

# Strategic Analysis Report



**Financial Information Unit of Nepal**

**Baluwatar, Kathmandu**

**2022**

## ACRONYMS

|           |   |                                                     |
|-----------|---|-----------------------------------------------------|
| ALPA      | : | Asset (Money) Laundering Prevention Act             |
| AML       | : | Anti Money Laundering                               |
| CFT       | : | Combating Financing of Terrorism                    |
| CIAA      | : | Commission of Investigation of Abuse of Authority   |
| CIB       | : | Central Investigation Bureau                        |
| DMLI      | : | Department of Money Laundering Investigation        |
| DNFBPs    | : | Designated Non-Financial Businesses and Professions |
| FATF      | : | Financial Action Task Force                         |
| FIU       | : | Financial Intelligence Unit                         |
| FIU-Nepal | : | Financial Information Unit of Nepal                 |
| IPS       | : | Interbank Payment System                            |
| KYC       | : | Know Your Customer                                  |
| LEA       | : | Law Enforcement Authority                           |
| ML        | : | Money Laundering                                    |
| NPO       | : | Non-Profit Organization                             |
| NPR       | : | Nepalese Rupee                                      |
| NRA       | : | National Risk Assessment                            |
| NRB       | : | Nepal Rastra Bank                                   |
| RE        | : | Reporting Entity                                    |
| SAR       | : | Suspicious Activity Report                          |
| STR       | : | Suspicious Transaction Report                       |
| TF        | : | Terrorism Financing                                 |
| TTR       | : | Threshold Transaction Report                        |

## 1. Background

Financial Information Unit (FIU-Nepal) has been mandated to conduct Operational Analysis and Strategic Analysis for the prevention of money laundering and combating the terrorist financing as per Assets Money Laundering Prevention Act, 2008. Financial Action Task Force (FATF) Recommendation no 29 recommends FIU to perform Strategic Analysis along with Operational Analysis to critically analyze the trends and typologies of ML and TF. FATF has defined strategic analysis as a function that uses available and obtainable information, including data that may be provided by other competent authorities, to identify ML and TF related trends and patterns.

In Nepal, Policy & Planning Division (PPD) of FIU-Nepal conducts the strategic analysis. FIU-Nepal continued to undertake strategic analysis of financial information gathered from reporting entities to enable FIU-Nepal and its stakeholders to understand the patterns and trends of money laundering and related issues. The strategic analysis has also enabled FIU-Nepal to draw conclusions for the strategic prevention of money laundering and financing of terrorism and for setting operational priorities. Moreover, it is essential to develop knowledge on potential future work of the FIU-Nepal.

## 2. Objectives and Methodology

### Objectives

The objectives of the strategic analysis of money laundering and terrorism financing (ML/TF) risk are: -

- ❖ to identify and understand Trends, Typologies and present Cases of ML-TF which may contribute in combating money laundering and terrorist financing in the nation.
- ❖ to explain the direction of AML-CFT mechanisms while readdressing them towards higher risk factors and sectors.

### Data and Information

FIU-Nepal conducts Strategic analysis on the basis of analysis and dissemination of STR/SAR received from the reporting entities. This information obtained through strategic analysis is used by the FIU, competent authorities and REs which helps to identify and understand money laundering and terrorist financing related threats and vulnerabilities.

## Limitations

- Judgmental (purposeful) sampling method has been used to select the sample cases for predicate offence related case studies in the report.
- To study the trends and typologies of current FY 2021/22, data from 16 July 2021 to 14 March 2022 are taken.
- Large number of reporting entities are still out of the online reporting system, especially DNFBPs. Therefore, it is challenging to present clear trends and typologies related to ML/TF.

## 3. Directions of Analysis

FIU-Nepal conducts strategic analysis based on following framework:

### 3.1 Legal Framework

AML-CFT regime is primarily based on following legal framework:

- ❖ Assets Money Laundering Prevention Act, 2008
- ❖ Organized Crime Prevention Act, 2013
- ❖ Corruption Prevention Act, 2002
- ❖ Proceeds of Crime (Seizing, Freezing and Confiscation) Act, 2014
- ❖ Criminal Code, 2017
- ❖ Nepal Rastra Bank Act, 2002
- ❖ Banking Offence and Punishment Act, 2008
- ❖ AML-CFT National Strategy and Action Plan (2019-2024)
- ❖ National Risk Assessment Report, 2020

Assets Money Laundering Prevention Act, 2008, Section 2(ad) Annex has listed predicate offences. Accordingly, FIU-Nepal receives, analyses and disseminates STR/SAR related to those predicate offences.

### 3.2 National Risk Assessment Report, 2020

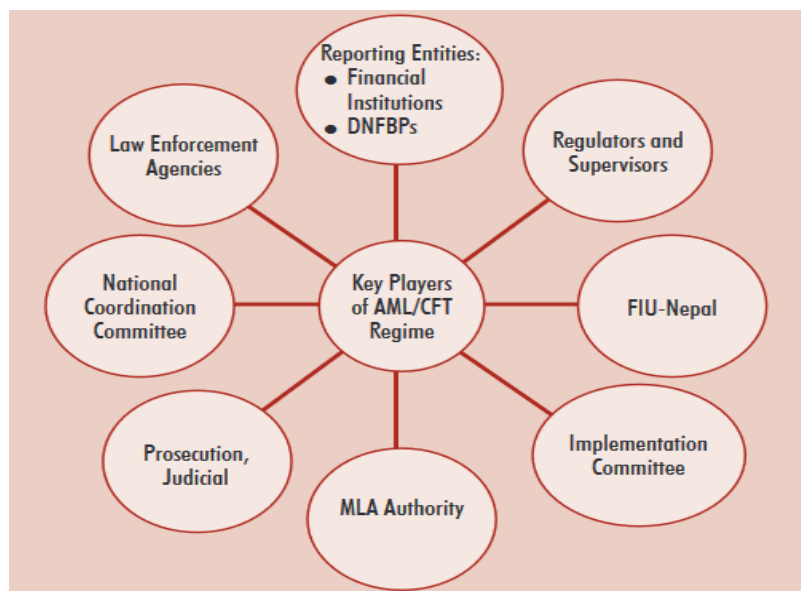
The report of National Risk Assessment Report, 2020 on ML/TF has identified the following threats:

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

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

### 3.3 Institutional Framework

Reporting Entities, FIU-Nepal, Regulators, Supervisors, Investigating Agencies, Law Enforcement Authorities, National Coordination Committee (NCC) are the main institutional pillars of AML-CFT system of Nepal.



