



# **IMF Technical Assistance to Strengthen AML/CFT in Nepal**

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# Overview of AML/CFT Initiatives of Nepal



- **Anti Money Laundering (AML)/Combating the Financing of Terrorism (CFT) a primary task since a decade ago for the stability of financial system, transparency of economic activities and control of crime.**
- **Member of APG in 2002.**
- **1st APG Mutual Evaluation in 2005 and 2<sup>nd</sup> in 2010.**
- **NRB Directives on KYC since 2006; now 15 directives already issued on AML/CFT.**

# **Overview of AML/CFT Initiatives of Nepal (contd..)**



- **AML/CFT Act promulgated in 2008 (amended 2010) and Rules issued in 2009.**
- **Ratification of UN Conventions- Anti-Drugs (Vienna,1991), Anti-Organized Crimes (Palermo 2011), Anti-Corruption (Merida, 2011) and Suppression of TF (2011).**
- **Nepal's progress in ICRG Review process.**
- **Government's strong commitment to International Community to strengthen AML/CFT regime.**

# Legal and Institutional Framework



## *Legal Framework:*

- **Criminalization of Money Laundering (ML) and Terrorist Financing (TF) through AML Act.**
- **Establishment of Financial Intelligence Unit (FIU), Anti Money Laundering Department, ML/TF special courts for investigation, prosecution, and enforcement through AML Act.**
- **Setting regulatory responsibilities through AML Act.**

# **Legal and Institutional Framework (contd..)**



## ***Institutional framework:***

- **AML/CFT National Coordination Committee (NCC) headed by Finance Secretary.**
- **AML/CFT Implementation Committee and sub-committees.**
- **Regulators and Law Enforcement Authorities.**
- **Establishment of FIU- 2008.**
- **Establishment of Department of Money Laundering Investigation, 2010.**
- **ST/CT Reporting mechanism**
- **Issue of 15 AML/CFT Directives from the Central Bank**

# **Need for National AML/CFT Strategy**



- **Identification of major gaps in Nepal's AML/CFT system in discussion with stakeholders**
  - legislative
  - operational, enforcement
  - capacity
- **Lack of comprehensive national AML/CFT road map with vision, mission and objectives.**
- **Lack of awareness of measures to combat ML and TF, lack of direction and focus in AML/CFT efforts.**
- **Limited involvement of stakeholders in AML/CFT initiatives and absence of working modalities.**
- **Public resistance to comply with new AML provisions.**

# **Need for TA in National AML/CFT Strategy Formulation (contd..)**



- **ML/TF a New, Comprehensive, Intertwined, Complex and Delicate Issue.**
- **AML/CFT efforts requiring new skills and expertise as well as more resources.**
- **Difficult for most countries and all the more challenging for Low income or Least Developed Countries like Nepal.**
- **Availability of global knowledge and other resources in the AML/CFT sector (IMF, World Bank, APG, Australia, Malaysia, USA and other countries).**

# Engagement of IMF in National AML/CFT Strategy Formulation



- **Urgency of developing a globally compliant AML/CFT regime in a short period.**
- **Informal discussion with IMF for its possible technical assistance in AML/CFT sector in 2010.**
- **Identification of major gaps in Nepal's AML/CFT system and national capacity constraints to address those gaps.**
- **IMF's resource and experience deemed highly necessary for the formulation and credibility of the AML/CFT Strategy.**
- **IMF acceptance to Nepal's request to provide Technical Assistance (TA) to develop a National AML/CFT Strategy in early 2010.**



# Purpose of National AML/CFT Strategy



- **AML/CFT Strategy is expected to serve as:**
  - **A national blue print to direct implementation of national AML/CFT efforts**
  - **An instrument to improve overall AML/CFT system in Nepal**
- **Successful implementation of the Strategy expected to bring about greater transparency in financial system, increase tax compliance, and ensure financial stability by controlling improper and illegal economic activities**

