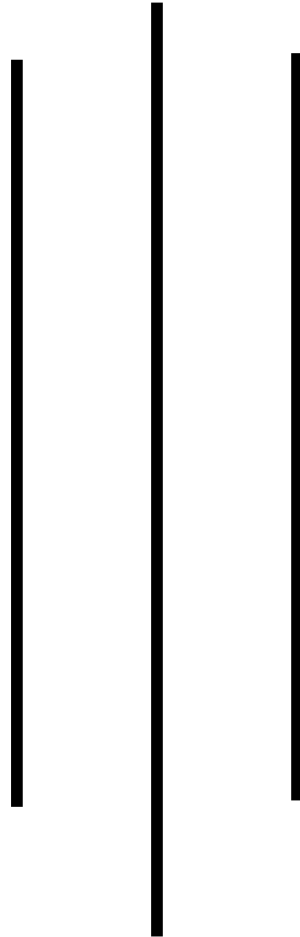


Anti-Money Laundering Directives
to
Bank and Financial Institutions



NEPAL RASTRA BANK
CENTRAL OFFICE
FINANCIAL INFORMATION UNIT (FIU)
Nepal
17 Aug. 2009 (2066, Bhadra -1)

NEPAL RASTRA BANK FINANCIAL INFORMATION UNIT

In exercise of the power under Section 10(3) of Asset (Money) Laundering Prevention Act, 2008 the FIU has issued the following directives to bank and financial institutions ("A","B" and "C" class) licensed by Nepal Rastra Bank.

1. **1. Customers to be clearly identified (Know Your Customer) and records thereof maintained** Bank and financial institutions shall obtain documents and particulars and maintain identity of customers as per Annex-1 while opening customer's account, dispersing loan to customer, transfer of foreign currency through Draft, T.T. Mail, Telegraphic transfer as well as accepting remittance through such Draft, T.T. Mail and Telegraphic transfer or making payments, entering into transactions relating to currency or currency substitution as well as establishing any types of business relationship or transactions with the customer, including the letters of credit.
2. Bank and financial institutions may obtain other additional information as required other than the particulars stated in Annex 1.
3. Bank and financial institutions shall verify whether particulars stated in Annex 1 is available or not with respect to the existing customers and in the case of non-availability such particulars shall be obtained and up dated.
4. Bank and financial institutions shall assign a staff in every office /branch to certify the documents to be submitted as per Annex –1 and other documents the customers are required to submit to the banks and financial institutions.

2. **Particulars to be provided by customer:**

It shall be the obligation on the part of the concerned customers to provide the particulars as requested by bank and financial institutions as per Section 1 of this directive. Bank and financial institutions shall have the right to instantly decline to conduct any transaction or establish business relationship with those customers who fail to provide or is not able to provide the particulars for whatsoever reason. Where the establishment of business relationship may not be denied owing to prevalent of an otherwise circumstance, the transactions with such customer shall be treated as doubtful and submit the particulars submitted to the Financial Information Unit as per Annex 3.

3. **Particulars regarding transactions of threshold amount or in excess of such threshold to be submitted.**

- (1) Bank and financial institutions shall submit the particulars of transactions of following threshold or in excess of such threshold within 7 days from the date of transaction to the to Financial Information Unit as per Annex -2 format.

- (a) Credit and debit transaction of rupees **one million or more** in the account of any person or entity either by single or multiple transactions through any mode in a day.
- (b) Payment or remittance of rupees **one million or more** by any person or entity to any person or entity through single or multiple transactions in a day.
- (c) Exchange transactions of rupees **Five Hundred Thousand** or more provided to any person or entity through single or multiple transactions in a day.

Clarification: With respect to foreign currency transactions, the amount stated above shall mean the amount derived by multiplying the same at the prevailing exchange rate on that date.

- 2. With respect to the amounts received in deposit by the bank and financial institutions in excess of rupees one million, a separate procedural mechanism for the operation and accounting for such transaction shall be implemented. Further, the record shall also be updated by obtaining the disclosure from the concerned customer as to the source of such transactions.
- 3. Particulars of doubtful transactions irrespective of whether pertain to the stipulated limit or in excess or short of such limit shall also be submitted disclosing under the suspected transactions.

