

ANNUAL REPORT 2021/22



**FINANCIAL INFORMATION UNIT
(FIU-Nepal)**

NEPAL RASTRA BANK

**Financial Information Unit of Nepal
(FIU-Nepal)**

ANNUAL REPORT

2021/22



Financial Information Unit of Nepal

Nepal Rastra Bank

Baluwatar, Kathmandu

Nepal

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ABBREVIATIONS / ACRONYMS

ALPA	Asset (Money) Laundering Prevention Act
AML	Anti-Money Laundering
APG	Asia Pacific Group on Money Laundering
BAFIA	Bank and Financial Institution Act
BCBS	Basel Committee on Banking Supervision
BFI s	Bank and Financial Institutions
BFIRD	Banks and Financial Institutions Regulation Department
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BNIs	Bearer negotiable instruments
CDD	Customer Due Diligence
CFT	Combating the Financing of Terrorism
CIAA	Commission for the Investigation of Abuse of Authority
CPF	Counter Proliferation Financing
DMLI	Department of Money Laundering Investigation
DMPC	Department for Management of Proceeds of Crime
DNFBPs	Designated Non-Financial Businesses and Professions
DOLMA	Department of Land Management and Archive
DRI	Department of Revenue Investigation
ECDD	Enhanced Customer Due Diligence
EGMONT	The Egmont Group of Financial Intelligence Units
ESW	Egmont Secure Web
FATF	Financial Action Task Force
FIU-Nepal	Financial Information Unit of Nepal
FIUs	Financial Intelligence Units
FSRB	FATF-Style Regional Body
GoN	Government of Nepal
ICAN	Institute of Chartered Accountants of Nepal
ICRG	International Cooperation Review Group of FATF
IMF	International Monetary Fund
IB	Insurance Board
ICT	Information and Communications Technology
IOs	Immediate Outcomes
IRD	Inland Revenue Department
IT	Information Technology
KPI	Key Performance Indicator
LC	Largely Compliant
LEAs	Law Enforcement Agencies
MER	Mutual Evaluation Report

ML	Money Laundering
MLA	Mutual Legal Assistance
MoF	Ministry of Finance
MoU	Memorandum of Understanding
NA	Not Applicable
NC	Non-Compliant
NCC	National Coordination Committee
NIA	Nepal Insurance Authority
NPO	Non Profit Organizations
NRA	National ML/TF Risk Assessment
NRB	Nepal Rastra Bank
NRs	Nepalese Rupees
OECD	Organization for Economic Co-operation and Development
PC	Partially Compliant
PEPs	Politically Exposed Persons
PF	Proliferation Financing
PSP	Payment Service Provider
PSO	Payment System Operator
RECs	Recommendations
REs	Reporting Entities
SAARC	South Asian Association for Regional Cooperation
SAR	Suspicious Activity Report
SEBON	Securities Board of Nepal
SIP	Strategic Implementation Planning
SPMS	Software Products for Member States
STR	Suspicious Transaction Report
SWC	Social Welfare Council
TA	Technical Assistance
TF	Terrorism Financing
TTRs	Threshold Transaction Reports
UN	United Nations
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution
VIP	Very Important Person
WB	World Bank
XML	Extensible Markup Language

DIRECTOR'S MESSAGE

I am happy to present the 11th Annual Report of the FIU-Nepal highlighting our combined team efforts and continued progress for yet another year.

As usual, FIU-Nepal continued its core functions to serve as the national agency that receives and analyses suspicious transaction/activity reports and other information relevant to money laundering or financing of terrorism and disseminates the results from such analysis i.e. financial intelligence information to Law Enforcement Agencies (LEAs) or Investigative Agencies for further investigation. Sometimes, financial intelligence is also shared to regulator/supervisor and other competent agencies for inspection/monitoring and other necessary action. FIU-Nepal performs its functions as mandated by the Assets (Money) Laundering Prevention Acts (2008), Assets (Money) Laundering Prevention Rules (2016) and FIU Bylaws (2020).