AML-CFT National Strategy and Action Plan (2019-2024) has added one Council and three mechanisms for the effective implementation of the set objectives and strategies which are as follows:

1. National Review Council
2. Regulatory Coordination Mechanism
3. Investigation Coordination Mechanism
4. Counter Terrorism Mechanism

There is also a technical group for providing technical help in effecting execution of strategy and action plan.

### 3.4 Financial Institutions

Financial Institutions are categorized as follows:

| S.N. | Institutions                                                                                                                                                                                                                                                                                     | Name of Regulators          |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 1.   | Bank and Financial Institutions under BAFIA<br>Money remittance / transferring agencies<br>Money Changers<br>Payment service providers<br>Employee Provident Fund<br>Citizen Investment Trust<br>Postal Saving Bank<br>Public Debt Securities<br>Other authorities licensed by Nepal Rastra Bank | Nepal Rastra Bank           |
| 2.   | Insurance Company                                                                                                                                                                                                                                                                                | Insurance Board             |
| 3.   | Capital Market (including brokers)<br>Stock Exchange<br>Merchant Banks<br>Listed Securities Companies<br>Commodity Clearance and Settlement House<br>Fund Manager and Depository                                                                                                                 | SEBON                       |
| 4.   | Approved Retirement Fund<br>Precious metals, ornaments and object business                                                                                                                                                                                                                       | Inland Revenue Department   |
| 5.   | Co-operatives                                                                                                                                                                                                                                                                                    | Department of Co-operatives |

Financial Institutions are major STR/SAR reporter for the FIU-Nepal. Regulators of these institutions have issued directives relating to AML-CFT; on the basis of which these reporting entities report TTR/STR/SAR.

### 3.5 Designated Non-Financial Business and Professions

Designated Non-Financial Business and Professions are categorized as follows:

| S.N. | Institutions                        | Name of Regulators                              |
|------|-------------------------------------|-------------------------------------------------|
| 1.   | Casino and Internet Casino Business | Ministry of Culture, Tourism and Civil Aviation |
| 2.   | Real Estate Business                | Department of Land Management and Archive       |
| 3.   | Notary Public                       | Notary Public Council                           |
| 4.   | Auditor<br>Accountant               | The Institute of Chartered Accountants of Nepal |
| 5.   | Company and Trust Service Provider  | Office of the Company Registrar                 |
| 6.   | Law Practitioners                   | Nepal Bar Council                               |

With continuous interaction programs, trainings; DNFBPs such as Casinos are in the process of integration in goAML system for reporting of TTR/STR/SAR.

## 4. Reporting to FIU-Nepal

### 4.1 Threshold Transaction Reports

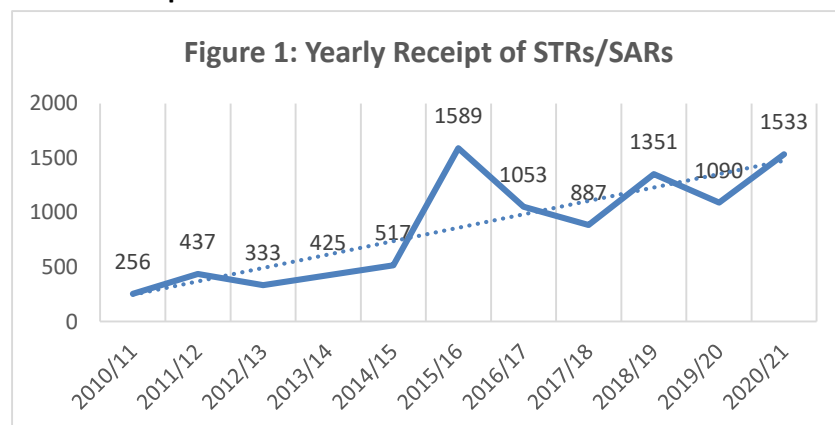
**Table 1: Number of TTRs Received from Reporting Entities**

| S.N.         | Reporting Institutions | 2016/17          | 2017/18          | 2018/19          | 2019/20          | 2020/21          |
|--------------|------------------------|------------------|------------------|------------------|------------------|------------------|
| 1.           | BFI                    | 45,64,413        | 44,52,585        | 51,81,200        | 22,56,163        | 1,292,625        |
| 2.           | Cooperatives           | 23,633           | 8,885            | 11,447           | 44,360           | 234,517          |
| 3.           | Insurance Companies    | 58,508           | 89,966           | 1,24,789         | 139,015          | 155,344          |
| 4            | Securities Companies   | 60,961           | 34,783           | 33,912           | 32,846           | 306,643          |
| 5.           | Others                 | 6,055            | 7,598            | 13,601           | 12,977           | 9917             |
| <b>Total</b> |                        | <b>4,713,570</b> | <b>4,593,817</b> | <b>5,364,949</b> | <b>2,485,361</b> | <b>1,999,046</b> |

Since BFIs have started reporting through goAML software, the previous errors of multiple counting have decreased resulting lower number of TTRs in 2019/20 and 2020/21. Others Reporting Entities include Money Remitters, Land Revenue Offices.

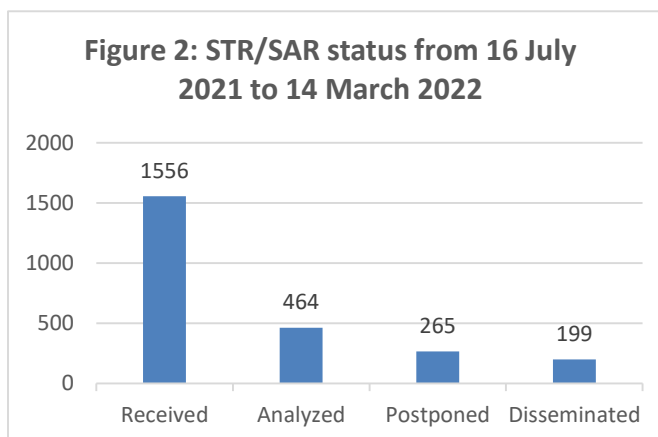
### 4.2 Suspicious Transaction Report / Suspicious Activity Report

#### a. Receipt



Number of STR/SAR received by FIU is gradually increasing. The yearly highest STR received was 1589 on the FY 2015/16. In the FY 2020/21 FIU-Nepal received 1533 STR/SAR.

