information should be provided exactly as per legal documents.

#### **26. How long will Drafted Reports be available for editing prior to submission?**

Currently, FIU-Nepal has set it as '15 days' which can be changed as per requirement.

#### **27. How long will be Processed/Failed Validation reports be available for preview on the Web?**

Currently, FIU-Nepal has set it as '15 days' which can be changed as per requirement.

#### **28. What does the different status of submitted report mean and do we need to take any action?**

In General, status is Transferred from Web, Processed, Rejected and Failed Validation.

If there are some errors in the structure of XML file, then the status for such file can be seen as Failed Validation and REs can click on Failed Validation link to know more about the validation errors.

If the XML file is validated the status changes to Transferred from Web and further upon approval from the screening officer of FIU or based on XML validation and rejection rules, the status will be change to Processed. The REs do not need to take any actions if the status is Processed.

In case if 'Transferred from Web' status is seen for longer period of time (>1 day), the REs should

check their message board or email for any notification or rejection message regarding the report.

If there are some logical mistakes or missing information in validated XML files, then the screening officer (manually) or goAML rejection rules (automatically) may reject the report with proper reason which appears as Rejected.

REs should correct the mistakes in reports with Failed Validation, Rejected and Transferred from Web status and resubmit those files.

#### **29. How to validate bulk of XML files?**

The 'XML Report Validator' in the Web Interface and an offline XML Validator Tool can be used to validate one XML file at a time. It is not necessary to validate every XML file prior to submission if the REs have solved the common validation issues and they are assured that no such validation errors exists in the reports. As the reports being submitted by REs get error free with time, it is advised that the REs validate the samples from the bulk uploads. Nevertheless, there might be some third party tools that may be available for validating bulk of XML files against the provided XML Schema.

#### **30. Should all REs report TTRs and STRs/SARs through goAML Software?**

Yes, all REs are required to report TTRs and STRs/SARs through goAML (Production environment). Only the reports which are received from goAML (Production environment) are accepted by FIU-Nepal.

#### **31. Should REs report the rejected and failed integration transaction reports again?**

Yes, REs should resubmit the rejected transactions and failed integration transaction reports after making correction.

#### **32. Is it mandatory to provide identification details while reporting any transactions?**

Identification details of related person is mandatory to provide while reporting any transactions. This can be provided by clicking on +identification tab.

**33. How to change compliance officer details through goAML Software?**

If existing compliance officer left the job, REs are required to update the details for newly appointed compliance officer in goAML Software and attach compliance officer nomination letter, ID card of the new officer and other necessary

documents. Compliance officer's details can be updated from My goAML>My User Details.

**34. Can we edit or delete reported transactions?**

We cannot edit or delete the reported transactions. So reports should be confirmed and checked properly before submission.

## ANNEXURES

### Annex 1: Legal Instruments on AML/CFT

S.N.	Instruments
1.	FATF 40 Recommendations and 11 Immediate Outcomes
2.	Assets (Money) Laundering Prevention Act, 2008
3.	Assets (Money) Laundering Prevention Rules, 2024
4.	Prevention of Corruption Act, 2002
5.	Mutual Legal Assistance Act, 2014
6.	Extradition Act, 2014
7.	Organized Crimes Prevention Act, 2014
8.	Confiscation of Criminal Proceeds Act 2014
9.	Mutual Legal Assistance Rules, 2014
10.	Confiscation of Criminal Proceeds Rules, 2021

### Annex 2: Ratified/Acceeded International Conventions

S.N.	Instruments	Date of Signature	Date of Ratification / Accession
1.	UN Convention against Corruption, 2003	10 Dec 2003	29 Mar 2011
2.	UN Convention against Transnational Organized Crime, 2000	12 Dec 2002	23 Dec 2011
3.	UN Convention against Terrorist Financing, 1999		24 June 2011
4.	United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988		24 July 1991
5.	Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, 1973		9 Mar 1990
6.	International Convention against the Taking of Hostages, 1979		9 Mar 1990.
7.	Convention on Offences and Certain Other Acts Committed on Board Aircraft, 1963		15 April 1979.
8.	Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, 1971		11 January 1979
9.	SAARC Regional Convention on Suppression of Terrorism, 1987 and its Additional Protocol, 2004	4 Nov 1987	22 August 1988
10.	BIMSTEC: Sub Group Meeting on Combating the Financing of Terrorism		8 February 2004 (Full Member of BIMSTEC)

### Annex 3: Regulatory/Supervisory Instruments

S.N.	Directives	Issuing Authority
1.	AML/CFT Directives for A, B & C class BFIs	Nepal Rastra Bank (NRB)
2.	AML/CFT Directives for Microfinance FIs	
3.	AML/CFT Directives for Money changers and Remittance companies	
4.	AML/CFT Directives for PSP/PSOs	
5.	AML/CFT Directives for Hire Purchase companies	
6.	AML/CFT Directives for Infrastructure Development Bank	
7.	AML/CFT Directives for Employees Provident Fund and Citizens Investment Trust	

S.N.	Directives	Issuing Authority
8.	AML/CFT Directives for Insurance companies	Nepal Insurance Authority (NIA)
9.	AML/CFT Directives for Securities Companies	Securities Board of Nepal (SEBON)
10.	AML/CFT Directives for Cooperatives	Department of Cooperatives
11.	AML/CFT Directives for Approved Retirement Funds	Inland Revenue Department
12.	AML/CFT Directives for Dealers in precious stones and metals	
13.	AML/CFT Directives for CASINOS	Ministry of Culture, Tourism and Civil Aviation
14.	AML/CFT Directives for Real Estate Business/Agents	Department of Land Management and Archive (DOLMA)
15.	AML/CFT Directives for Trust or Company Service Providers (TCSPs)	Office of Company Registrar
16.	AML/CFT Directives for Auditors and Accountants	The Institute of Chartered Accountants of Nepal (ICAN)
17.	Others	Issued by regulators mentioned in Annex 3

#### Annex 4: Responsibility of the Key Players (FATF Standards and Prevailing Nepalese Laws)

Rec.	FATF Recommendations 2012	Responsible Agency
1.	Assessing risks and applying a risk-based approach	Common: Primarily the Policy Level, Financial Sector and LEAs
2.	National cooperation and coordination	Common: Primarily the Policy Level, Financial Sector and LEAs
3.	Money laundering offence	Legal
4.	Confiscation and provisional measures	DMLI, Nepal Police, DRI, CIAA, Department of Customs, Court, Department for Management of Proceeds Crime
5.	Terrorist financing offence	Legal
6.	Targeted financial sanctions related to terrorism and terrorist financing	MOFA, MOHA, Regulator/s
7.	Targeted financial sanctions related to proliferation	MOFA, MOHA, Regulator/s
8.	Non-profit organizations	MOHA, Social Welfare Council, Regulator/s