Dirgha Bahadur Rawal
Chief / Director, FIU-Nepal

This year our major efforts were directed towards integrating Reporting Entities (REs) and Law Enforcement Agencies (LEAs) in the goAML system. In this fiscal year apart from banks and financial institutions, Life insurance companies, non-life insurance companies, remittance companies as well as four major LEAs were integrated in the goAML system. Similarly, goAML integration of Cooperatives, Payment System Provider/Operators (PSP/PSOs) and Securities Companies are underway. Moreover, some of the REs from DNFBPs especially accountancy professionals are also in process of integration. In order to facilitate submission of SAR/STR/TTR report to FIU-Nepal and discourage paper based reporting, we have started to receive report through “*goAML Message Board*” which has helped reporting entities which are located far off from FIU-Nepal.

APG Third Round Mutual Evaluation (ME) of Nepal was initially scheduled for 2021-22, but due to COVID-19 pandemic, it has been rescheduled for 2022-23. In this fiscal year, we were in continuous contact with APG secretariat as well as all various agencies of Nepal for the preparation of ME. FIU-Nepal is continuously engaging itself to coordinate the ME preparation process domestically as well as internationally. For this we have organized several interaction/awareness programs and meetings with REs, Competent authorities and other agencies.

I would like to express my special gratitude and thanks to National Coordination Committee (NCC), Nepal Rastra Bank (NRB), regulators, supervisors, LEAs and reporting entities for their continuous support and cooperation. Further, I would request all the stakeholders involved in the third round of APG Mutual Evaluation of Nepal for their continuous support. I am also grateful to the international community for their support to FIU-Nepal.

This annual report has been published with the rigorous efforts made by the Policy & Planning division of FIU-Nepal. My special thanks go to Deputy Director Mr. Sworup Shrestha, Assistant Directors Mr. Sameer Kumar Singh and Mr. Amish Sharma for their efforts to prepare this report. I appreciate efforts of each and every employee of FIU-Nepal who has equally contributed to develop our unit as an active, dynamic and effective focal point of AML/CFT. Finally, I would like to thank all the employees of FIU-Nepal who have been working tirelessly.

YEAR 2021/22 AT A GLANCE



STR/SAR

- Total Received: 2780
- Yearly growth: 81.34%
- Total Disseminated to LEAs: 559



TTR

- Total Received: 2,401,714
- Yearly growth: 20.14%



goAML Integration

Number of REs/Stakeholders in goAML System

- Production Environment : 99
- Message Board (Manual): 515
- Test Environment: 539



Domestic Cooperation

- Information Exchange with LEAs/Regulators: 74
(Other than Intelligence Dissemination)
- Information Exchange from REs: 3046
(Other than TTR/STR/SAR reporting)



International Cooperation

- Requests received from foreign FIUs: 13
- Requests sent to foreign FIUs: 17
- Spontaneous disclosures from foreign FIUs: 9
- Information Request sent via email: 1



Event/Programs

- Interaction Programs: 20
- Knowledge Sharing Programs: 7
- Meetings/Discussions: 8
- Trainings: 2



Publications

- Publications: 4
- Guidelines: 7

AML/CFT REGIME OF NEPAL

1.1 Background

In order to establish a strong and effective AML-CFT system, legal, institutional and administrative framework is essential. Such framework must possess regulatory power that provides competent authorities with the necessary duties, powers and sanctions. AML/CFT related legal framework defines money laundering and terrorist financing offenses, plus provides enforcement power that enables freezing, seizing and confiscation of the proceeds of crime and terrorist funding.

Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF), are the biggest threats to integrity of the financial system, economic development, and ultimately for the human civilization. It distorts world peace, security, law and order, causing adverse impacts on the entire financial, economic and criminal justice systems. These crimes promote informal financial transactions; production of weapons of mass destruction for terrorist attack; destroy tax regimes; impair transparency and inhibit rule of law. Such types of activities finally weaken all developmental activities and financial stability. Therefore, entire global community has depicted its serious concerns on establishing a sound AML/CFT system to fight against such types of common global problems. The effort is on protecting the ethics, integrity and stability of the financial system, cutting off the resources available to terrorists, and making it more difficult for those engaged in crime to profit from their criminal activities.

1.2 Overview of Nepal's Commitments

As AML/CFT has become crucial agenda of all developed, developing and underdeveloped countries, no country can isolate itself from the global AML/CFT regime. Nepal is also making substantial progress towards its goal of strengthening AML/CFT system by implementing legal, preventive and institutional measures in place. Nepal has internalized AML/CFT system as a strategic tool to control financial crimes and establish a sound economic and financial system.