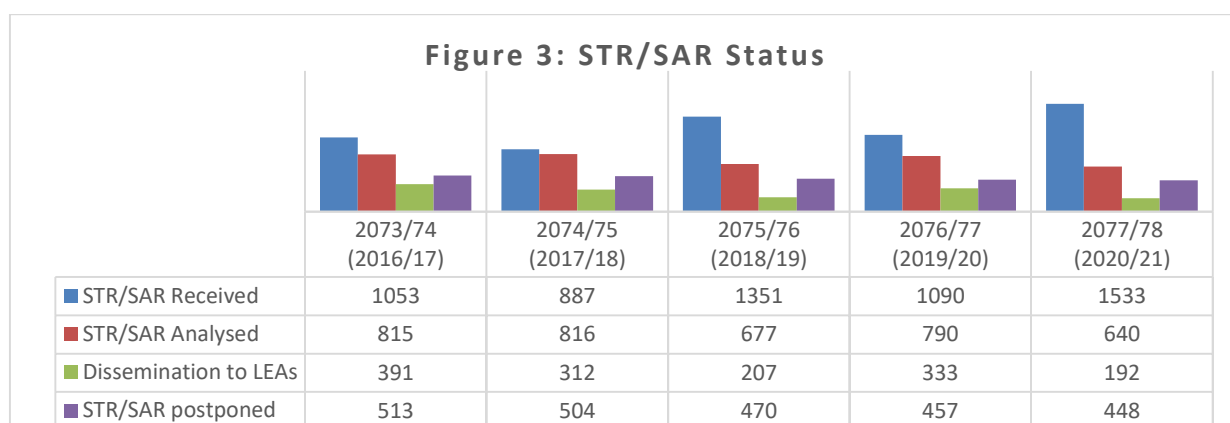
During FY 2021/22 from 16 July 2021 to 14 March 2022 (Current Period), 12 STRs were received related to cryptocurrency and 16 STRs on online betting. These were new types of STR for FIU-Nepal. As Nepal declared cryptocurrency as illegal through the notice publication by NRB and Nepal Police, CIB, number of STR/SAR received relating



to activities such as crypto, hyper fund, online betting has increased.

## b. Analysis

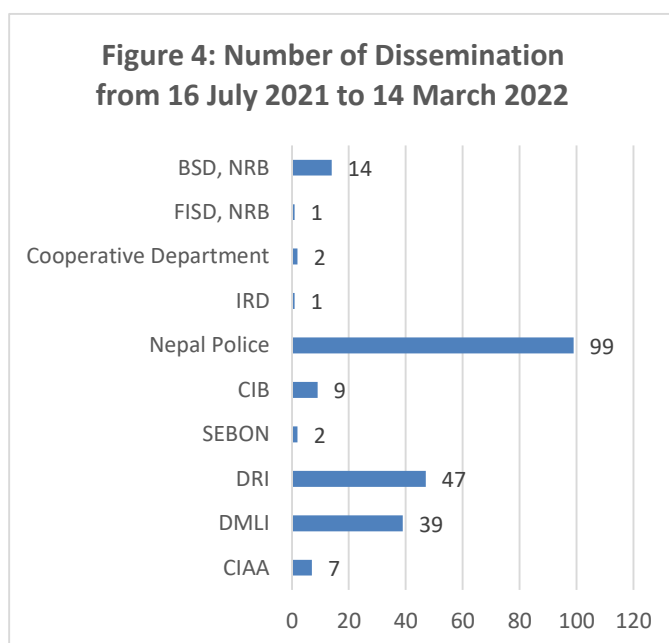
STR/SAR analysis rate has slightly decreased in FY 2020/21 compared to previous year due to nationwide lockdown amidst Covid-19 pandemic second and third wave. It affected the work modality of FIU-Nepal, longer time taken by reporting entities to respond on further information need for analysis, increase in quality of analysis and so on.