# **AML/CFT National Strategy Formulation Process**



- **Technical Assistance (TA) provided by IMF funded by AML/CFT Topical Trust Fund (TTF)**
- **Development of national strategy involved**
  - **Awareness raising of all national stakeholders on AML/CFT issues**
  - **Consultation with/participation of all national stakeholders for about a year**
  - **Intense discussion with High Policy Level Officials**
- **Direct consultation and joint work with APG, World Bank, Australia, etc**
- **Coordination with other TA providers**

# **AML/CFT National Strategy Formulation Process (contd..)**



- **Had high level commitment from NCC, central bank, Ministry of Finance and other relevant ministries.**
- **Drafted by Nepali Officials and IMF Team taking in account the following:**
  - **Nepal's legal, institutional and political environment, national interests and priorities**
  - **Need to address deficiencies identified in APG MER, FATF/ICRG review and other studies**
  - **Improving AML/CFT compliance towards International standards**
  - **Feedback from AML/CFT stakeholders**

# Development of National Strategy



- **High Lights of the TA Process**

<b>IMF Mission</b>	<b>Action and Participants</b>
<b>1<sup>st</sup> (One week, 2010)</b>	<b>Awareness raising and needs assessment meetings with more than 20 stakeholder including Govt. agencies, financial sector and other private sector and formation of Core Team.</b>
<b>2<sup>nd</sup> (One week, 2010)</b>	<b>More than a dozen meetings held to discuss and brainstorm key elements of NS framework and Action Plan with Core Team , Govt. Departments, Regulators and Policy Level Officials.</b>
<b>3<sup>rd</sup> Mission (One week, 2010)</b>	<b>Determination of Core Strategic Objectives and action plans with Core Team and Policy Level Officials.</b>
<b>IMF Missions and Core Team</b>	<b>Revisions of draft for more than 18 times to incorporate feedback from stakeholders and MER Recommendations through email exchanges.</b>

# Development of National Strategy



- **High Lights of the Process (Contd...)**

<b>IMF Mission</b>	<b>Action and Participants</b>
<b>4th Mission (one week, 2011)</b>	<b>Finalization of NS with Core Team and Policy Level Officials</b>
<b>5<sup>th</sup> Mission (half a week, 2011)</b>	<b>(I) Interaction Program with Parliamentarians at Legislative Committee with participation of TA Mission, Policy Level, Parliamentarians, Ministers, Speaker of the House.</b>
	<b>(ii) Launch of NS and Programs through Two separate programs on implementation of NS to all related Govt. stakeholders and Private Sector.</b>

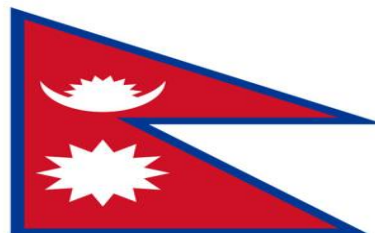
# The Strategy as Published:



## National AML/CFT Strategy (In Official Nepali Language)



नेपाल सरकार  
अर्थ मन्त्रालय



सम्पत्ति शुद्धीकरण तथा आतङ्कवादी  
क्रियाकलापमा वित्तीय लगानी  
निवारण रणनीति तथा कार्ययोजना  
(२०६८-२०७३)

# **Approval and Launch of National AML/CFT Strategy**



- **Approved by the Cabinet on 27 Sept. 2011**
- **Launched in a national program by Minister of Finance on 14 Oct, 2011 in the presence of**
  - **high level Nepali officials and stakeholders**
  - **High level IMF delegates**
  - **Representative from diplomatic agencies**
  - **Media persons**
- **Implementation initiated through improvement in the directives and provision of organizational structure as per the strategy**

# Key Features of the Strategy



- **Clearly defined vision and mission**
- **Wide, sectoral and focused objectives**
- **National AML/CFT priorities duly reflected**
- **Time bound action plans with clear designation of implementation agencies and clearly defined implementation mechanism**
- **Directed to garner buy-in from all stakeholders**
- **Designed to improve legal, institutional, supervisory and enforcement measures in line with International Standards**
- **Awareness raising and capacity building**