Nepal is an active participant of global community; on realization of common agenda, including AML/CFT. It is evident from its membership to the UN, SAARC, APG, Egmont Group of FIUs, BIMSTEC etc. Ratification of major international conventions; enactments of instrumental statutes; implementation of National AML/CFT Strategy; and establishment and designation of major institutional infrastructures in a short period of time are the basic foundation for functional operation of the AML/CFT regime.

However, there are lots of responsibilities and tasks to be performed, particularly in legal and operational sectors. Over the past decade, Nepal has made great strides in strengthening internationally accepted control measures designed to combat money laundering and terrorist financing worldwide. Nepal has improved the country's AML/CFT measures which have helped to take its place on the international financial arena. Still we should do more in understanding the scope and value of AML/CFT measures.

These achievements are the results of the collective efforts of stakeholders and private sectors and support from international communities. These sectors are expected to support Nepal to focus on its core operational activities and take strategic step towards enhancing of AML/CFT regime in the future discourse as well.

1.3 Efforts of Nepal to Combat ML/TF

1.3.1 Adoption of International Standards and Cooperation

A. Financial Action Task Force (FATF)

The FATF, global money laundering and terrorist financing watchdog, an inter-governmental body established in 1989, sets international standards that aims to promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in those areas.

With more than 200 countries and jurisdictions committed to implementing them. The FATF has developed the FATF Recommendations, or FATF Standards, which ensure a coordinated global response to prevent organized crime, corruption and terrorism. They help authorities go after the money of criminals dealing in illegal drugs, human trafficking and other crimes. The FATF also works to stop funding for weapons of mass destruction.

The FATF reviews money laundering and terrorist financing techniques and continuously strengthens its standards to address new risks, such as the regulation of virtual assets, which have spread as cryptocurrencies gain popularity. The FATF monitors countries to ensure they implement the FATF Standards fully and effectively, and holds countries to account that do not comply.

The FATF has developed a series of recommendations that are recognized as the international standards for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. They form the basis for the coordinated response to promote the integrity of the financial system and help ensure a level playing field. First issued in 1990, the FATF Recommendations were revised in 1996, 2001, 2003 and most recently in 2012 (which was updated in March 2022) to ensure that they remain up to date, relevant and universally applicable.

The 9 FATF-Style Regional Bodies (FSRBs) are autonomous regional organizations that help the Financial Action Task Force (FATF) implement its global AML/CFT policy, which revolves around its 40 Recommendations, in over 200 affiliated countries. The FATF-style regional bodies are:

1. **Asia/Pacific Group on Money Laundering (APG) based in Sydney, Australia;**
2. Caribbean Financial Action Task Force (CFATF) based in Port of Spain, Trinidad and Tobago;
3. Eurasian Group (EAG) based in Moscow, Russia;
4. Eastern & Southern Africa Anti-Money Laundering Group (ESAAMLG) based in Dar es Salaam, Tanzania;
5. Central Africa Anti-Money Laundering Group (GABAC) based in Libreville, Gabon;
6. Latin America Anti-Money Laundering Group (GAFILAT) based in Buenos Aires,

- Argentina;
7. West Africa Money Laundering Group (GIABA) based in Dakar, Senegal;
 8. Middle East and North Africa Financial Action Task Force (MENAFATF) based in Manama, Bahrain;
 9. Council of Europe Anti-Money Laundering Group (MONEYVAL) based in Strasbourg, France (Council of Europe).

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

Source: FATF/APG

Nepal is not a member to FATF directly, it has a relation with FATF through APG (the FATF Style Regional Body also called FSRB). Nepal was engaged with FATF through ICRG process since 2009. Nepal has proved its commitments by complying international standards through enactment and amendment of relevant legislations, establishment and designation of institutions like FIU- Nepal and Regulators for various sectors and their Investigating Agencies. In line with the FATF principles, Nepal has improved its AML/CFT regime for facilitating international cooperation. As a result, Nepal has been relieved from the 'Improving Global AML/CFT Compliance List' of FATF/ICRG from June 2014.

Starting with its own members, the FATF monitors countries' progress in implementing the FATF Recommendations; reviews money laundering and terrorist financing techniques and counter-measures; and, promotes the adoption and implementation of the FATF Recommendations globally. The international standards against money laundering and the

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

financing of terrorism/proliferation are incorporated in the 40 FATF Recommendations.

a) FATF’s 40 Recommendations

The FATF Recommendations set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction. Countries have diverse legal, administrative and operational frameworks and different financial systems, and so cannot all take identical measures to counter these threats. The FATF Recommendations, therefore, set an international standard, which countries should implement through measures adapted to their particular circumstances.