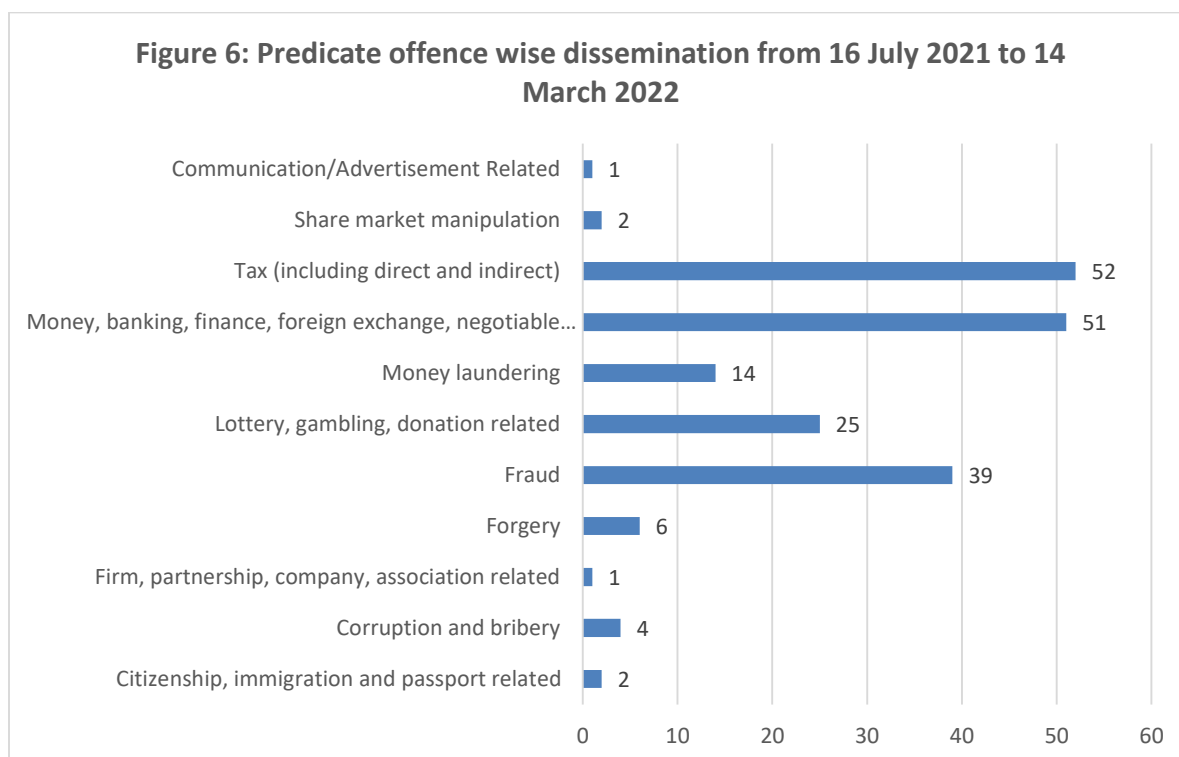
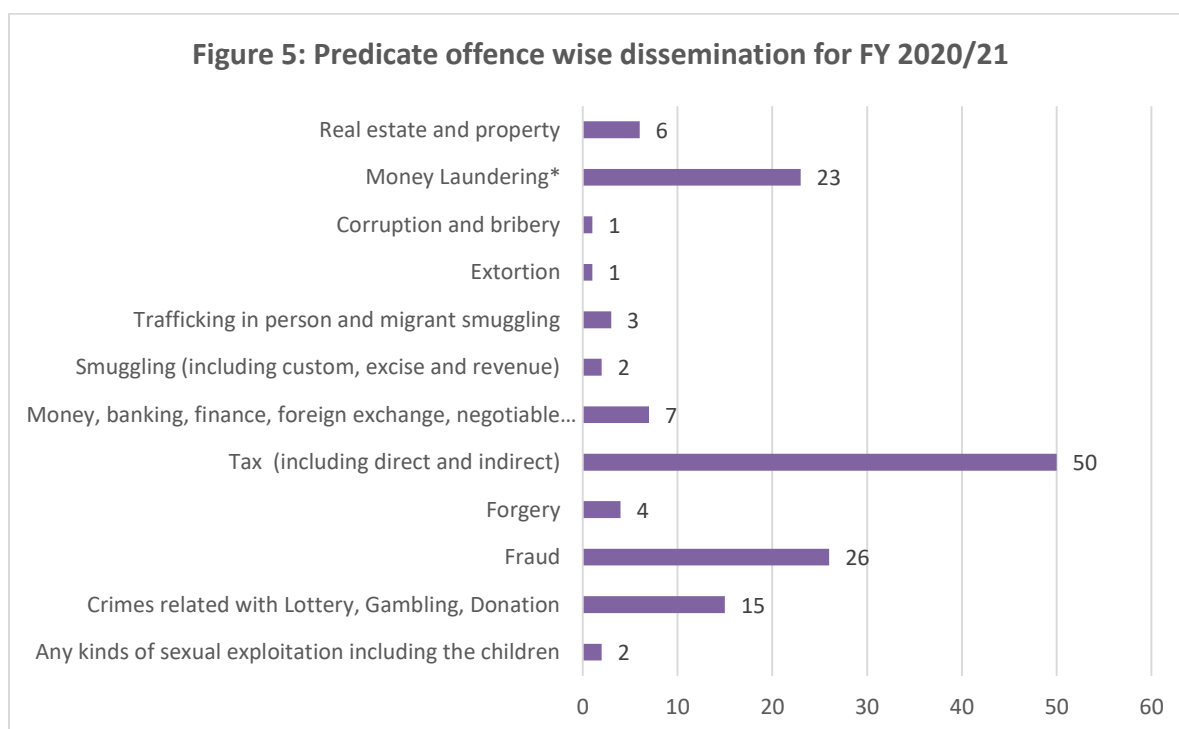
## c. Dissemination

The summary of analysis report is disseminated to investigators, regulators and supervisors. However, most of the dissemination is done to the investigating agencies for further investigation. Details on dissemination is stated in Annex I.

Since Nepal has declared cryptocurrency as illegal the cases related to cryptocurrency, online betting was analyzed with high priority and the summary reports were disseminated to Nepal Police and Department of Revenue Investigation. Similarly, cases of online fraud, social media scam other kinds of fraud were also disseminated to Nepal Police. This is the reason behind the increased number of dissemination to Nepal Police during the period of 16 July 2021 to 14 March 2022.



d. Trends of Money laundering and predicate crime

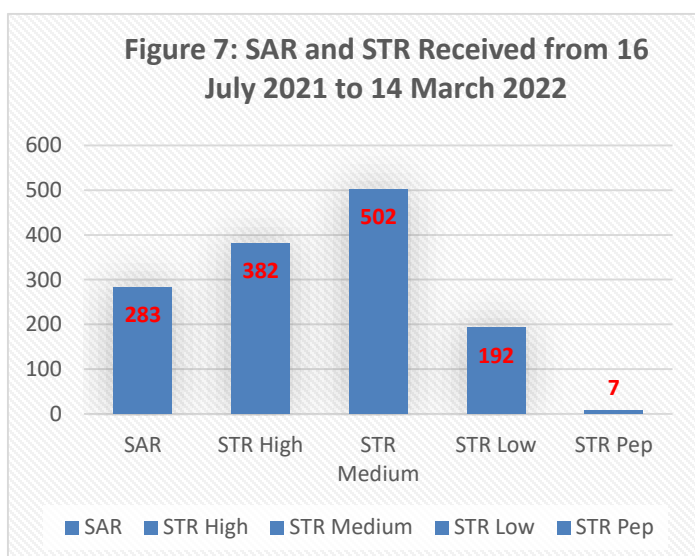


*\*Money laundering is not classified as predicate offence in ALPA, 2008. It is included here as a type of offence.*

Trends of Money laundering and predicate offence crime have changed in ongoing FY 2021/22 compared to FY 2020/21. During the period of 16 July 2021 to 14 March 2022, Money, banking, finance, foreign exchange, negotiable instruments, insurance, cooperatives related offence has increased significantly. Fraud, lottery, gambling offence has also increased as compared to previous year. Cases of tax evasion are also in higher trend.

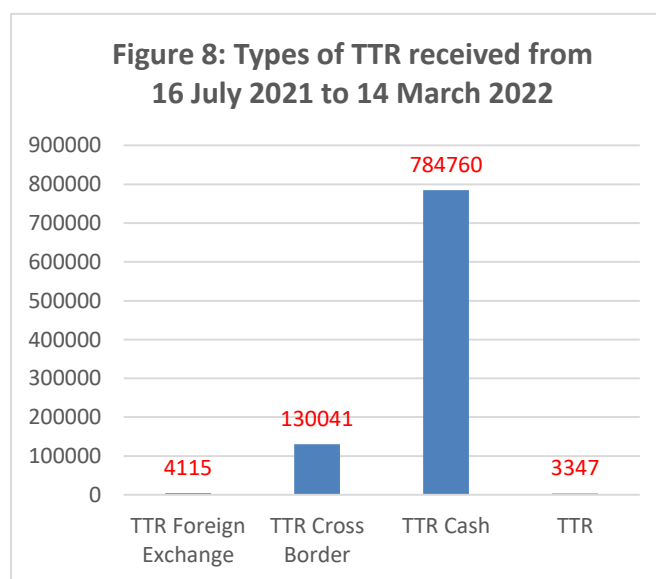
#### e. goAML System

goAML System has smoothen the receipt, analysis and dissemination of SAR/STR/TTR. A,B,C class banks and financial institutions and twelve Life Insurance Companies are reporting through the software. Analysts use different features of the software to make analysis more efficient.



