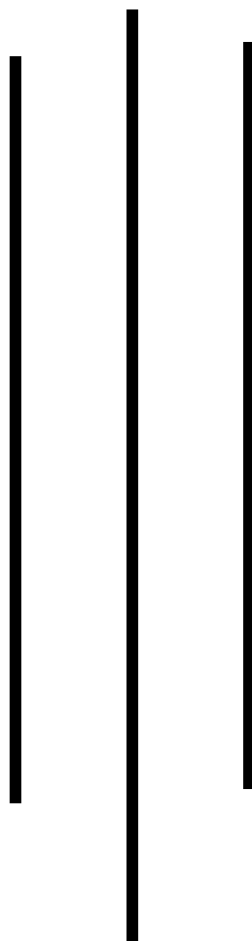


Anti-Money Laundering Directives
to
Money Changer



NEPAL RASTRA BANK
CENTRAL OFFICE
FINANCIAL INFORMATION UNIT (FIU)
Nepal
1 Dec. 2009 (2066, Mansir -16)

In exercise of the power under Section 10(3) of the Asset (Money) Laundering Prevention Act, 2008 and Rule 7 of the Asset (Money) Laundering Prevention Rules, 2009, the FIU has issued the following directives to Money Changers licensed by Nepal Rastra Bank.

1. Customers to be clearly identified (Know Your Customer) and records thereof maintained:

1. Money Changers shall, as per schedule-1, obtain documents and particulars that establish the clear identity of the customers and maintain the record thereof.
2. Money Changer may, in addition to the particulars mentioned in schedule-1, obtain other particulars of the customers that establish the identity of the customers, as per necessity.

2. Forms to be filled up:

Money Changer shall prepare a form containing information on customer identification as mentioned in these directives, amount of money exchanged and the source of such money and shall maintain the record thereof with the signature of the customer and the authorized person of the money changer in the form.

3. Customers to provide particulars:

It shall be the obligation on the part of the concerned customers to provide the particulars as requested by money changers as per Section 1 of this directive. The money changer shall have the right to instantly decline to change money of those who fail to provide or is not able to provide the particulars for whatsoever reason. Where the business of money changing may not be denied owing to prevalence of an otherwise circumstance, the money changer shall treat the transactions with such customer as suspicious and submit the particulars thereof to the Financial Information Unit as per Schedule 3.

4. Money exchange of threshold amount and threshold exceeding amount to be reported:

1. Money changer shall submit to the Financial Information Unit the particulars of money exchange of five hundred thousand (threshold amount set by Nepal Rastra Bank) or amount more than that¹ in a day, either exchanged at a time or in series of exchanges, within 7 days from the date of the transaction as per Schedule -2 format.

Explanation: "Threshold amount" means the amount of Indian Currency or Convertible Foreign Currency worth Rs. five hundred thousands Nepalese Currency based on the exchange rate of the day.

2. A separate register with the particulars of the customer exchanging the threshold amount or amount more than that as designated in Sub Section (1) and of such exchange should be kept in the separate register by causing the customer to mention the source of the amount.

3. In case the money exchange appears to be suspicious, it shall be reported as suspicious money exchange, irrespective of whether the amount involved in money exchange is of the threshold amount or more or less than that.

Explanation: "Money exchange" means transaction of exchanging amount of money from Nepalese currency to any convertible foreign currency or vice versa or exchange of one foreign currency to another foreign currency, whether involving the cash of the said currency or any type of cheque or other negotiable instruments.

5. Suspicious Money exchange to be reported:

1. Money changer shall immediately provide information to the Financial Information Unit as per the format specified in Schedule 3 in case the following circumstances exist:

(a) Attempt to buy currency at a rate higher than the fixed rate or sell at a rate lower than the fixed one;

¹ Amount means

- (b) Attempt to change or change of various bank notes of smaller denomination or cheques of smaller or other amounts to single bank note of bigger denomination or other negotiable instruments of higher amount;
- (c) Attempt to change money by giving or taking bank notes of bigger denominations only;
- (d) Money exchange of the customer who does not or can not submit the documents as mentioned in schedule-1;
- (e) Money exchange, the nature of which does not match with the particulars furnished to it;
- (f) Money exchange of the individual or organization who has been declared by Nepal government as 'Individual or organizations involved in terrorist or criminal activities' or of the individual or organizations placed in the list of terrorist or criminal by the United Nations through adoption of various resolutions;
- (g) Any money exchange that appears to be suspicious or the money exchange that is carried out or appears to be carried out with the purpose of money laundering or encouraging terrorist or criminal activities or any money exchange that creates suspicion;
- (h) Any money exchange that appears to be directly or indirectly facilitating any type of terrorist activity, terrorist organization or any criminal activity;
- (i) Any money exchange that apparently does not commensurate with general financial condition of the customer;
- (j) Money exchange for which the source of income does not appear or is not disclosed or for which no satisfactory information could be received;
- (k) Any money exchange of the person attempting suspicious exchange;
- (l) Money exchange that appears to be suspicious or abnormal in any manner;

- (m) Other money exchange as designated by the Financial Information Unit from time to time.
2. Money changer shall safely maintain a separate register with the records of information on suspicious money exchange submitted to the Financial Information Unit as specified in Schedule- 4 and of records of all particulars of money exchanges reported to the Financial Information Unit for five years the for five years.
 3. No threshold shall apply for reporting money exchanges as suspicious money exchanges.
 4. Any attempt of suspicious money exchange and the act of cooperating in such suspicious exchange in any manner shall also be reported as suspicious money exchange to the Financial Information Unit.