Rec.	FATF Recommendations 2012	Responsible Agency
9.	Financial institution secrecy laws	Regulator/s
10.	Customer due diligence	
11.	Record keeping	
12.	Politically exposed persons	
13.	Correspondent banking	
14.	Money or value transfer services	
15.	New technologies	
16.	Wire transfers	
17.	Reliance on third parties	
18.	Internal controls and foreign branches and subsidiaries	
19.	Higher-risk countries	
20.	Reporting of suspicious transactions	
21.	Tipping-off and confidentiality	
22.	DNFBPs: Customer due diligence	Legal Person Registrars, Regulator/s
23.	DNFBPs: Other measures	
24.	Transparency and beneficial ownership of legal persons	Regulator/s
25.	Transparency and beneficial ownership of legal arrangements	
26.	Regulation and supervision of financial institutions	Regulator/s
27.	Powers of supervisors	
28.	Regulation and supervision of DNFBPs	
29.	Financial intelligence units	FIU
30.	Responsibilities of law enforcement and investigative authorities	DMLI, Nepal Police, DRI, CIAA
31.	Powers of law enforcement and investigative authorities	DMLI, Nepal Police, DRI, CIAA
32.	Cash couriers	Department of Customs, Regulator/s, FIU-Nepal
33.	Statistics	Common
34.	Guidance and feedback	Regulator/s, FIU-Nepal, LEAs, REs
35.	Sanctions	Court, Department for Management of Proceeds Crime
36.	International instruments	MOFA, MOLJPA
37.	Mutual legal assistance	MOLJPA, Attorney General, Court
38.	Mutual legal assistance: freezing and confiscation	MOLJPA, Attorney General, Court
39.	Extradition	MOHA, Court
40.	Other forms of international cooperation	FIU-Nepal, LEAs, Regulator/s

## Annex 5: List of Major Documents Available on the FIU-Nepal's Official Website

(Website Link: <https://www.nrb.org.np/departments/fiu/>)

### goAML related

- [goAML registration and reporting portal](#)
- [goAML related FAQs](#)
- [goAML Video Tutorials](#)
- [goAML Members' List](#)

### Guidelines

- [Suspicious Transaction Reporting & Suspicious Activity Reporting \(STR/SAR\) Guidelines](#)
- [Threshold Transactions Reporting \(TTR\) Guidelines](#)

### Laws & Legislations

- [सम्पत्ति शुद्धीकरण \(मनी लाउण्डरिङ्ग\) निवारण ऐन, २०६४ \(संशोधन, २०८०\)](#)
- [सम्पत्ति शुद्धीकरण \(मनी लाउण्डरिङ्ग\) निवारण तथा व्यावसायिक वातावरण प्रवर्द्धन सम्बन्धी केही ऐनलाई संशोधन गर्ने ऐन, २०८०](#)
- [सम्पत्ति शुद्धीकरण \(मनी लाउण्डरिङ्ग\) निवारण नियमावली, २०८१](#)
- [थप नियमनकारी निकाय तथा थप सम्बद्ध कसुरहरू, २०८१](#)

### AML/CFT Directives for REs

- [A, B & C class BFI](#)
- [Microfinance FI](#)
- [Money changers and Remittance companies](#)
- [Payment Service Providers \(PSPs\) & Payment System Operators \(PSOs\)](#)
- [Infrastructure Development Bank](#)
- [EPF and CIT](#)
- [Hire Purchase companies](#)
- [Insurance companies](#)
- [Securities Companies](#)
- [Cooperatives](#)
- [Amendments-2081 for Cooperatives](#)
- [Approved Retirement Funds](#)
- [Dealers in precious stones and metals](#)
- [CASINOS](#)
- [Real Estate Business/Agents](#)
- [Trust or Company Service Providers \(TCSPs\)](#)
- [Auditors and Accountants](#)

### FIU Forms

- Form1 - [Feedback to FIU-Nepal \(for LEAs/Regulators/Supervisors\)](#)
- Form2 - [Request for Information from FIU-Nepal \(for LEAs\)](#)
- Form3 - [EGMONT \(International\) Request Form \(for LEAs\)](#)

### FIU-Nepal's Links / Documents

- [FIU-Nepal's Events & Programs](#)
- [FIU-Nepal: Annual Report 2079/80 \(2022/23\)](#)
- [FIU-Nepal Newsletter \(April 2024\) – Issue III](#)
- [Strategic Analysis Report of FIU-Nepal, 2024 \(Cyber Enabled Fraud\)](#)
- [Strategic Analysis Report of FIU-Nepal, 2023 \(Suspicious Tax Evasion through Use of Personal Bank Accounts for Business Transaction\)](#)
- [सम्बद्ध कसुर: जानकारी पुस्तिका](#)
- [Frequently Asked Questions](#)

### National and International Links / Documents

- [Mutual Evaluation Report of Nepal, 2023](#)
- [1st Follow-Up Report: Mutual Evaluation of Nepal \(June 2024\)](#)
- [AML/CFT National Strategy and Action Plan \(2024/25-2028/29\)](#)
- [National Risk Assessment Report on Money Laundering and Terrorist Financing, 2020](#)
- [Targeted Sanction List and Other](#)
- [FATF Recommendations 2012 \(Updated February 2025\)](#)
- [FATF New Methodology 2022 \(Updated April 2024\)](#)
- [FATF Old Methodology 2013 \(Updated June 2023\)](#)



**Annex 6: FIU-Nepal Forms**

**Form 1 - Feedback to FIU-Nepal (for LEAs/Regulators/Supervisors)**

**Based on the information disseminated by the Financial Intelligence Unit (FIU-Nepal)**

**(Feedback Form)\***

"This form is requested to be fully completed and submitted through the goAML System (Domestic Cooperation) to enhance the significant support of the agency for the information transmitted by FIU-Nepal (including STR/SAR and other notifications)."