4. Exemption from Reporting Obligation:

Notwithstanding anything stated in clause 3 of this directive, bank and financial institutions are not required to submit information/particulars to the Financial Information Unit as to the transactions conducted through the following government entity, organization, office, or individual accounts.

- (a) Transactions of Nepal government, office or entity under Nepal government or any office, company, organization, institution partially or substantially owned by Nepal government.
- (b) Transaction of entities established under special statutes.

Clarification: for the purpose of this section, entities established under special statutes mean entities established under especially promulgated the statutes.

- (c) Transaction of bank and financial institutions within itself, with other bank and financial institutions or government entities.
- (d) Transaction of public limited companies with other public limited companies, government and semi government offices, organizations, institutions, company or entity, entities established under special statutes.
- (e) Transactions of insurance companies relating to reinsurance business.

- (f) Transactions of any bank and financial institutions with respect to extension of loan or providing services to its customer as per the prevailing law.
- (g) Transactions of bank and financial institutions regarding service and facility provided to own staff.
- (h) Transactions with United Nations, office under the said institution and specialized agencies of this organization and international organizations,
- (i) Transactions of diplomatic mission and other offices of foreign governments.

Provided that this exemption shall not apply to suspicious transactions.

5. Statement of suspicious transactions to be submitted.

1. Bank and financial institutions shall, immediately, provide information to the financial information Unit as per the format specified in Annex 3 in case the following circumstances exist:
 - (a) Transactions which apparently does not commensurate with general financial condition of the customer.
 - (b) Transactions, the nature of which does not match with the particulars furnished.
 - (c) Transactions which are generally not possible in the process of any particular trade or business or the transaction of abnormal nature.
 - (d) Abnormal increment or change in any customer's financial or business transaction.
 - (e) Transaction for which the source of income is not disclosed or for which no satisfactory information could be received.
 - (f) Transaction with customer who has not fulfilled procedure of Customer Due Diligence (CDD) or is not able to do so.
 - (g) Any transaction which appears to be facilitating directly or indirectly to any form of terrorist activity, terrorist organization or criminal activity.
 - (h) Transactions relating to individual or organization who has been declared by Nepal government as 'Individual or organizations involved in terrorist or criminal activities' or that relating to individual or organizations placed in the list of terrorist or criminal by the United Nations through adoption of various resolutions.
 - (i) Transactions which may have direct or indirect links with the individual or organization involved in terrorist activity or criminal activity or transactions of any related person.

- (j) Any transaction which is otherwise suspected or being carried out with the purpose of money laundering or encouraging terrorist or criminal activities or any transactions which is suspicious.
 - (k) Transactions which seems abnormal or suspicious in any respect.
 - (l) Transactions of individual or organization who are suspected of carrying suspicious transactions.
 - (m) Other transactions specified by Financial Information Unit from time to time.
2. The bank and financial institutions shall maintain records of information provided to the Financial Information Unit as suspicious transactions in a separate register as specified in Annex- 4, and keep under the custody of Compliance Officer.
 3. There shall no limit of transaction for submission of information on suspicious transactions.

6. Classification and mitigation of risk:

1. Bank and financial institutions shall classify the transactions of its customers by identifying the inherent risks on the basis of the quantum, nature and scope of the transaction. Such classification shall be made at least as follows:
 - (a) High risk transactions
 - (b) Risk transactions
 - (c) Low risk transactions
 2. Classification of transactions as per Sub-clause 1 shall be reviewed from time to time. Provided that highly risk transactions shall be reviewed every three months.
 3. For the purpose of classification 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; conduit transaction (non face to face transaction) ; firm, company, organization or entity having no particular regulatory or supervisory authority; customers carrying out international transactions and customer of the countries not adopting the necessary measures for the prevention of money laundering and financing of terrorism shall be classified as high risk transactions.
- 4 The Board of Directors of the bank and financial institutions shall, at least on quarterly basis, discuss on setting up and improving mechanisms to prevent customer's suspicious and abnormal transaction or money laundering and make necessary arrangement for this effect. 5. Report on review of risks as per this directive shall be submitted to the Financial Information Unit every six month, beginning from the first month of the fiscal year.