# Strategic Objectives



- **Ensure effective coordination to combat ML and TF**
- **Develop a sound legal AML/CFT framework and establish effective arrangements for prosecution and adjudication of ML/TF crimes.**
- **Implement comprehensive and effective preventive measures and a sound and capable supervisory system**
- **Enhance capacity and effectiveness of FIU**
- **Enhance capacity of LEAs**
- **Develop necessary mechanisms for international assistance and cooperation.**

# **Strategic Objectives (contd..)**



- **Assess the risks of ML and TF**
- **Adopt coordinated measures to rectify the deficiencies of the current national regime to combat ML and TF.**
- **Enhance awareness of the need to combat money laundering and the financing of terrorism.**
- **Take action to ensure effective implementation of the National Strategy and Action Plan.**

# Expected Outcomes



- **Increased awareness of the public and its support for AML/CFT**
- **Improved capacity (legal, supervisory & enforcement)**
- **Increased coordination**
- **Control of financial crimes**
- **Enhanced transparency, credibility and stability of the financial system**
- **Improved compliance of International Standards & increased contribution to global AML/CFT efforts**

# Other IMF Technical Assistance Projects



- **Aimed at Implementing Priority of NS under TTF**
  - **Legal – Improvements in AML/CFT laws (3 Missions and intense interactions with all stakeholders )**
  - **Supervisory – Development of Directives, Guidelines and skill and capacity building of supervisors ( 2 Missions and intense interactions with al stakeholders)**
  - **FIU – Development of Operational Manual and Skill and capacity building (Two Missions and internactions)**

# Major Outcomes



- **FIU separated from Legal Division of NRB**
- **Procurement process of FIU IT system in progress**
- **Five Sectoral Sub Committees formed to carry out the NS action plans and operationalized.**
- **Amendment to AML Act drafted.**
- **Comprehensive directives to Banks and FIs issued.**
- **Financial Supervisory and FIU Manual drafting in advanced stage**
- **Risk based AML/CFT supervision in practice, and national risk assessment in progress**
- **Increase in numbers of STRs, dissemination, prosecution and adjudication**
- **Numbers of Trainings and orientations held**
- **Public awareness and media support to AML/CFT has risen tremendously.**

# Current Priorities and Challenges



- 1. Domestication of International Treaties by enacting MLA, Extradition and Organized Crimes Bills**
- 2. Expediting the implementation of National Strategy**
- 3. Amendments to AML/CFT laws and issuing regulatory directives in line with international standards and their risk based supervision**
- 4. Enhancement of institutional and operational capacity of related agencies**
- 5. Awareness raising and capacity building**
- 6. AML/CFT Risk Assessment**
- 7. Amending related legal statutes in line with AML/CFT and other international standards**



# Words of Appreciation

- **Appreciate IMF; particularly to:**
    - **Jody Myers, Assistant General Counsel, Financial Integrity Unit**
    - **Matthew Byrne – Head, Technical Assistance**
    - **Cecilia Marian – Project Manager**
    - **Horst Intscher – Consultant Expert**
    - **Clive Scott – Regional AML Adviser (Asia)**
- for their in-depth knowledge, coordination and issue management among stakeholders as well as for their dedication with an untiring, hard and rigorous efforts for Nepal's benefit.**

# Appreciation

Contd...



- **Privileged appreciation to TTF Fund and Donor countries for their contribution to aid Nepal's efforts to improve its AML/CFT regime**
  - **Canada, France, Japan, Kuwait, Luxemburg, Netherlands, Norway, Qatar, Saudi Arabia, South Korea, Switzerland, United Kingdom**
- **Appreciation to all those who assisted in the preparation of National AML/CFT strategy and assisting till the date.**
- **Absence of IMF Support and NS might be an impasse for Nepal to overcome the strategic and operational deficiencies.**





**Thank you !**