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

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

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

Source: FATF

b) Immediate Outcomes (IOs)

FATF has identified 11 Immediate Outcomes (IOs), as stated in FATF Methodology that an effective AML/CFT framework should achieve. During its mutual evaluations, the FATF assesses the effectiveness of a country’s efforts against each of these 11 immediate outcomes. The extent to which a country implements the technical requirements of each of the FATF Recommendations remains important; they are after all the building blocks for an effective framework to protect the financial system. But, adopting compliant laws and regulations is not sufficient. Each country must enforce these measures, and ensure that the operational, law enforcement and legal components of an AML/CFT system work together effectively to deliver the results. During an assessment, the FATF/FSRB evaluates how well all these components are working together in the context of the risks that the country is exposed to. The IOs are summarized in table below:

IO	Topics
1.	Risk, Policy and Coordination Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.
2.	International Cooperation International Cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

IO	Topics
3.	Supervision Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CFT requirements commensurate with their risks.
4.	Preventive Measures Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.
5.	Legal persons and arrangements Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.
6.	Financial intelligence Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.
7.	Money laundering investigation and prosecution Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.
8.	Confiscation Proceeds and instrumentalities of crime are confiscated.
9.	Terrorist financing investigation and prosecution Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.
10.	Terrorist financing preventive measures and financial sanctions Terrorist, terrorist organizations and terrorist financiers are prevented from raising, moving and using funds and from abusing the NPO sector.
11.	Proliferation financial sanctions Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.

Source: APG

B. Asia/Pacific Group on Money Laundering (APG)

APG is an inter-governmental organization, consisting of 41 member jurisdictions, focused on ensuring that its members effectively implement the international standards against money laundering, terrorist financing and proliferation financing related to weapons of mass destruction. The APG has grown considerably since 1997 and is part of a global network of similar bodies, referred to as Financial Action Task Force-Style Regional Bodies (FSRBs) and is the largest in terms of membership numbers and geographical size.

APG was officially established as an autonomous regional anti-money laundering body by unanimous agreement among 13 original founding members.

The APG has five primary functions:

- a. **Mutual evaluation:** The APG assesses the levels of compliance by its member jurisdictions with the global AML/CFT standards through a mutual evaluation (peer review) programme;
- b. **Technical assistance and training:** The APG Secretariat coordinate bi-lateral and donor-agency technical assistance and training in the Asia/Pacific region for its member jurisdictions in order to improve compliance with the global standards;

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

APG has a large number of observers (both jurisdictions and supporting organizations) that participate in its programs and activities. Some of the key international organizations that support the APG include the International Monetary Fund, World Bank, OECD, United Nations Office on Drugs and Crime, the UN's Counter Terrorism Executive Directorate, Asian Development Bank, Commonwealth Secretariat, INTERPOL and the Egmont Group of Financial Intelligence Units. The APG also assists its members to establish national coordination mechanisms to better utilize resources to combat money laundering and terrorist financing.

Nepal obtained membership of APG in 2002 and has expressed its commitment to fully comply with international AML/CFT standards. Nepal served as a member of *APG Steering Committee* representing South Asian Countries for the year 2012/13. Nepal completed two years' tenure as a regional representative of South Asian Region for the meetings of the Governance Committee of the APG in year 2019 and 2020. Nepal underwent its first APG Mutual Evaluation in 2005 and second in 2010, with the report adopted in 2011. Third round of Mutual Evaluation is scheduled for 2022-23. The stakeholders of AML/CFT regime are preparing for the third round of mutual evaluation of Nepal.

C. Egmont Group of FIUs

The Egmont Group is a group of 166 Financial Intelligence Units (FIUs). As a global organization, the Egmont Group facilitates and prompts the exchange of information, knowledge, and cooperation amongst member FIUs. The Egmont Group provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing. It is the trusted gateway for sharing financial information domestically and internationally in accordance with global AML/CFT standards. This is especially relevant as FIUs are uniquely positioned to cooperate and support national and international efforts to counter terrorist financing and combating of money laundering

FIU-Nepal became the member of Egmont Group on June 10, 2015. The Egmont Group recognizes sharing of financial intelligence is of paramount importance and has become the cornerstone of the international efforts to counter ML/TF. As an international financial intelligence forum, the Egmont Group both facilitates and prompts this amongst its member FIUs. As a member of the Egmont Group, the FIU is able to send requests for information to other member jurisdictions by the Egmont Secure Web (ESW), secure email network, and also receive requests from other Egmont Group members.