7. Compliance Officer

1. Bank and financial institutions shall assign a higher managerial level staff in its corporate office as the compliance officer. Such officer will perform as a focal point to conduct activities according to Anti-Money Laundering Act, directive of Financial Information Unit and other prevailing laws. Particulars regarding name, address, contact number as well as email of the officer shall be filed with the Financial Information Unit.
2. Bank and financial institutions shall also assign responsibility, as required, to branch/office staff to provide information as per sub-clause (1) to the designated compliance officer.

8. Responsibility of Compliance Officer

The responsibilities of Compliance Officer shall be as follows:

- (a) To perform and cause to perform activities as required to be followed by the reporting institution under Anti-money Laundering Act, rules, directive, order, circular issued under the said Act as well as other related statutes.
- (b) To identify the customer as required by the legal instruments including the Asset (Money) Laundering Prevention Act and rules, directive, order, circular issued under the said Act.
- (c) To maintain and cause to maintain updated record of Customer Due Diligence information as per sub-section (b).
- (d) To properly maintain the record of transaction exceeding the threshold and suspected transactions.
- (e) To submit information of transactions as per sub-section (d) to Financial Information Unit within the stipulated time.

9. Responsibility of Bank and Financial institutions.

1. Bank and financial institutions shall make necessary arrangement confirming the authority of the Compliance Officer to obtain and file all information to the Financial Information Unit.
2. It is the responsibility of concerned bank and financial institutions to make an arrangement for conducting the activities of submitting information as per Anti-money Laundering Act, rules or issued directives, order, circulars under such act or other relevant statutes from a in secured place maintaining confidentiality.
3. It shall be responsibility of the Chief Executive Officer of the concerned bank and financial institutions to review on quarterly basis as to whether or not the provisions of Anti-money laundering Act, and rules, directive, order or policy formulated under such act are complied with and submit a report to Financial Information Unit completing the review of the same in three months from the end

of fiscal year. Further, a brief summary relating to this shall also be disclosed in the annual report of the institution.

10. Procedures of filing particulars

1. Bank and financial institutions shall submit the information and particulars to be provided to the Financial Information Unit with respect to transactions exceeding the threshold as per Annex-2 and list of suspicious transactions as per Annex- 3 through the Compliance officer.
2. The Compliance officer may provide information regarding suspected or other transaction to the Financial Information Unit in a letter or through electronic means of communication such as fax and e-mail. If information is provided through electronic means like fax, email the same shall be confirmed immediately through other means.
3. Where any particular is found to have been omitted in the information filed with the Financial Information Unit or where different particulars or information, other than particulars and information reported while conducting such transaction is received afterward, the bank and financial institutions shall immediately inform the Financial Information Unit of such differences.

11. Internal directives

1. In compliance with the Asset (Money) Laundering Prevention Act, rules and this directive, the Bank and financial institutions shall prepare and implement necessary guidelines in respect of prevention of money laundering activities 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.
2. With respect to Customer Due Diligence, the Bank and financial institutions may also use the relevant guidelines laid down by the international organizations and the use of such guidelines shall be informed along with a copy of the guidelines to the Financial Information Unit.

12. Information and training

Bank and financial institutions shall make necessary internal arrangements to prevent money laundering as well as financing of terrorist activities and provide necessary training and information to its employees for the same.

13. Monitoring and regulation

1. The Financial Information Unit may monitor or cause to monitor from time to time regarding the compliance of provisions of Asset (Money) Laundering Prevention Act and rules, bylaws, directives or orders issued under this Act.
2. It shall be the duty of the concerned bank and financial institutions to provide all necessary cooperation in the monitoring process conducted as per sub-clause- 1.

14. Maintenance of secrecy

Bank and financial institutions or any 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 under the prevailing laws.

15. Penalty and Actions

1. The Financial Information Unit may impose penalty to the bank and financial institutions as provided under the Anti-money Laundering Act for failing to provide within stipulated time the information which are required to be submitted to the FIU as per Asset (Money) Laundering Prevention Act and Rules, Bylaws, directives or order. Action shall be initiated pursuant to the Asset (Money) Laundering Prevention Act against those breaching the provisions of the Asset (Money) Laundering Prevention Act and the rules, By-laws, directives or order issued under the Act.

Annex -1

Procedure regarding Customer Due Diligence (Know Your Customer)

1. Bank and financial institutions shall obtain following documents from the customers depending on the type of the customer. Further, where necessary, private interview of the customer shall also be taken.