With the use of goAML software, FIU-Nepal is able to categorized SAR, STR as high, low, medium and STR of Politically Exposed Persons. In the FY 2021/22 from 16 July to 14 March, 7 STR is received of Politically Exposed Persons, which is less than 1%. Medium risk rated STR comprises 37%, High risk rated STR comprises 21% and low rated STR comprises 14%. In total, 283 Suspicious Activities Report were reported in this time period through the software.

Similarly, TTR are also divided into different categories i.e. TTR cash, TTR Cross Border and TTR Foreign Exchange. In the FY 2021/22 from 16 July to 14 March, there were maximum reporting of TTR cash whereas, only 4115 reporting of TTR Foreign Exchange and 130041 reporting of TTR Cross border. 3347 TTR were reported without categorization. BFIs report TTR on three categories i.e. TTR cash, TTR Cross Border and TTR Foreign Exchange, whereas, other REs report as TTR for the threshold transactions as shown in the figure 8.



Besides, reporting entities, Law Enforcement Authorities are also linked through goAML software. The information exchange to Department of Money Laundering Investigation, Department of Revenue Investigation and Nepal Police is done through the goAML System. FIU-Nepal will gradually incorporate major LEAs in the goAML system.

FIU-Nepal is working rigorously to link all the reporting entities and LEAs to the goAML software for easy and secure means of information exchange.

## 5. Observations

Based on the analysis of available information, FIU-Nepal has identified the following observations:

- a. Out of the two broad categories of the Reporting Entities; financial institutions are the main reporting entities while DNFBPs are in a nascent stage of reporting. AML-CFT awareness of banking sector's reporting entities has increased as per NRA 2020. Consequently, STR/SAR reporting has increased and quality of reporting has improved. BFIs cover more than 90% of the STR/TTR reporting. There is minimal reporting of STR/SAR from DNFBPs.

- b. Tax evasion was the highest number of STR disseminations based on the classification of predicate offence. This includes personal accounts used for conducting business transactions as well as business transaction done through opening multiple bank accounts in the name of staffs, etc where beneficial owner is the owner of the company who use such accounts. Such predicate offence has similar trend like previous year.

During current period, number of tax evasion cases disseminated is 26.4 percent out of total dissemination of 197 as compared to 26 percent of FY 2020/21 out of 192 disseminations.

- c. Money, Banking, Finance, Foreign Exchange, Negotiable instrument, Insurance and Cooperative Related as predicate offence take the second position as number of disseminations is 51 in current period compared to 7 cases of previous FY 2020/21. Similarly, fraud takes third position with 39 disseminations in current period as compared to 26 of FY 2020/21.
- d. As most of the corruption cases are directly reported to CIAA, the number of STRs related to corruption reported to FIU-Nepal is low.
- e. Online fraud (lottery scam, unauthorized access of email, remote access of bank accounts, etc), suspicious online transactions (payments for unauthorized online gambling like 1XBET), fraudster penetrating social media cases have increased worldwide in post Covid 19 pandemic. Similar trend has been observed in Nepal as well. Consequently, cases disseminated under predicate offence

Lottery, gambling and donation related has increased to 25 in current period as compared to 15 of FY 2020/21. Further, our dissemination to LEAs, esp. Nepal Police has increased from 98 of FY 2020/21 to 99 in current period of 8 months of FY 2021/22.

- f. Unauthorized donation from abroad to the personal saving account for religious promotion and other unidentified purposes remains suspicious. It is also in increasing trend and in risk related to chances of misuse of fund.
- g. 12 STRs were received related to cryptocurrency and 16 STRs on online betting and are in increasing trend. As Nepal declared cryptocurrency as illegal, number of STR/SAR received, analyzed and disseminated relating to activities such as crypto, hyper fund, online betting has increased. Consequently, STR/SAR dissemination has increased to 42.89 percent in current period in comparison to 30 percent of FY2020/21. Such cases are disseminated to Nepal Police and Department of Revenue Investigation.
- h. When the case has element of both money laundering as well as any associated predicate offence, it is disseminated to more than one LEAs for investigation. In addition, 19 cases had been disseminated to supervisors and regulators for necessary inspection and supervision in current period as compared to 8 cases of FY 2020/21.

During current reported period 2 cases related to share market manipulation as insider trading has been disseminated to SEBON and other 17 cases have been disseminated under Money, Banking, Finance, Foreign Exchange, Negotiable instrument, Insurance and Cooperative Related predicate offence to NRB supervision departments and Cooperative Department.

## 6. Conclusion

FIU-Nepal has conducted strategic analysis to locate the possible sources, sectors, schemes and/or supporting circumstances that influence ML/TF offences. It will be helpful for better understanding of the trends, typologies and cases of ML/TF contributing in the combating money laundering and terrorist financing. This analysis has tried to present the direction of AML-CFT mechanisms but inadequate information/data has limited the scope of strategic analysis.

FIU Nepal is gradually integrating the reporting entities into the goAML system. Banks and financial institutions, 12 life insurance companies are currently reporting through the production environment. Securities, remittance companies, insurance companies, cooperatives, are reporting in the test environment and are in the process of reporting in production environment in near future. FIU-Nepal is regularly

interacting with DNFBPs to integrate them in the system, as they are still outside the online reporting system. Gradual integration of reporting entities into the FIU database will contribute towards the identification, assessment and management of the ML/TF risk in Nepalese context. Analysis of general trend and typologies will be more accurate, reliable and valid once all the reporting entities are integrated in the system.