Intelligence shared between jurisdictions is crucial for the analysis of STRs and for the development of intelligence for dissemination. Timely responses and quality intelligence are essential for the jurisdiction to develop the intelligence. The information included in these requests can be used for intelligence purposes only and may only be forwarded to law enforcement with the express consent of the disseminating FIU. If the information is required for evidential purposes, law enforcement agencies request through a mutual legal assistance to the appropriate jurisdiction. For exchanging information via Egmont group, FIU-Nepal has issued 'Guidelines for Information Exchange with foreign FIUs'.

D. The Basel Committee on Banking Supervision

The Basel Committee on Banking Supervision (BCBS) sets the global standards for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters. It was formed in 1974 by the central bank governors of the group of 10 countries. Its 45 members comprise central banks and bank supervisors from 28 jurisdictions. Individual countries are represented by their central bank, or by the relevant authority with formal responsibility for prudential supervision of banking where that authority is not the central bank. The BCBS does not possess any formal supranational authority. Its decisions do not have legal force. Rather, the BCBS relies on its members' commitments to achieve its mandate. Rather, it formulates broad supervisory standards and guidelines and recommends statements of best practices on a wide range of bank supervisory issues. These standards and guidelines are adopted with the expectation that the appropriate authorities within each country will take all necessary steps to implement them through detailed measures, statutory, regulatory or otherwise, that best suit that country's national system.

Basel committee has issued guideline regarding sound management of risks related to money laundering and financing of terrorism regarding assessment, understanding, management and mitigation of risks, customer acceptance policy, customer and beneficial owner identification, verification and risk profiling, ongoing monitoring, management of information and reporting of suspicious transactions and asset freezing. The Principle number 29 of BCBS provides essential criteria on prevention on Abuse of Financial Services.

BCBS Principle 29: Abuse of financial services

The supervisor determines that banks have adequate policies and processes, including strict customer due diligence (CDD) rules to promote high ethical and professional standards in the financial sector and prevent the bank from being used, intentionally or unintentionally, for criminal activities.

Essential criteria

1. Laws or regulations establish the duties, responsibilities and powers of the supervisor related to the supervision of banks' internal controls and enforcement of the relevant laws and regulations regarding criminal activities.
2. The supervisor determines that banks have adequate policies and processes that promote high ethical and professional standards and prevent the bank from being used, intentionally or unintentionally, for criminal activities. This includes the prevention and detection of criminal activity, and reporting of such suspected activities to the appropriate authorities.

3. In addition to reporting to the financial intelligence unit or other designated authorities, banks report to the banking supervisor suspicious activities and incidents of fraud when such activities/incidents are material to the safety, soundness or reputation of the bank.
4. If the supervisor becomes aware of any additional suspicious transactions, it informs the financial intelligence unit and, if applicable, other designated authority of such transactions. In addition, the supervisor, directly or indirectly, shares information related to suspected or actual criminal activities with relevant authorities.
5. The supervisor determines that banks establish CDD policies and processes that are well documented and communicated to all relevant staff. The supervisor also determines that such policies and processes are integrated into the bank's overall risk management and there are appropriate steps to identify, assess, monitor, manage and mitigate risks of money laundering and the financing of terrorism with respect to customers, countries and regions, as well as to products, services, transactions and delivery channels on an ongoing basis. The CDD management programme, on a group-wide basis, has as its essential elements:
 - a) a customer acceptance policy that identifies business relationships that the bank will not accept based on identified risks;
 - b) a customer identification, verification and due diligence programme on an ongoing basis; this encompasses verification of beneficial ownership, understanding the purpose and nature of the business relationship, and risk-based reviews to ensure that records are updated and relevant;
 - c) policies and processes to monitor and recognize unusual or potentially suspicious transactions;
 - d) enhanced due diligence on high-risk accounts (e.g. escalation to the bank's senior management level of decisions on entering into business relationships with these accounts or maintaining such relationships when an existing relationship becomes high-risk);
 - e) enhanced due diligence on politically exposed persons (including, among other things, escalation to the bank's senior management level of decisions on entering into business relationships with these persons); and
 - f) clear rules on what records must be kept on CDD and individual transactions and their retention period. Such records have at least a five year retention period.
6. The supervisor determines that banks have in addition to normal due diligence, specific policies and processes regarding correspondent banking. Such policies and processes include:
 - g) gathering sufficient information about their respondent banks to understand fully the nature of their business and customer base, and how they are supervised; and
 - h) not establishing or continuing correspondent relationships with those that do not have adequate controls against criminal activities or that are not effectively supervised by the relevant authorities, or with those banks that are considered to be shell banks.
7. The supervisor determines that banks have sufficient controls and systems to prevent, identify and report potential abuses of financial services, including money laundering and the financing of terrorism.