<b>Date:</b>		
<b>Name of the Agency:</b>		
<b>Questionnaire Regarding Feedback:</b>		
1. Do the transmitted information provide completely new information and details?	<input type="checkbox"/> Yes	No <input type="checkbox"/>
2. Has the transmitted information been relayed to other agencies? If yes, name of the agency: .....	<input type="checkbox"/> Yes	No <input type="checkbox"/>
3. Has an investigation been initiated based on the transmitted information?	<input type="checkbox"/> Yes	No <input type="checkbox"/>
4. Is there a need for additional information from Foreign FIU's using Egmont Group?	<input type="checkbox"/> Yes	No <input type="checkbox"/>
5. Has the transmitted information helped gather evidence?	<input type="checkbox"/> Yes	No <input type="checkbox"/>
6. Has the transmitted information assisted in establishing the predicate offense?	<input type="checkbox"/> Yes	No <input type="checkbox"/>
7. Has the transmitted information helped locate assets or resources related to the predicate offense?	<input type="checkbox"/> Yes	No <input type="checkbox"/>
8. Has the information from the FIU-Nepal been previously received by other agency through other channels?	<input type="checkbox"/> Yes	No <input type="checkbox"/>
9. Has the transmitted information provided additional insights on previously received information by the agency?	<input type="checkbox"/> Yes	No <input type="checkbox"/>
10. Suggestions from the agency regarding the transmitted information from FIU-Nepal: .....		
11. Details of any issues filed based on the information transmitted by the FIU-Nepal (including name and description): .....		
12. Summary of decisions made regarding cases based on the FIU Nepal's transmitted information (including Seizing/Freezing and Confiscation): .....		
13. Suggestions for improvements that the Reporting Entities should consider: .....		
14. Suggestions on topics that regulatory/supervisory bodies should address during inspections: .....		
<p>.....</p> <p><b>Official Signature and Stamp</b></p> <p><i>*Necessary Feedback as per Rule 96 (1) of the Anti-Money Laundering (Prevention) Regulations, 2024.*</i></p> <p><i>For further information, please contact FIU-Nepal at the email "fiupolicy@nrb.org.np" or call 01-5719653 (Ext 2842)."</i></p>		

**Form 2 - Request for Information from FIU-Nepal (for LEAs)**

**FIU-Nepal Request for Information Form**

<p>This form is requested to be fully completed and submitted through the goAML System (Domestic Cooperation) solely to request information related to Threshold transactions and suspicious transactions/activities (TTR/STR/SAR).</p>
<p>Name of the requesting agency:</p>
<p>Date:</p>
<p>Priority of the information request: <input type="checkbox"/> Very Urgent <input type="checkbox"/> Urgent <input type="checkbox"/> Normal</p>
<p><b>Details of the requested information:</b></p>
<p>1. Requested information:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Information related to Suspicious Transactions/Activities</li> <li><input type="checkbox"/> Information related to Threshold transactions</li> </ul> <p><b>Note:</b> For necessary information through foreign FIUs, please fill out the separate form specified by the Egmont Group and send it to this unit.</p>
<p>2. Details of the person or firm:</p> <ul style="list-style-type: none"> <li>o If an individual: (minimum details required are name, three generations of information, citizenship number (issuing district and issue date))</li> <li>o If an institution: (registration number, registering body, major shareholders, names of ownership persons)</li> </ul>
<p>3. Related predicate offense as per the Money Laundering (Prevention) Act, 2064:</p>
<p>4. Details of the linked person or institution (Linked Person):"</p>
<p><i>Note: When requesting details of accounts held at banks and financial institutions, excluding Threshold transactions and Suspicious Transactions /Activities of various individuals and institutions, please send your request to the Nepal Rastra Bank, Banks and Financial Institutions Regulation Department, Central Office, Baluwatar, Kathmandu, or email the department at <a href="mailto:bfird@nrb.org.np">bfird@nrb.org.np</a>.</i></p>
<p style="text-align: center;"><b>Official Signature and Stamp</b></p> <p>Contact Email: <a href="mailto:fiupolicy@nrb.org.np">fiupolicy@nrb.org.np</a>; Phone No.: 01-5719653 (Ext 2842)</p>

**Form 3 - EGMONT Request Form (for LEAs)**

Official Use Only



The Egmont Group of Financial Intelligence Units

# Information Request Form

**I. GENERAL PRINCIPLES OF INFORMATION EXCHANGE**

By using this form, the corresponding agencies agree upon the following:

- to maintain the confidentiality of any and all information provided to each other;
- not to disclose the information outside of the agency without the prior written permission of the FIU which provided information;
- to limit the use of the information for the purpose(s) stated on this form; and
- to observe the Egmont Group's best practice for the exchange of information between FIUs.

Please type all available and relevant information. Attach additional sheets as needed. Also send supporting documents, if any.

**II. REQUESTING FIU**

Requesting Agency of Nepal: .....

Country from which information is requested: .....

**III. SUBJECT INFORMATION REQUESTED**

- **Natural Person 1 details** (Please copy/  
Paste below details as '**Natural Person 2, 3, ...**'  
to add additional natural persons) First Name: .....
- Middle Name: .....
- Last Name: .....
- Aliases: .....
- Date of Birth: .....
- Place of Birth: .....
- Gender: .....
- Nationality: .....
- Country of Residence: .....
- ID type: .....
- ID Number: .....
- ID Issuing Country: .....
- ID Issuing Authority: .....
- ID Issue Date: .....
- ID Valid Until: .....
- Address: .....
- Occupation: .....
- Contact Numbers: .....
- PEP: Yes / No

**Account Details of Natural Person 1:**

- Institution Type: .....
- Institution (Bank) Name: .....
- Branch: .....
- Account Name: .....
- Account Number: .....
- SWIFT Code/IBAN: .....

**Legal Entity 1 details** (Please copy/Paste below details as '**Legal entity 2, 3, ...**' to add additional legal entities)

- Entity Name: .....
- Nature of Business: .....
- Legal Type: .....
- Entity Status: Active / Inactive / Unknown
- Reg. ID: .....
- Reg. Date: .....
- Reg. Country: .....

- Address: .....
- Contact Numbers: .....

**Account Details of Legal Entity 1**

- Institution Type: .....
- Institution (Bank) Name: .....
- Branch: .....
- Account Name: .....
- Account Number: .....
- SWIFT Code/IBAN: .....