## CASE STUDIES

### CASE I

#### Involvement in Gambling

##### Legal Provision:

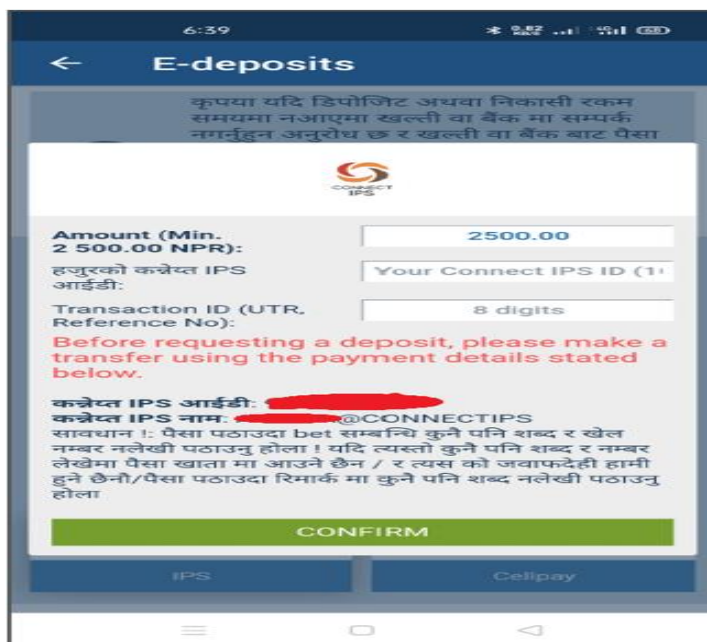
- ALPA 2008, Annexure, has listed Lottery, Gambling and Donation related as predicate offence.
- Criminal Code 2017 Section 125 prohibits gambling and organizing gambling.

- Account holders Mr. 'A', 'B', 'C' and 'D' of Bank 'X' were suspected to be online gambler.
- Account holder Mr. 'E' of Bank 'Y' was suspected to be online gambling organizer.

Bank 'X' received an information from electronic payment and settlement service provider about persons 'A', 'B', 'C' and 'D' for being involved in online betting. While Bank 'Y' itself suspected based on reasonable grounds that its account holder 'E' is involved as online gambling organizer. Based on available information Bank 'X' and Bank 'Y' filed STRs to FIU.

Based on the STRs reported by the banks, FIU-Nepal conducted thorough analysis and revealed following facts:

- Mr. 'A', 'B', 'C' and 'D' were conducting frequent banking transactions with online gambling organizer. Some transactions have description as '1Xbet'.



- Mr. 'E' was organizing online gambling and have mobile application for gambling purposes. The interface of mobile application is as follows:

- They were using mobile banking, internet banking, connect IPS, wallets, remittance service for their banking transaction. The banking transaction in Mr. E's account balance has increased drastically in the month of September 2021 in comparison to previous months.

Upon analysis of their banking transactions along with their account opening forms (AoF) and updated KYC Form, they were suspected for being involved in gambling as gambler and its organizer. Based on analysis, an intelligence report with supporting documents were disseminated to Nepal Police (one of the law enforcement agency of Nepal) for further investigation and necessary legal action.

## CASE II

### **Investment in Ethereum abroad, subsequently got hacked!!!**

#### Legal Provisions:

- ALPA 2008 Annexure has listed Money, Banking, Finance, Foreign Exchange, Negotiable instrument, Insurance and Cooperative Related as predicate offence.
- NRB has issued notice on 13 August 2017 stating that Bitcoin transactions are illegal in Nepal, NRB Notices on 9 September 2021 & 23 January 2022 stating that all businesses and transactions involving Virtual Currency, Cryptocurrency and Network Marketing are illegal.
- Press Release by CIB, Nepal Police on 13 February 2022 stating that all businesses and transactions involving cryptocurrency, hyper funds, or digital networking are illegal and thus prohibited.

A Spontaneous Disclosure from a foreign FIU was received at FIU-Nepal. As per the disclosure, Mr. S, a lecturer in Nepal was reported to be involved in Ethereum transaction. He was reported to be a client of a crypto currency exchanger of that foreign country. He was presumably a victim of an 'unauthorized account access' concerning his account and subsequently all of his funds (approx. NPR 6.30 Crores) were hacked and stolen by unknown perpetrators from another territory.

After inquiry with the various Bank and Financial Institutions, it was observed that Mr. S had only ordinary transactions in his account of PQR Bank Ltd. particularly salary transactions. Based on the analysis and as per the spontaneous information, it was not clear how he invested abroad and by which mode the amount was transferred for said investment in Ethereum. Accordingly, an intelligence report was disseminated to Nepal Police and DRI for further investigation and necessary legal action.

### Case III

#### USD prepaid card used for buying cryptocurrency

##### Legal Provisions:

- ALPA 2008 Annexure has listed Money, Banking, Finance, Foreign Exchange, Negotiable instrument, Insurance and Cooperative Related as predicate offence.
- NRB has issued notice on 13 August 2017 stating that Bitcoin transactions are illegal in Nepal, NRB Notices on 9 September 2021 & 23 January 2022 stating that all businesses and transactions involving Virtual Currency, Cryptocurrency and Network Marketing are illegal.
- Press Release by CIB, Nepal Police on 13 February 2022 stating that all businesses and transactions involving cryptocurrency, hyper funds, or digital networking are illegal and thus prohibited.

ABC Bank reported STR of Mr. X, IT Consultant at XYZ Company is suspected of using his/her USD prepaid card to buy the cryptocurrency. Any investment in or transactions for cryptocurrency is illegal in Nepal and Nepal Rastra Bank (central bank) has issued directive banning all Nepali nationals from buying or investing in cryptocurrencies.

Based on STR report and information of the card, FIU-Nepal conducted thorough analysis that revealed the following:

- Analyzing the transactions conducted using prepaid card, total of seven transactions were conducted from May 30, 2021 to August 16, 2021 which were suspected for buying cryptocurrency.
- Upon seeking additional information from REs and after detailed analysis information about the transaction, below mentioned information had been obtained for above mentioned transactions:

|                      |                 |
|----------------------|-----------------|
| Transaction Currency | USD             |
| Transaction Amount   | 203.00          |
| Merchant Name        | www.binance.com |
| Merchant Country     | LTU (Lithuania) |

Intelligence report was disseminated to two Law Enforcement Authorities namely, Nepal Police and Department of Revenue Investigation for further investigation and necessary legal action.

#### Case IV

##### Hundi

###### Legal Provisions:

- ALPA 2008 Annexure has listed Money, Banking, Finance, Foreign Exchange, Negotiable instrument, Insurance and Cooperative Related as predicate offence.
- NRB Act 2002, Section 95 considers act of conducting foreign exchange transaction without approval of NRB as an offence.