(A) Relating to customer deposit

(a) Personal Accounts

1. Clear Name and surname
2. Name of father or husband
3. Permanent address (Supporting documents are to be submitted. Such documents may be Certificate of Citizenship, Passport, electricity and water bill and location map prepared by bank staff on site visit (if necessary), voter identity Card, land ownership document etc.)
4. Temporary Address
5. Date of birth
6. Telephone number (if available)
7. Citizenship/passport (number and description)
8. Copy of identity card in case of an employee of the Government of Nepal or of the entity owned by the Government of Nepal.
9. Photo
10. Other required documents (may be specified by bank and financial institution themselves.)

(b) Accounts of Partnership or Proprietorship firm

- (1) Name of the firm
- (2) Address
- (3) Telephone/mobile number (if available)
- (4) Name and address of all partners (including phone number)
- (5) Photo of partners
- (6) Firm registration certificate
- (7) Partnership Deed

- (8) In case of partnership firm, authorization letter regarding operation of financial and administrative transaction.
- (9) Other required documents (maybe specified by bank and financial institutions themselves.)

(c) **Accounts of Companies**

- (1) Name of company
- (2) Address of head office.
- (3) Full address (including phone, fax)
- (4) Certificate of incorporation and Operating license, Memorandum of Association and Article of Association
- (5) Name and address of Board of directors (phone number, if available)
- (6) Photos of members of the Board of Directors.
- (7) Board resolution authorizing opening and operation of the account
- (8) Authorization by Board of directors to Chief Executive Officer or other officer for conducting financial transactions.
- (9) Other required documents (may be specified by bank and financial institutions themselves.)

(d) **Accounts of Club/Non-governmental Organization**

- (1) Name of Club and Non-governmental Organization
- (2) Address
- (3) Certification of registration
- (4) Constitution of the Organization or clubs.
- (5) Name and address of Executive committee (telephone No. if available)
- (6) Telephone No.
- (7) Executive committee's decision regarding opening of account
- (8) Photos of directors/members of working committee of club and Non-governmental Organization
- (9) Authorization for the operation of accounts financial transactions.
- (10) Other required documents (may be specified by bank and financial institutions themselves.)

(e) **Account of Cooperatives**

- (1) Name of Institution
- (2) Address
- (3) Telephone No. (if available)
- (4) Constitution
- (5) Name and address of Board of Directors (telephone number, if available)
- (6) Photos of Board of Directors.
- (7) Certificate of Registration
- (8) Board's resolution regarding opening of account and authorization to conduct financial transactions.
- (9) Other required documents (may be specified by bank and financial institutions themselves.)

(f) **Accounts of Public and Private Trust (Guthi)**

1. Name
2. Address
3. Telephone No. (if available)
4. Constitution of the trust
5. Agreement relating to the establishment of the Trust.
6. Name and address of management trustee.
7. Photos of trust members.
8. Certificate of Registration
9. Name and address of member of Board/Management Committee.
10. Resolution of Board/Management committee regarding opening of account and authorization to conduct financial transactions.
11. Other required documents (may be specified by bank and financial institutions themselves.)

(g) **Accounts of School, Campus or other educational entity**

- (1) Name of School or Campus

- (2) Address
 - (3) Constitution or Memorandum of Association and Article of Association
 - (4) Certificate of Approval
 - (5) Name, address, telephone number and photo of chief executive of the School or Campus.
 - (6) Name and address of member of Board/Management committee (telephone number if available).
 - (7) Resolution of Board/Management committee regarding opening of account and authorization to conduct financial transactions.
 - (8) Other required documents (may be specified by bank and financial institutions themselves).
- (h) **Accounts of International Non-governmental Organization**
- (1) Name of Organization
 - (2) Address
 - (3) Copy of agreement with Social Service National Coordination Council, if available.
 - (4) Copy of agreement with Nepal Government, if any.
 - (5) Recommendation letter from concerned country or embassy.
 - (6) Charter of the organization
 - (7) Name, address, telephone number and photos of two principal executives of the organization and documents confirming the address.
 - (8) Name, address and photos of representative or chief appointed by the Nepal office of such organization and documents confirming the address.
 - (9) Organization's authorization to open account and authorization for financial transactions.
 - (10) Other required documents (may be specified by bank and financial institutions themselves).
- (i) **Account of Foreign Individual**
- (1) Name, family name and address.
 - (2) Name of father or husband
 - (3) Copy of the valid visa