**Related Persons of Legal Entity 1**

SN	Natural Persons' Name	Role
1		
2		
3		

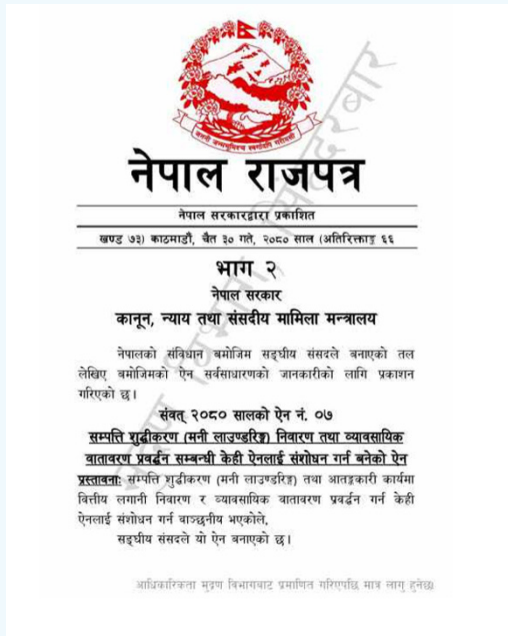
**IV. NATURE OF THE INVESTIGATION**

1. Describe the case under investigation and state the principal violation(s):  Criminal  Civil  
 :.....  
 :.....
2. Describe the link with the country of the disclosing FIU.  
 :.....  
 :.....
3. What information do you need from the disclosing FIU?  
 :.....  
 :.....
4. How and for what purpose(s) will the information requested be used? Specify here if you seek prior consent to disseminate the information to specific competent authorities.  
 :.....  
 :.....
5. Are there ongoing formal investigations or judicial proceedings?  
 Formal Investigation  Juridical Proceedings  
If yes - please provide further details  
 :.....  
 :.....
6. Do you anticipate asset forfeiture or securement in this case?  
 YES  NO  
If yes - please provide further details  
 :.....  
 :.....
7. State the amount and type, or nature, of assets involved in this case.  
 :.....  
 :.....
8. What other agencies or countries are involved in this investigation?  
 :.....  
 :.....
9. Have you submitted another request for information (in relation to this matter) to another law enforcement or revenue collection agency in these countries?  
 YES  NO  
If yes - please provide further details  
 :.....  
 :.....

## Annex 7: Key Amendments in AML/CFT Laws

Nepal has amended 19 acts with an objective of improving entire AML/CFT regime of Nepal. The major provisions in amended laws include: -

### 1. Asset Laundering (Money Laundering) Prevention Act (ALPA), 2008



- a. Addition of Hire Purchase loan providing companies and Vehicles selling companies, Investment companies, venture capitals, equity funds as reporting entities,
- b. Addition of STR reporting liability (only) to Auditors as a reporting entity
- c. Criminalization of foreign terrorist fighters and omission of offence (s4, s4A.)
- d. Extension of limit of financing of terrorism in Sub-section (5) of s4.
- e. Verification of identification of customers clarified in s7H as required in Rec 10.14.
- f. Definition of payable through account in s7N.
- g. Clarification on sharing of information between or among entity or groups in s7P as required in Rec 10.
- h. Requirement for institutional risk assessment to be updated and translated into policy, procedure and action plan at least a year and to be submitted to the regulator in s7P.
- i. Clarity on the confidentiality to be maintained about customer information included in s7R as required in R.2.
- j. STR to be filed immediately (current provision-"as soon as possible within 3 days") in s7S.
- k. Provision regarding reporting STR in the situation of tipping-off clarified in s7R.
- l. Inclusion of preventive measures for PF in s7S. (1).
- m. Beneficial Ownership (BO) guidelines to be issued by Regulators further clarifying s7T(1)(e).
- n. Regulators to issue directives or standards with regard to countries having deficient AML system and publish any global listing thereof in their website- s7T(1)(e).
- o. Regulators to apply regulatory measures on PF- s7T.(2a).
- p. Penalty to be imposed on reporting entities on the basis of capital as well as transaction, which may start from the upper limit if the reporting entity non complying recurrently- 7V (1) (b1)
- q. Addition of sanction to be imposed over concerned official or BODs by regulator- 7V(4A) and (5)
- r. Conversion of National Coordination Committee to Coordination Committee and establishment of Directive Committee under the Chairmanship of Finance Minister including Minister of Law, Justice and Parliamentary Affairs, Attorney General, Chief Secretary, Governor, Law Secretary as members and Finance Secretary as a member secretary. The committee has policy, review and directive mandate at national level. The NRA will be carried out under the coordination of Coordination Committee. - Chapter 3B
- s. Employees can be deployed at FIU from other regulatory agencies, LEAs or relevant agencies-Chapter 4
- t. FIU can sanction reporting agencies or employees of reporting entities up to NRs 10 million- Chapter 4
- u. Provision for requesting information by all LEAs-Chapter 4
- v. Money Laundering Investigation to be conducted by all LEAs that conduct investigation of predicate offences. However, complaints remained with DMLI till the last day of enactment of amendment will be investigated by DMLI. Hence, all the investigative powers available under ALPA will be used by predicate offence LEAs as required in R4, 30 and 31-Chapter 6 and 7
- w. Addition of Special Investigation Techniques (Undercover operations, Controlled delivery etc.)
- x. Chapter 6B of ALPA has extended its scope to include PF together with TF. The property frozen under the chapter will be managed by Department of Management of Proceeds of Crime

- y. Chapter 7 (section 30) has increased the imprisonment for ML up to 15 years and 7 to 20 years for TF. Legal persons and legal arrangement may face corporate criminal liability. BO may also face the same sanction as to legal owner holding properties of someone else without declaration to corporate registrar or regulator. Section 30A further clarifies the interest of bonafide third parties with compensation measures. s34A and 34B requires payment of loss and compensation to the victim.
- z. s35 requires all government and reporting entities to carry out risk assessment at least annually and implement policies, plan and actions on the basis of risk accordingly.
- aa. Beneficial Ownership information sharing related obligation is extended to legal persons i.e. companies should provide information of BO to registration related bodies like office of company registrar. Non or false declaration will result in civil confiscation of such property and fine to the BO. - s35A, 35B and 35C
- ab. Regulation and supervision of Non-Profit making Organization has been clarified. Social Welfare Council and MoHA to conduct such activities
- ac. AML/CFT Audit to be carried out for BFIs, Insurance companies, Casinos, Brokers, Merchant Banks, Real estate businesses, Cooperatives or other specified companies
- ad. FIU-Nepal to approve AML/CFT independent auditor- s35E, 35F, 35G and 35F
- ae. National AML CFT report to be submitted to the parliament annually as per section 44H.
- 2. Export Import (Control) Act**
- Establishment of Trade Transparency Unit (to maintain transparency in international trade and coordinate with intergovernmental agency on trade related activities.
- 3. Ship Registration Act**
- Criminalization of Piracy and Regulation
- 4. Land Revenue Act**
- Licensing, regulating and supervising real estate with criminal offences of specific sector that has transaction more than specified amount or covers more than specified area (all to be specified later by Nepal Gazette)
- 5. Tourism Act**
- Licensing, regulating and supervising Casinos with criminal offences.
- 6. Nepal Rastra Bank Act**
- In the Function, Duties and Powers of NRB Act (section 5) addition of "Issue directives and standards to regulate, monitor and supervise financial cooperatives "and "On the basis of financial governance and risk of Cooperatives, at the request of Department of Cooperatives, regulate, monitor and supervise Cooperatives having share capital of more than NRs 500 million or having annual transaction of more than NRs 500 million"
  - Cooperatives can also be fined as per section 99 and punished as per section 100 of NRB Act (new section 100A) in addition to the sanctions available in the Cooperative Act.
- 7. Securities related Act**
- Preliminary investigation of Securities fraud to be done by SEBON and referral to Nepal Police for full investigation.
- 8. Human Trafficking and Smuggling (Control) Act**
- Criminalization of human smuggling.
- 9. National Penal Code**
- Hundi criminalized (section 125A)
  - Terrorist activities criminalized (Chapter 7A)
  - Virtual assets criminalized (section 262A)
- 10. Cooperatives Act**
- Regulation, Monitoring and Supervision of Cooperatives as follows:

SN	Registration	Type	Regulation, monitoring and supervision
1	Local level	Annual transaction up to NRs 250 million	Local level
2	Local level	Annual transaction NRs 250 million to 500 million	Relevant provincial government
3	Provincial government	Annual transaction up to NRs 500 million	Relevant provincial government

For SN 1-3, if the operation is in more than one local level or province, then regulation, monitoring and supervision is to be done by local level or relevant provincial government where Head office of such cooperative is situated

4	Local level/ Provincial government	More than NRs 500 million	Department of Cooperatives
5	Department of Cooperatives	All	Department of Cooperatives

Any request on the basis of risk is made to Department of Cooperatives for regulation, monitoring or supervision, such functions shall be carried out by Department of Cooperatives

Additionally, on the basis of financial governance and risk of Cooperatives, regulation, monitoring and supervision of Cooperatives having share capital of more than NRs 500 million or having annual transaction of more than NRs 500 million shall be done by NRB.

**11. MLA Act**

- Execution of foreign judicial verdict will be implemented on reciprocity as per the amendment in section 3
- The scope of MLA has been widened further
- The Federal Budget Speech of the Government of Nepal 2024/25 prioritizes the negotiation and conclusion of MLA and Extradition treaties on the basis of reciprocity in Paragraph no. 254.

## Annex 8: Major provisions of Asset (Money) Laundering Prevention Rules (ALPR), 2024

(The ALPR was passed on 31 October 2024)

- Formulates a technical committee under the chairmanship of the Chief of the Department of Money Laundering Investigation, including LEAs, Prosecution, Asset Recovery and FIU related agencies (Rule 87) for operational coordination in the investigative sectors.
- Provisions in rule 84 empower all relevant agencies to use international cooperation means with foreign counterparts and non-counterparts, where relevant. Rule 85 is specific to the use of cooperation by the investigative agencies.
- The amendment in the ALPA (Sections 35A.,35B. and 35C.) has made provisions for the declaration and maintenance of Beneficiary Ownership (BO) registry. Chapter 7 of ALPR has further operational provisions in this regard. To further clarify the process of collecting Beneficiary Ownership (BO) information, maintaining registry and sharing the information, Chapter 7 of ALPR has further provided guidance to registration and regulatory authorities.
- Legal arrangement is also defined as customer (Rule 2(b)).
- An independent audit of REs related additional provisions is added in Chapter 8 of ALPR. The Rules require bigger institutions to employ AML audit companies with full resources for the independent audit of AML/CFT.
- Rule 3 states that REs may access national ID and citizenship data base of the government, with the approval of the customer. REs may drag data and verify the identity of the customer with it and may add thumb impression either physical or digital.
- Rule 76, 77, 78 and 79 of ALPR provide the details to be obtained or declared, to be inquired and how such information should be centrally managed and shared with the relevant agencies.
- Rule 76 (1) of ALPR includes provisions on inquiry of BO, including provision of nominee shareholder and director.
- Chapter 7 of ALPR has prescribed step-by-step processes to identify non-compliance and sanctions.
- The registering authority for legal entities must maintain unified records containing complete names, addresses, and investment details of BO. Requirements to identify the BO including nominee shareholder and director.
- Rule 97 (1) of ALPR has provision that instructs concerned authorities to provide feedback to FIU-Nepal regarding disseminated information.
- It has outlines on how to trace, identify and collect the Proceeds of crimes (PoCs) and instrumentalities (Rule 41-42). Rule 38 provides guidelines on the preliminary investigation with focus on high risks.
- Rule 41 provides clear outlines on how to trace and identify the linked properties, how to establish source of such properties (R. 42), how to seize and freeze such properties (R. 44) and how and what to claim for confiscation (R. 49). These provisions will be applicable to ML, TF and associated predicate offenses, in addition to the provisions available in other PoC laws.
- Chapter 6 consists of provisions that oblige MoHA to ensure the freezing within 24 hours of listing of designated persons, entity or group. It also requires informing all reporting entities, regulatory bodies of the TFS related obligations and measures to be taken.
- Rule 92 requires the concerned government agencies to prioritize inspection, supervision, monitoring and review of Non-Profit Organizations (NPOs) in the following priority:
  - NPOs vulnerable to Terrorism, TF and PF activities
  - NPOs operating in high-risk region as identified in the risk assessment
  - NPOs receiving payments from risky or high risk by jurisdictions
  - NPOs with PEP as consultants or advisors or office bearer
  - NPOs with suspicious or unusual activity



## Annex 9: Key highlights of Strategic Analysis Report of FIU-Nepal, 2024 on Cyber Enabled Frauds (CEF) in Nepal

This report analyzes the frauds enabled through or conducted in the cyber environment. The report discusses characteristics of CEF, key source of detection, money laundering techniques used, and vulnerabilities in social media and payment system. STR/SARs received in first five months of 2024 were analyzed to study demographic profile of offenders, account transaction pattern, sources of STR/SARs, typologies adopted for fraud, and geographical location of suspicious accounts. Report provides recommendations to key stakeholders as listed below based on key findings as listed below. Additionally, the report highlights key red flags for reporting entities to detect CEF and summarizes some noteworthy practices adopted by various jurisdictions and organizations in combating CEF.