Mr X comes in the Bank branch and deposit in multiple accounts which are in different part of Nepal. On further scrutiny by the bank, it was found out that the receiver account holder is either in foreign employment or their member of family are working in foreign jurisdiction. Bank then, observe the daily activities and find out that same person has been transferring amount in different accounts regularly and does not have any account maintained with the bank. After analysis Bank reported SAR to FIU. Then FIU searched Mr. X transaction in goAML software, where it was observed that he had performed similar nature and huge volume transactions in multiple banks in period of 1 year. Further, he is an employee of XYZ money transfer.

After analyzing the SAR, FIU disseminated information to Nepal Police, Police Headquarter on suspicion of hundi.

#### CASE V

##### Involvement in Online Hundi Transaction

###### Legal Provisions:

- ALPA 2008 Annexure has listed Money, Banking, Finance, Foreign Exchange, Negotiable instrument related offence as predicate offence.
- NRB Act 2002, Section 95 considers act of conducting foreign exchange transaction without approval of NRB as an offence.
- Account holder Mr. 'Aa' of X Bank Ltd. was suspected for doing online hundi transaction.
- Account holder Mr. 'Bee' of Digital Wallet (Payment Service Provider-PSP) 'Y Ltd.' was suspected for involving in hundi transaction.

Mr. 'Bee' transferred money (NPR) from his digital wallet to Mr. 'Aa' whose account was maintained at X Bank Ltd. and asked Mr. Aa to load USD in his Payoneer Card but Mr. 'A' refused to load Mr. B's card saying he has not received any money in his account from Mr. B. (A Payoneer card is a physical or virtual card which can be associated with any currency balance in Payoneer account. This card can be used at ATMs, in stores, or online anywhere Mastercard is accepted.)

X Bank Ltd. received a complaint from Mr. 'B' to get back his money which was credited to Mr. Aa account. Based on available information X Bank Ltd. filed STR to FIU.

How Hundi Transaction might have been performed from above transaction?

Mr. Bee transferred money (NPR) from his digital wallet to Mr. Aa's Bank Account at X Bank Ltd.



Mr. Aa may have asked his friend/family living abroad to load Mr. Bee's Payoneer card. Usually USD is loaded in Payoneer card.

Mr. Aa transfer the amount received from Mr. Bee to his friend's family after having some commission.



After Payoneer card being loaded, Mr. Bee may have done some expenses abroad using his card.



Money of Mr. Aa's friend, which was supposed to be remitted in Nepal through formal channel is now loaded in Mr. Bee's Payoneer card, which he ultimately spend in foreign country.

Money of Mr. Aa's friend does not come to Nepal though their family gets money.

Based on the STRs reported by the bank, FIU-Nepal conducted thorough analysis and revealed following facts:

- There were many transactions in Mr. Aa's bank statement with description Payoneer card, Payoneer Exchange, PE, Payo \$100 etc.
- Mr. Bee amount is also found deposited in Mr. Aa's account. There may be some other issues which leads Mr. Aa to refuse to load Mr. Bee's Payoneer card.

Upon analysis of their banking transactions along with their account opening forms (AoF) and KYC Form, they were suspected of being involved in digital hundi transactions. Based on analysis, an intelligence report with supporting documents had been disseminated to Nepal Police for further investigation and necessary legal action.

**CASE VI**  
**Identity Theft**

Legal Provision:

- ALPA 2008 Annexure has listed forgery as predicate offence.
- Criminal Code 2017 Section 276 criminalizes forgery.

Mr. Hallow stole Citizenship of a co-worker Mr. A, and then forged the citizenship by replacing photograph of his own. He then opened a bank account in Bank XYZ Ltd. using the stolen citizenship as identity proof. He later shifts to Kathmandu with a fake profile as foreign employment consultant. He asks seekers of foreign employment/study to deposit token (advance) money in the bank account, opened earlier, using forged document. He then transfers the received amount to various e-wallets and finally converge all money to another Bank account (at PQR Bank Ltd), opened with his true identity (original citizenship).

He used to provide blank cheques to the applicants just to assure them that they could withdraw money in case of any uncertainty.

Many interested ones from countryside and villages deposited money in his account maintained at Bank XYZ Ltd. which were immediately transferred to various wallets and finally to PQR Bank Ltd.).

Coincidentally, one of the victims Mr.Z who was also known to Mr.A showed the blank cheque to him in which he found his name. Upon inquiry, Mr.A found that it was his citizenship that was used as an identity proof.

Bank informed FIU about the incident and after the inquiry with e-wallet service providers and other banks, the true identity of Mr. Hallow was revealed and accordingly the incident was disseminated to Nepal Police for further action.

### **Case VII**

#### **Online Fraud using Social Media**

##### **Legal Provision:**

- ALPA 2008 Annexure has listed fraud as predicate offence.
- Criminal Code, 2017 Section 249 criminalizes fraud.

A fraudster made a new Facebook Id, and ask for some money for medical treatment with his Facebook friends. He uses the same profile picture. The victim provides the amount in e-wallet. The name in which e-wallet is registered does not match with the person whose Facebook id name was used. The real Facebook user "Riz" has no idea about the amount asked with the victim "Tiz". "Riz" mentions that he has not asked any amount from the victim "Tiz". Further, e-wallet in which the said amount was transferred has received many such amount.

After analyzing the SAR, FIU provided the information to Nepal Police with suspicion of fraud transaction.

### **Case VIII**

#### **Money Mule Account**

##### **Legal Provisions:**

- ALPA 2008, Annexure has listed fraud as predicate offence.
- Criminal Code 2017, Section 279 criminalizes fraud.

Account of Mr. SRK., a student, showing unusual and huge transaction with accounts from different geographical locations, huge amount being deposited, withdrawn earlier by himself in cash and later through online transaction reported by 'Z' Bank to FIU.

FIU initial analysis of the bank statement along with the help of information in goAML showed some linkages. STRs of linked persons were also found in the system. After in-depth analysis of involved persons, accounts and entities the picture began to emerge. Almost all modes of payment (Cash, Cheque, IPs, Wallet, Mobile Banking, and Internet Banking etc.) were used by the account operator for the transactions.

Transactions were huge and diverse from Rs. 2000/- to Rs 1 crore/- in short span of time and the payments for businesspersons, Individuals and firms were done through this account and receipts were also of similar kind.