- (4) Copy of passport
 - (5) Recommendation letter of the organization s/he is working in (if an employee)
 - (6) Address and contact place in Nepal
 - (7) Other required documents (may be specified by bank and financial institutions themselves).
- (j) **Accounts of Foreign Company**
- (1) Documents relating to incorporation of the foreign company.
 - (2) Memorandum of Association and Article of Association of the company.
 - (3) Letter of authorization to open account and authorization to conduct financial transaction provide by the foreign (*parent*) company.
 - (4) Documents confirming registered and business address.
 - (5) Name, address, telephone number and photos of two principal executives of foreign company and documents confirming the address.
 - (6) Address in Nepal and contact person.
 - (7) Other required documents (may be specified by bank and financial institutions themselves).
- (k) **Accounts of Diplomatic Mission/Embassy**
- 1. Letter of Mission/Embassy
 - 2. Authorization of operation of the account
 - 3. Name, address, photo of the account operator and documents confirming the address.
 - 4. Other required documents (may be specified by bank and financial institutions themselves.)
- (l) **Accounts of Non-Resident Nepalese.**
- 1. Name, surname and address.
 - 2. Name of father or husband
 - 3. Documents disclosing source of income
 - 4. Agreement with employer organization/Appointment letter.
 - 5. Copy of passport

6. Address and contact place in Nepal.
7. Other required documents (may be specified by bank and financial institutions).

(b) **Customer with no account in the concerned bank**

With respect to the customers requesting remittance to other place and customers requesting payment of remittance, the bank and financial institutions shall identify such customer appropriately and maintain the records of name and addresses of such customers safely so as to be able to retrieve at the time of need.

Annex-2
 Threshold Transaction Report (TTR) Form
 for
 Banks and Financial institutions

Name of Reporting Institution:

S.N.	Name and address of the person holding account (including legal)	Branch	Date of Transaction	Nature of transaction	Account type and No.	Amount involved	Remaks

Signature :
 (Compliance Officer or authorized officer)
 Name :
 Designation :
 Phone :
 Email :
 Fax :
 Date :

Annex-3
 Suspicious Transaction Reports (STR) Form
 for Banks and Financial institutions

A. Reporting Institution:

1. Name of the Institution/Branch

B. Details of Customer:

1. Name of account holder/s/customer

2. Address:

3. Profession (if applicable):

4. Nationality (if applicable):

5. Other account(s) number (if any)

6. Other business (if any)

7. Father/Mother's name (if applicable)

8. Date of birth/establishment:

C. Account/Transaction Details:

1. Account number/Transactions:

2. Nature of the account/transaction*
 (Current/saving/loan/other, pls. specify)

3. Nature of ownership: (Individual/partnership/
 company/other, pls. specify)

4. Date of operation/transaction:

5. Other account(s) number/transaction (if any)

6. Amount:

7. Others:

* Cash/Transfer/Clearing/TT/etc. Add paper if necessary.

D. Reason for considering the transaction(s) as unusual/suspicious?

- a. Identity of client
- b. Activity in account
- c. Background of client
- d. Multiple accounts
- e. Nature of transaction
- f. Value of transaction
- g. Other reason (pls. specify)

**(Mention summary of
 suspicion and consequence
 of event)**

E. Suspicious Activity Information

Summary characterization of suspicious activity:

- a. Corruption/Gratuity
- e. False statement
- h. Structuring

- b. Cheque fraud
- c. Tax evasion
- d. Loan fraud
- f. E or wire fraud (debit/credit or other card)
- g. Identity Theft
- h. Terrorist financing
- i. Mysterious Disappearance/behavior
- j. Counterfeit instrument
- k. Misuse of Position or self

F. Has the suspicious transaction/activity had a material impact on or otherwise affected the financial soundness of the bank/fi? Yes No.

G. Has the bank/FI takes any action in this context? If yes given details.

Signature (compliance Officer of authorized Officer):

Name : _____ Date: _____

Phone : _____ Email: _____ Fax: _____