### a) Key Findings

- Portion of CEF related STR/SARs with respect to total fraud related STR/SARs received in 2024 (till 31<sup>st</sup> May) was above 63%.
- Majority of fraud related STR/SARs are disseminated to Nepal Police, followed by DRI and DMLI.
- Commercial banks and development banks have reported major portion of CEF related STR/SARs and PSPs have reported only few of such STR/SARs.
- Most individuals involved in CEF are people in age group 19-30 years.
- Most of the individuals reported for CEF were 'student' or 'employee' of various organization. Similarly, other significant occupations mentioned in accounts were 'farmer', 'proprietor', 'vegetable and fruit shop', 'housewife', 'unemployed'.
- Nearly half of the accounts linked to CEF were reported within three months of account opening. Similarly, around three fourth of the accounts were reported within nine months of account opening.
- The main trigger for CEF related STR/SARs generation from REs was reporting by the victim to REs. Inquiry from law enforcement and investigative agencies was another significant reason for STR/SARs reporting.
- Province wise, highest number of accounts reported for CEF were opened at Bagmati province followed by Madhesh and Koshi province.

- Major typologies used in CEF are gift/parcel fraud, social media impersonation, iPhone fraud, fraud using fake online business platform, one time password (OTP) fraud, lottery fraud and access to bank/wallet accounts using various fraudulent techniques.
- Fraudsters contact victims initially via social media and then use other medium as the plot for fraud develops.
- The fraud amount collected from unsuspecting victims is immediately withdrawn using ATM from different parts of country and India, or is transferred to other bank accounts and wallet accounts.
- Fraudsters have opened accounts in multiple BFIs and PSPs using same credentials, in a short period. Same mobile numbers are used to open these multiple account and frequent digital transactions per day, including multiple low value debit transactions as low as Re.1 are seen in these accounts.

### b) Recommendations:

#### i) Recommendations to REs (BFIs and payment systems industry)

REs can adopt below mentioned practices for countering CEF, based on findings of this report and anti-fraud measures adopted by REs alongside AML/CFT controls across different countries. These measures also focus on customer verification and transaction monitoring for better anti-fraud control in payment industry.

- Implement robust Know-Your-Customer (KYC) including biometric features during onboarding of customers who use digital banking products. Checking whether mobile number used to access mobile/internet banking and wallet account is registered in customer's own name or immediate family member name or not.
- Implement the use of multi-factor authentication methods like e-mail, text OTP in registered mobile number, biometric verification, authenticator app etc. in order to verify customers and conduct financial transactions. Adopt enhanced measures to mitigate risk when customer adds new devices to conduct transactions.
- Implement provision of certain cooling-off period for digital banking transactions for new account opening or during the first-time enrolment to service. This may include limiting the number and value of transactions and limiting the number of devices to access digital banking products.

- Implement risk-based real-time transactions monitoring system, robustness of which is based on the volume and nature of transactions handled by REs. Implement tight fraud detection rule and triggers based on number and value of transactions, login times, transaction patterns, device usage, geolocation, counterparty, remarks etc. to proactively detect and report fraud transactions.
- Limit social media and email communication for general information only. Explicitly remind customers that identification detail, personal data and account detail should not be shared in these communication mediums.
- Educating customers about safe online banking practices. Provide guidance to customers regarding phishing attempts, passwords safety, possible data breach while using of public Wi-Fi for banking transactions.
- Educating employees about cyber-security best practices to mitigate insider threats. Conduct regular training sessions on topics such as recognizing phishing attempts, secure handling of sensitive information, and the importance of following security protocols. Due to continuous change in modus operandi of CEFs, strengthen capabilities of compliance staffs by providing regular training, enabling them to screen and categorize incoming STR/SARs relating to CEF.

#### ii) Recommendation to LEAs and investigative agencies

Domestic co-ordination and co-operation is required between multiple agencies and private sector entities to implement strategies needed to identify, investigate and prevent CEF and related money laundering. LEAs and investigative agencies can implement below mentioned measures for this purpose.

- Identify competent authorities and clearly assign responsibility for handling CEF cases to avoid duplication and improve consolidation of investigations involving multiple victims of similar fraud.
- Consolidate all CEF cases under one enforcement unit to improve data analytics, identify criminal syndicates, and serve as a single point of contact for private sector collaboration, with proper resource allocation for financial investigations and intelligence. Work closely with private sector entities to ensure timely access to financial information, enabling faster investigations and tracing of CEF proceeds.
- Launch educational campaigns targeting both the public and financial sector personnel to increase awareness of evolving CEF trends, improving detection and reporting of such crimes. Identify potential money mules based on reported cases, and dissuade them through public education and outreach.
- Develop platforms to facilitate rapid tracing and information exchange across different financial institutions to intercept illicit proceeds. Establish central registers or databases for fraud incidents to streamline information retrieval, enabling law enforcement to focus investigations on relevant financial institutions, identify money laundering networks, prevent fraud, and enhance asset recovery.
- Eliminate the tools and methods that facilitate fraud by deactivating mobile numbers, phone lines, and fraudulent websites used by criminals; implement filters for phishing messages and malicious links; and remove suspicious social media accounts, advertisements, and fraudulent apps.

#### iii) Recommendations to regulators/supervisors

- Educate the public and increase vigilance against CEF. Implementing national awareness campaigns promoting cyber literacy and encouraging victim reporting.
- Encouraging financial institution to adopt transaction monitoring to identify, prevent and report fraudulent activities in real-time. Keep newly opened accounts under increased monitoring as per the KYC profile and profession of account holders.
- Support stakeholders in leveraging informal channels to gather and secure intelligence quickly. Formal co-operation can be used later to obtain the necessary evidence and statements for preparation of judicial proceedings.
- Make financial institutions and payment systems providers liable in cases where lapses in their platform, mainly due to negligence in KYC requirement, has enabled scammers to carry out fraud.
- Encourage wallet insurance and card insurance to protect people who are unaware of digital frauds, and people who genuinely get defrauded. For example, eSewa has introduced wallet insurance which covers losses arising from unauthorized transaction.

**c) CASES****Case 1: Employment scam used for operating money mule account**

Mr. DG registered a complaint at Bank X via email mentioning that he was victim of online fraud. Fraudster was an individual who identified himself as Mr. EE from Detroit, Michigan. As per the email the foreigner and two Nepalese, namely Mr. SK and Mr. BK were involved in online fraud. The accounts of Nepalese were used to collect money from fraud.

Mr. SK is one of customers of Bank X who opened account in Arughat branch of the bank only few days before the complaint was received. High volume of electronic transactions was observed while reviewing his account.