8. The supervisor has adequate powers to take action against a bank that does not comply with its obligations related to relevant laws and regulations regarding criminal activities.
9. The supervisor determines that banks have:
 - a) requirements for internal audit and/or external experts⁸⁷ to independently evaluate the relevant risk management policies, processes and controls. The supervisor has access to their reports;
 - b) established policies and processes to designate compliance officers at the banks' management level, and appoint a relevant dedicated officer to whom potential abuses of the banks' financial services (including suspicious transactions) are reported;
 - c) adequate screening policies and processes to ensure high ethical and professional standards when hiring staff; or when entering into an agency or outsourcing relationship; and
 - d) ongoing training programme for their staff, including on CDD and methods to monitor and detect criminal and suspicious activities.
10. The supervisor determines that banks have and follow clear policies and processes for staff to report any problems related to the abuse of the banks' financial services to either local management or the relevant dedicated officer or to both. The supervisor also determines that banks have and utilise adequate management information systems to provide the banks' Boards, management and the dedicated officers with timely and appropriate information on such activities.
11. Laws provide that a member of a bank's staff who reports suspicious activity in good faith either internally or directly to the relevant authority cannot be held liable.
12. The supervisor, directly or indirectly, cooperates with the relevant domestic and foreign financial sector supervisory authorities or shares with them information related to suspected or actual criminal activities where this information is for supervisory purposes.
13. Unless done by another authority, the supervisor has in-house resources with specialist expertise for addressing criminal activities. In this case, the supervisor regularly provides information on risks of money laundering and the financing of terrorism to the banks.

E. International Monetary Fund (IMF) and World Bank (WB)

Nepal is a member country to the IMF and WB. Both organizations have mandate for certain AML/CFT matters basically in accordance with Article IV under Articles of Agreement of the International Monetary Fund. In addition to this, these global organizations have been providing trainings and technical assistance for capacity building for the member countries.

IMF's Technical Assistance (TA) is funded by AML/CFT Topical Trust Fund (TTF). Topical trust funds support global IMF technical assistance on specialized thematic areas and complement the work of the IMF's regional technical assistance centres and other IMF technical assistance. The IMF's AML/CFT technical assistance aims to improve AML/CFT regimes worldwide and to provide concrete support to the IMF's membership. IMF's assistance is aimed at implementing priority of national strategy under TTF:

- Legal –Improvements in AML/CFT laws
- Supervisory –Development of Directives, Guidelines and skill and capacity building of supervisors
- FIU –Development of Operational Manual and Skill and capacity building

IMF has substantially supported Nepal in developing National AML/CFT strategy, legal, supervisory and FIU capacity building frameworks. Nepal has received TA from IMF regarding AML-CFT as follows: -

- Technical Assistance on Strengthening the AML/CFT Legal, Supervisory, and FIU Framework (October, 2016)
- Technical Assistance on Building an Effective Financial Intelligence Unit in Nepal Rastra Bank (July, 2012)
- Technical Assistance on Measures to Combat Money Laundering and the Financing of Terrorism: Strengthening the AML/CFT Supervisory Regime of the Nepal Rastra Bank (October 2012)
- Technical Assistance Report on Developing a National AML/CFT Strategy (June, 2011)

Also, the World Bank has been cooperating and supporting Nepal in conducting AML/CFT National Risk Assessment. National Risk Assessment 2020 was conducted using the NRA modules developed by the World Bank.