6. Classification and Mitigation of Risk:

1. Money changer shall classify the money exchange of its customers by identifying the inherent risks on the basis of the quantum, nature and scope of the money exchange. Such classification shall be made at least as follows:
 - (a) High risk money exchange
 - (b) Risk money exchange
 - (c) Low risk money exchange
2. Classification of money exchange as per Sub-clause 1 shall be reviewed from time to time.
3. While classifying the risk as per Sub-clause 1, customer having abnormal type of transactions; individuals who have/had occupied higher rank in politics, business, administration as well as in social and financial sectors; customer doing international money exchange, customers from the countries not adopting the necessary measures for the prevention of money laundering and financing of terrorism, customer and money exchange having grounds of suspicious transaction and the money exchange designated by the Financial Information Unit as high risk money

exchanges are to be placed under high risk and to be specially vigilant in such transactions.

7. Provisions on Reporting:

1. Money changer shall submit the information and particulars required to be reported to the Financial Information Unit as per schedule-2 or schedule-3.
2. The information and particulars relating to Threshold money exchange or suspicious money exchange may be submitted to the Financial Information Unit through electronic means of communication like email and fax. If information is provided through electronic means like fax and email, the same shall be confirmed immediately through other means.
3. Where any particular is found to have been omitted in the information submitted to the Financial Information Unit or where different particulars or information, other than particulars and information received during money exchange is received afterward, the money changer shall immediately inform the Financial Information Unit of such differences.
4. Money changer shall safely maintain the record of customer profile, transaction and information submitted to the Financial Information Unit for five years.

8. Information and Training:

Money changer shall provide necessary training and information to its directors and employees so as to put in place an internal management system for the prevention money laundering as well as financing of terrorist activities.

9. Regulation and Monitoring:

1. The Financial Information Unit may monitor or cause to monitor from time to time regarding the compliance of the provisions of Asset (Money) Laundering Prevention Act and the Rules, By-laws, directives or orders issued in exercise of the power under the said Act.

2. It shall be the duty of the concerned money changer to provide all necessary cooperation in the monitoring process conducted as per Sub Section (1).

10. Confidentiality to be maintained:

Money changer or its staff, official or representative thereof shall not disclose any information provided to the Financial Information Unit nor divulge the facts/confidentiality of the document that has come into knowledge during investigation and enquiry or during the execution of own duties to any other persons including the customers through any means except under the circumstances as may be required by the prevailing laws.

11. Internal Guidelines:

In compliance with the Asset (Money) Laundering Prevention Act, rules and this directives, the money changer shall prepare and implement necessary guidelines in respect of prevention of money laundering, and financing of terrorist activities, risk prevention, internal control, customer due diligence, information management, record keeping, identification of suspicious money exchange, information to be reported to the FIU and the compliance with the Act, Rules and directives and inform the Financial Information Unit along with a copy of such documents. The guidelines shall contain procedures relating to Customer Due Diligence, customer acceptance, customer identification, and process of monitoring customer's transactions as well as process of risk management.

12. Obligation to comply with the Act, Rules and Directives:

- (1) It shall be the duty of the chief of the money changer or its director to manage to provide information and particulars with full confidentiality and security in accordance with the Asset (Money) Laundering Prevention Act, the Rules or the directives, order, circulars issued under the Act and Rules and other relevant laws.

- (2) Annual report of the activities conducted in accordance with this directive shall be prepared and a copy thereof shall be submitted to the Financial Information Unit within three months after the completion of the fiscal year.

13. Penalty and Action:

- (1) The Financial Information Unit may impose fine, as per Section 31 of the Act, to money changer which does not furnish information to the Financial Information Unit as per the requirement of Asset (Money) Laundering Prevention Act, and the Rules, By laws, directives or order formulated and issued under the said Act.
- (2) Action shall be taken in accordance with the Asset (Money) Laundering Prevention Act 2008 against those breaching the provisions of the Act, the Rules, by laws, directives or order.

Note: The report is to be submitted in the following address:

**Nepal Rastra Bank
Financial Information Unit
Baluwatar
Karthmandu
Phone: 4419804, 4419805, 4419807 (Ext. 414, 417, 418)
Fax: 4441051
Email: reportfiu@nrb.org.np**

Schedule-1

Customer Due Diligence Procedure

- (a) Clear Full Name and Address
- (b) Certificate of citizenship or Identity Card disclosing nationality (in case of exchange of Indian Currency)
- (c) Copy of passport and visa or letter of concerned office (in case of exchange of foreign currency)
- (d) Temporary Address
- (e) Contact Telephone No (if any)
- (f) Other documents and particulars as deemed necessary by the money changer itself.

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Suspicious Transaction Report and
Internal Record Form for Money Changer

Name of Reporting Institution:

S.N	Name and address of the Customer (with numbers of passport & visa or citizenship, or national Id, etc.)	Date of Transaction	Source of Money	Amount Involved in NPR	Reasons to be Suspicious	Signature for Internal Recording	Remarks

Submitting Signature :
(Chief/Authorized Person)

Name :
Designation :
Phone :
Email :
Fax :
Date :