When the branch carried out an enquiry with Mr. SK about the transactions in his account, he informed that he met a person named Mr. GW on Instagram and had conversation with him. Mr. GW then offered him a marketing job. He asked for bank account number and mobile number of Mr. SK saying that it was requirement to deposit salary in account. However, the fraudster shared the account number of Mr. SK to victims of online fraud to deposit amount in different pretexts. The fraudster Mr. GW then used the account credentials and conducted debit transactions from Mr. SK's account by asking for the OTP sent in account holder's mobile number. Mr. SK gave OTP every time fund was transferred from his account unknown to the fact that fraudulent transactions were being carried out in his account. In this way both Mr. DG and money mule account holder Mr. SK were victim of online fraud.

**Case 2: Scammed by person posing as collector of ancient coins in social media**

A walk-in customer named Ms. STM visited Satdobato Branch of Bank X and informed that she was victim of online scam. On 12th April 2022, she had transferred total NPR. 70,000.00 into the account of Ms. NC maintained at Bank X from her mother Mrs. MTM's account maintained with Bank Y.

As per Ms. STM she met a person named Mr. BW over social media who identified himself as an avid collector of Nepalese and Indian ancient coins and bank notes. After communicating with the person online, the collector ordered coins and notes and Ms. MTM sent coins and notes to given address. Later, the collector Mr. BW requested Ms. STM to deposit courier and insurance charge into the account of Ms. NC, which he said, will be refunded later along with payment proceeds of ancient notes and coin. Ms. STM deposited Rs. 70,000 as mentioned above on account of sale of ancient coins and notes. However, no payment was made from other side as promised.

After the Bank X received the complaint, an enquiry was made by bank about Ms. NC whose account was credited by Ms. STM. It was found that Ms. NC was also a victim of social media fraud. She had opened bank account and provided mobile banking credentials to same person Mr. BW. Ms. NC informed that she was unaware of transactions being performed in her account which were mostly conducted through the digital platform.

Later Ms. STM recovered fully the transferred amount Rs. 70,000.00 from Mrs. NC with the help of Nepal Police. Out of total amount Rs. 411,143.10 credited in account of Ms. NC, Rs. 254,500.00 was found transferred to another bank 'Bank Z' via Fonepay on four different dates and NPR 10,000.00 was found transferred to Ms. NC own wallet account. This shows that there might be some other victims also who have deposited amount in the accounts of Ms. NC.

**Case 3: Government of Nepal Vs Arjun Saud: social media impersonation case**

[Case no.: 074-C2-0161; Victim: Bhojraj Thapa; Defendent: Arjun Saud]

Bhojraj Thapa, a journalist, filed a complaint stating that an unknown person had created a fake Facebook profile in his name. This fake account posted a plea for donations, claiming Thapa's child was seriously ill and needed funds

for treatment. Thapa requested legal action against the individual responsible for this fraud.

Arjun Saud confessed to creating the fake Facebook account and using Thapa's name and photos to solicit money from others. Saud admitted to using the social media platform to deceive people into sending him money via mobile payment services such as e-Sewa and NIC Asia Bank. The total amount fraudulently

obtained was NPR 283,026.11.

The court found Arjun Saud guilty of violating the Electronic Transactions Act, 2063, and the Criminal Code Act, 2074. Saud was sentenced to 6 months in prison, a fine of NPR 56,000 and additional penalties of NPR 2,200 for victim compensation under the Victim Protection Act, 2075. The decision allows for an appeal to be filed within 70 days in the High Court Patan.

Annex 10: Major Events/Activities of FIU-Nepal in FY 2023/24

**Events & Programs:**  
**Outreach programs for REs - goAML Integration, Guidance & Feedback**



1. Interaction Program with Cooperatives and its stakeholders regarding AML/CFT and goAML integration (9/21/2023)
2. Interaction Program with members of AML Committees of Commercial Banks regarding AML/CFT, Mutual Evaluation and FIU reporting (10/16/2023)
3. One Day Workshop about AML CFT with DNFBPs and its stakeholders (12/12/2023)

4. Interaction with Cooperatives and its stakeholders about AML/CFT and goAML Integration in Nepalgunj (1/22/2024)
5. Interaction program regarding AML/CFT and reporting to FIU with members of AML/CFT committee of development banks, finance companies and microfinance institutions (1/11/2024)
6. Interaction program with Securities Companies (REs under the jurisdiction of Security Board of Nepal SEBON) (6/6/2024)
7. Meeting with Cooperatives Stakeholders (Federation & Dept.) (8/2/2023)
8. Orientation-Nepal Gold And Silver Art Business Association (7/25/2023)
9. Orientation-Nepal Gem and Jewellery Association (7/27/2023)
10. Orientation-Merchant Bankers Association Nepal (8/3/2023)
11. Orientation-Federation of Nepal Gold and Silver Dealers Association Nepal (8/4/2023)
12. Orientation-Nepal Gold-Silver Craft Business Association (8/5/2023)
13. Orientation-Broker Association (8/9/2023)
14. Knowledge Sharing Meeting: Reporting Process and Practices for PSPs and PSOs (8/30/2023)
15. Orientation-District Cooperative Federation Limited, Kavre (8/26/2023)
16. Orientation-National Co-Operative Bank Limited (9/1/2023)
17. Orientation-District Cooperative Union Limited, Rupandehi (9/7/2023)
18. Meeting with compliance officer of Commercial Bank (9/21/2023)
19. Meeting with National Cooperative Bank for TTR/STR/SAR reporting via web/XML and support to integrate cooperatives in goAML system (10/9/2023)
20. Meeting with Nepal Land and Housing Developers' Federation for integration and streamline TTR/STR/SAR reporting via web/XML (10/10/2023)
21. Orientation – Nepal Federation of Savings and Credit Cooperative Unions Ltd. (NEFSCUN) Member (8/26/2023)
22. Orientation – National Cooperative Bank, Thimi Branch, Bhaktapur (9/1/2023)
23. Discussion on Web/XML reporting with Compliance Officers of NABIL Investment Bank Ltd (12/5/2023)
24. Discussion on Web/XML reporting with Compliance Officer of Himalayan Life Insurance Ltd. (12/6/2023)
25. Discussion on Web/XML reporting with Compliance Officers of Radha Krishna Saving & Credit Cooperatives (12/14/2023)
26. Orientation to members of Dealers of Precious Metals & Stones about AML/CFT and goAML Integration in Pokhara – Organized by District Association of DPMS-Pokhara (1/9/2024)
27. Meeting with National Cooperative Bank for TTR/STR/SAR reporting via web/XML in goAML (2/11/2024)
28. Meeting with Laxmi Sunrise Bank on TBML, STR/SAR reporting and Red-Flags (1/30/2024)
29. Meeting with ARKS Capital Limited regarding TTR/STR/SAR reporting via web/XML in goAML (2/18/2024)
30. Meeting with Muktinath Capital Limited to clarify the TTR reporting discrepancies reporting via web/XML (3/21/2024)
31. Meeting with Thrive Brokerage House Pvt. Ltd to clarify the TTR reporting discrepancies reporting via web/XML (3/25/2024)
32. Meeting with Prabhu Money Transfer Pvt. Ltd to clarify the TTR reporting discrepancies reporting via web/XML (3/25/2024)