Upon further enquiry name of Mr. RKM was frequently observed in the transaction whose STR was already filed by another reporting entity. Mr. RKM was involved in trade related business as well as money transfer services. On further analysis it was found that Mr. RKM and his employees used to conduct transaction physically as well as electronically using this account.

Transactions of the account were mostly with the firm owned by Mr. RKM. On close observation of KYC of both we found that they lived in same municipality. Mr. RKM also operated various accounts in many banks and was suspected in hundi related offence. Hence to disguise his transaction; he used to conduct the illicit transactions through the account of Mr. SRK.

With close observation and linkages, it was found out that the account of Mr. SRK was controlled and operated by Mr. RKM and was used to conduct illicit and obscure transactions. Thus, with the suspicion of fraud the report was disseminated to Nepal Police for further investigation.

## Annex I: - STRs/SARs Disseminated to Different Agencies

### 1. STRs/SARs Disseminated to Department of Revenue Investigation (DRI)

| Year    | Total Analyzed | Total Dissemination | Total Dissemination to DRI | Percentage Dissemination of to DRI |
|---------|----------------|---------------------|----------------------------|------------------------------------|
| 2014/15 | 228            | 133                 | 56                         | 42.11                              |
| 2015/16 | 1001           | 138                 | 80                         | 57.98                              |
| 2016/17 | 815            | 391                 | 174                        | 44.51                              |
| 2017/18 | 816            | 312                 | 144                        | 46.15                              |
| 2018/19 | 677            | 207                 | 107                        | 51.69                              |
| 2019/20 | 790            | 333                 | 200                        | 60.06                              |
| 2020/21 | 640            | 192                 | 75                         | 39.06                              |

### 2. STRs/SARs Disseminated to Inland Revenue Department (IRD)

| Year    | Total Analyzed | Total Dissemination | Total Dissemination to IRD | Percentage Dissemination of to IRD |
|---------|----------------|---------------------|----------------------------|------------------------------------|
| 2014/15 | 228            | 133                 | 0                          | 0                                  |
| 2015/16 | 1001           | 138                 | 0                          | 0                                  |
| 2016/17 | 815            | 391                 | 8                          | 2.05                               |
| 2017/18 | 816            | 312                 | 51                         | 16.35                              |
| 2018/19 | 677            | 207                 | 42                         | 20.29                              |
| 2019/20 | 790            | 333                 | 26                         | 7.80                               |
| 2020/21 | 640            | 192                 | 3                          | 1.56                               |

### 3. STRs/SARs Disseminated to DMLI

| Year    | Total Analyzed | Total Dissemination | Total Dissemination to DMLI | Percentage Dissemination of to DMLI |
|---------|----------------|---------------------|-----------------------------|-------------------------------------|
| 2014/15 | 228            | 133                 | 38                          | 28.57                               |
| 2015/16 | 1001           | 138                 | 27                          | 19.57                               |
| 2016/17 | 815            | 391                 | 39                          | 9.97                                |
| 2017/18 | 816            | 312                 | 44                          | 14.10                               |
| 2018/19 | 677            | 207                 | 27                          | 13.04                               |
| 2019/20 | 790            | 333                 | 39                          | 11.71                               |
| 2020/21 | 640            | 192                 | 26                          | 13.54                               |

#### 4. STRs/SARs Disseminated to Nepal Police

| Year    | Total Analyzed | Total Dissemination | Total Dissemination to Nepal Police | Percentage Dissemination to Nepal Police | of to |
|---------|----------------|---------------------|-------------------------------------|------------------------------------------|-------|
| 2014/15 | 228            | 133                 | 41                                  | 30.83                                    |       |
| 2015/16 | 1001           | 138                 | 29                                  | 21.01                                    |       |
| 2016/17 | 815            | 391                 | 124                                 | 31.71                                    |       |
| 2017/18 | 816            | 312                 | 78                                  | 25.00                                    |       |
| 2018/19 | 677            | 207                 | 36                                  | 17.39                                    |       |
| 2019/20 | 790            | 333                 | 119                                 | 35.73                                    |       |
| 2020/21 | 640            | 192                 | 98                                  | 51.04                                    |       |

#### 5. STRs/SARs disseminated to Commission for the Investigation of Abuse of Authority (CIAA)

| Year    | Total Analyzed | Total Dissemination | Total Dissemination to CIAA | Percentage Dissemination to CIAA | of to |
|---------|----------------|---------------------|-----------------------------|----------------------------------|-------|
| 2014/15 | 228            | 133                 | 2                           | 1.50                             |       |
| 2015/16 | 1001           | 138                 | 1                           | 0.72                             |       |
| 2016/17 | 815            | 391                 | 9                           | 2.30                             |       |
| 2017/18 | 816            | 312                 | 8                           | 2.56                             |       |
| 2018/19 | 677            | 207                 | 2                           | 0.97                             |       |
| 2019/20 | 790            | 333                 | 15                          | 4.50                             |       |
| 2020/21 | 640            | 192                 | 2                           | 1.04                             |       |

#### 6. STRs/SARs Disseminated to Department of Co-operatives

| Year    | Total Analyzed | Total Dissemination | Total Dissemination to Dept. of Co-operatives | Percentage Dissemination to Cooperatives | of to |
|---------|----------------|---------------------|-----------------------------------------------|------------------------------------------|-------|
| 2019/20 | 790            | 333                 | 18                                            | 5.40                                     |       |
| 2020/21 | 640            | 192                 | 1                                             | 0.52                                     |       |

#### 7. STRs/SARs Disseminated to Other Competent Authorities

| Year    | Total Analyzed | Total Dissemination | Total Dissemination to Other LEAs | Percentage Dissemination to others | of to |
|---------|----------------|---------------------|-----------------------------------|------------------------------------|-------|
| 2014/15 | 228            | 133                 | 0                                 | 0                                  |       |
| 2015/16 | 1001           | 138                 | 1                                 | 0.72                               |       |

|                |     |     |    |      |
|----------------|-----|-----|----|------|
| <b>2016/17</b> | 815 | 391 | 37 | 9.46 |
| <b>2017/18</b> | 816 | 312 | 19 | 6.09 |
| <b>2018/19</b> | 677 | 207 | 2  | 0.97 |
| <b>2019/20</b> | 790 | 333 | 2  | 0.60 |
| <b>2020/21</b> | 640 | 192 | 7  | 3.65 |

\*Other Competent Authorities include, BSD NRB, BFIRD NRB, Social Welfare Council.