33. Meeting with J.F. Securities Company Pvt. Ltd to clarify the TTR reporting discrepancies reporting via web/XML (3/26/2024)
34. Meeting with IME Life Insurance Company Ltd to clarify the TTR reporting discrepancies reporting via web/XML (3/26/2024)
35. Meeting with Creative Securities Pvt. Ltd to clarify the TTR reporting discrepancies reporting via web/XML (3/27/2024)
36. Meeting with Nepal Investment Mega Bank Ltd to clarify the TTR reporting discrepancies reporting via web/XML (3/27/2024)
37. Meeting with Nabil Investment Banking Ltd to clarify the TTR reporting discrepancies reporting via web/XML (4/4/2024)
38. Meeting with CEOs of Hire Purchase Loan Providing Companies. The CEOs visited FIU Nepal for facilitation on the rollout of directives issued by NRB regarding AML/CFT and goAML Integration (6/5/2024)

## Events & Programs: Domestic Cooperation programs with LEAs, Regulators/Supervisors and other stakeholders



1. Interaction program with all LEAs and other concerned agencies regarding AML/CFT, FIU dissemination and feedback (3/28/2024)
2. Interaction program with regulators/Supervisors regarding AML/CFT, domestic cooperation, MER and reporting of REs to FIU-Nepal (7/11/2024)
3. Meeting with NRB-Payment System Department for cooperation and goAML integration of PSP/PSOs(7/18/2023)
4. Meeting with NRB-Microfinance Institution Supervision Department for cooperation and goAML integration of Microfinance institutions (7/19/2023)

5. Meeting with Government of Nepal, Ministry of Land Management, Co-operative & Poverty Alleviation, Cooperatives Department for cooperation and goAML integration of cooperatives (7/20/2023)
6. Orientation-Kageswori Manohara Municipality for cooperation and goAML integration of cooperatives (8/8/2023)
7. Meeting with Department of Cooperative-Update on AML/CFT Directives for Cooperative (10/8/2023)
8. Orientation to Regulators/Supervisors about goAML and Use of Statistics Tab (1/9/2024)
9. Meeting with NIA on STR/SAR red-flags for insurance sector (1/31/2024)
10. Meeting with Department of Customs regarding Cash and BNI declaration reporting and domestic cooperation (2/4/2024)
11. Meeting with Consultants of Department of Tourism to discuss about the AML/CFT, cooperation and goAML integration of Casino Sector (2/13/2024)
12. Meeting with Central Investigation Bureau, Nepal Police regarding Financial analysis of bank statement (3/21/2024)
13. Meeting with NRB NBFISD to discuss and rollout the AML/CFT directives issued by NRB to Hire Purchase Loan Providing Companies (6/13/2024)

### Events & Programs: Participation in International Events







1. FIU-Nepal employee attended training on Macroeconomic Diagnostics organized by SEACEN CENTRE in Kuala Lumpur, Malaysia (Nov, 2023)
2. FIU-Nepal employee attended South Asia Anti-Corruption Regional Program in Dhaka, Bangladesh (Nov, 2023)
3. FIU-Nepal employee attended training on Fight Money Laundering and Financing of Terrorism organized by Banque Paribas in Paris, France (Nov, 2023)
4. FIU-Nepal employee attended training on Strengthening Trans regional Action and response against smuggling of migrants organized by UNODC in Male, Maldives (Dec, 2023)
5. FIU-Nepal employee attended training on Enhancing Effectiveness of AML/CFT Frameworks organized by IMF SARTTAC in New Delhi, India (Jan, 2024)
6. FIU-Head attended 2024 Egmont and Regional Group Meetings in Malta (Jan, 2024)
7. FIU-Nepal employee attended South East and South Asia Senior Official Regional Meeting organized by UNODC in Bangkok, Thailand (Jan, 2024)

8. FIU-Nepal employee attended FATF/APG Assessor's training organized by FATF/APG in Hong Kong (March, 2024)
9. FIU-Nepal employee attended workshop on Improving STR/SAR Quality organized by EGMONT group in Bangkok, Thailand (March, 2024)
10. FIU-Nepal employee attended Asia Pacific Sub-Regional Workshop on custom related AML-CFT issues organized by World Customs organization in FIJI (April, 2024)
11. FIU-Nepal employee attended training on Federal Reserve Course on Crisis Management Recovery and Resolution Planning organized by SEACEN CENTRE in Manila, Philippines (May, 2024)
12. FIU-Nepal employee attended virtual meeting with UNODC regarding goAML Training (Aug, 2023)
13. FIU-Nepal team attended meeting with IMF delegation team regarding Mutual Evaluation of Nepal and ongoing progress in AML/CFT related law amendments (Sep, 2023)
14. FIU-Nepal employee attended virtual training on AML organized by Secretariat of BIMSTEC (May, 2024)

### Events & Programs: Capacity Enhancement



1. Knowledge sharing program for FIU-Nepal's employees in the following topics (7/31/2023)
  - Third Mutual Evaluation
  - Report Management System

2. Knowledge sharing program for FIU-Nepal's employees regarding FIU-Nepal's IT infrastructure and user guidance (12/28/2023)
3. Knowledge sharing program for FIU-Nepal's employees regarding best international practices and emerging trends/typologies (12/30/2023)
4. Knowledge sharing program for FIU-Nepal's employees regarding Improving STR/SAR Workshop, APG/FATF Assessor Training and Enhancing Effectiveness of AML/CFT Framework (4/9/2024)
5. Knowledge sharing program for FIU-Nepal's employees regarding utilization of advanced Excel in Financial Analysis (5/26/2024)



**Financial Intelligence Unit  
(FIU-Nepal)**

**Nepal Rastra Bank**

Baluwatar, Kathmandu

Tel: 01-5719653 (Ext. 2841/2842)

Email: [fiupolicy@nrb.org.np](mailto:fiupolicy@nrb.org.np)

Website: [www.nrb.org.np/departments/fiu](http://www.nrb.org.np/departments/fiu)