F. Wolfsberg Group

The Wolfsberg Group is an association of thirteen global banks which aims to develop frameworks and guidance for the management of financial crime risks, particularly with respect to Know Your Customer, Anti-Money Laundering and Counter Terrorist Financing policies. Members are: Banco Santander, Bank of America, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan Chase, MUFG Bank, Société Générale, Standard Chartered Bank & UBS.

The Group came together in 2000, at the Château Wolfsberg in north-eastern Switzerland, in the company of representatives from Transparency International, including Stanley Morris, and Professor Mark Pieth of the University of Basel, to work on drafting anti-money laundering guidelines for Private Banking. The Wolfsberg Anti-Money Laundering (AML) Principles for Private Banking were subsequently published in October 2000, revised in May 2002 and again most recently in June 2012.

G. Other Organizations

- Nepal Insurance Authority, the Insurance Regulatory Authority of Nepal, is one of the founder member of INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS(IAIS).
- Securities Board of Nepal (SEBON) is an associate member of International Organization of Securities Commissions (IOSCO).

1.3.2 National Initiatives

A. Legal Measures

Nepalese AML/CFT legal regime has been framed by the parliamentary enactments particularly of ALPA, 2008. Other laws relating to criminalization of predicate offences, regulation/supervision, MLA, extradition and confiscation (seizing and freezing) of criminal proceeds among others are integral to this system. The **Annex 1-5** present the laws, international conventions, regulatory directives, name of the regulator and supervisory manuals that have been enacted and implemented. Along with

these legal instruments, NRB and other regulators have formulated and implemented off-site and on-site supervisory manuals so as to ensure the compliance of AML/CFT laws.

ALPA and ALPR has provisions for dedicated statutory high-level policy committees viz., National Coordination Committee (NCC), with, Secretary of Office of the Prime Ministers and Council of Ministers as coordinator and Implementation Committee, with, Deputy Governor of Nepal Rastra Bank as coordinator.

List of major committees/mechanisms are:

Statutory Committees as per ALPA and ALPR	Committees/Mechanisms as per 'National Strategy and Action plan (2019-2024)'
<ul style="list-style-type: none"> • National Coordination Committee (NCC) • Implementation Committee 	<ul style="list-style-type: none"> • National Review Council • Regulators Coordination Mechanism • Investigation Coordination Mechanism • Counter Terrorism Mechanism

i. National Coordination Committee (NCC)

There is a provision of a NCC in ALPA, 2008 in order to coordinate the high-level authorities and institutions relating to money laundering and advice the Government of Nepal with regard to the prevention of money laundering:

Formation of the NCC:

(a) Secretary, Office of the Prime Minister and Council of Ministers	Coordinator
(b) Secretary, Ministry of Finance	Member
(c) Secretary, Ministry of Law, Justice and Parliamentary Affairs	Member
(d) Secretary, Ministry of Home Affairs	Member
(e) Secretary, Ministry of Foreign Affairs	Member
(f) Secretary, Commission for the Investigation of Abuse of Authority (CIAA)	Member
(g) Deputy Attorney General, Office of Attorney General	Member
(h) Deputy Governor, Nepal Rastra Bank	Member
(i) Inspector General of Police, Nepal Police	Member
(j) Chief, Department of Money Laundering Investigation (DMLI)	Member
(k) Chief, Financial Information Unit	Secretary

As per ALPA, 2008 Section 8 A, the National Coordination Committee shall have following functions, duties and power:

- a) To prepare policy for prevention of offences of ML/TF and submit the policy to the Government of Nepal,
 - a1) to coordinate in AML/CFT risk assessment and instruct the related agency for the management and mitigation of such risks,
- b) To implement or cause to implement the decision of the Government of Nepal taken for prevention of offences of ML/TF,
- c) To recommend to the Government of Nepal, as per necessity, to implement the standards and

policies developed for prevention of offences of ML/TF by international organization of which Nepal is a member,

- d) To instruct concerned agencies for prevention of offences of ML/TF and to monitor whether or not the instructions are complied with,
- e) To discuss the annual reports submitted by the concerned agency, Regulator and FIU and make due coordination,
- f) To perform or cause to perform other tasks in relation to prevention of offences of ML/TF, as prescribed by the Government of Nepal.

ii. Implementation Committee

Implementation Committee is headed by the Deputy Governor of Nepal Rastra Bank. This committee comprises the representatives from different legal, regulatory, enforcement and other competent and relevant authorities of AML/CFT. The Implementation committee, composition is as follows, has been provided with the obligation to carry out or cause to carry out national risk assessment and extend cooperation to the functions of National Coordination Committee, under Rule 47(1) of Assets (Money) Laundering Prevention Rule, 2016:

- | | |
|---|-------------------|
| (a) Deputy Governor, Nepal Rastra Bank | - Coordinator |
| (b) Chief, Department of Crime Investigation, Nepal Police Headquarters | - Member |
| (c) Additional Inspector General, Armed Police Force | - Member |
| (d) Joint Secretary, Office of the Prime Minister and Council of Ministers | - Member |
| (e) Joint Secretary, Ministry of Finance | - Member |
| (f) Joint Secretary, Ministry of Law, Justice and Parliamentary Affairs | - Member |
| (g) Joint Secretary, Ministry of Home Affairs | - Member |
| (h) Joint Secretary, Ministry of Foreign Affairs | - Member |
| (i) Joint Secretary, Ministry of Forest and Soil Conservation | - Member |
| (j) Joint Secretary, Commission for the Investigation of Abuse of Authority | - Member |
| (k) Chief, Department of Money Laundering Investigation | - Member |
| (l) Director General, Inland Revenue Department | - Member |
| (m) Director General, Department of Revenue Investigation | - Member |
| (n) Director General, Department of Customs | - Member |
| (o) Director General, Department of Immigration | - Member |
| (p) Director General, Department of Industry | - Member |
| (q) Registrar, Office of Company Registrar | -Member |
| (r) Registrar, Department of Cooperatives | -Member |
| (s) Deputy Chief, Department of Money Laundering Investigation | -Member |
| (t) Joint Attorney, Office of Attorney General | -Member |
| (u) Executive Director, Bank Supervision Department | -Member |
| (v) Executive Director, Nepal Insurance Authority | -Member |
| (w) Executive Director, Securities Board of Nepal | -Member |
| (x) Chief, Central Investigation Bureau | -Member |
| (y) Chief, Financial Information Unit | -Member |
| (z) Under Secretary, Ministry of Finance | -Member Secretary |

B. Policy Measures

i. National Risk Assessment and Self-Assessment

As per the revised FATF recommendations, every country has to conduct National Risk Assessment (NRA) to identify threats and vulnerabilities in its AML/CFT system that would inform the design of a policy framework and its implementation strategy including the resource prioritization. Moreover, the Self-Assessment report (2018) has assessed the country's AML/CFT system based on the 40 recommendations. The gaps on country's AML/CFT system are explored and recommendations are made. Moreover, rating is done against each criterion of the FATF recommendations.

One major objective of National Strategy and Action Plan relating to money laundering and terrorism financing (2019-2024) is to conduct the National Risk Assessment (NRA). Accordingly, National Risk Assessment was conducted in 2016 and 2020. The overall banking sector vulnerability to ML is rated as medium-high whereas, the quality of the general AML control is medium. 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.

ii. National Strategy and Action Plan

AML/CFT policy framework of Nepal begins with the formulation and implementation of AML/CFT national strategy and preparation of the National Risk Assessment. The GoN had implemented a comprehensive National Strategy and Action Plan for Combating Money Laundering and Financing of Terrorism 2011–2016.

After adoption of new FATF Recommendations issued on 2012 and issue of FATF Methodology on 2013 by FATF, perspectives for identification and assessment of ML/TF risks of nation is also changed. Similarly, the National Risk Assessment 2016 and Self-Assessment 2018 had identified new risk areas on money laundering and terrorism financing in Nepal. In these grounds much internal homework had to be done and there was a need to accelerate the functioning of the entire AML/CFT system. Accordingly, the Government of Nepal prepared the second National Strategy and Action plan (2019-2024). Major highlights of the strategies are: -

a. Concept

To maintain stability by protecting financial system and overall economy from the risk of financial crime.

b. Target

- To make monitoring and supervision of money laundering and terrorism financing risk based.
- To ensure effecting analysis, investigation, examination and prosecution of financial crime.
- To coordinate and cooperate at national and international area for crime control and financial system promotion.

c. Objective and Strategy

Objective No. 1: To adopt risk based system by risk assessment of money laundering and terrorism financing.

Strategies:

- To regularly update risk assessment.
- To frame policy and program based on result obtained from risk assessment and implement and caused to implement thereof.
- To make risk-based investigation system effective.
- To allocate and manage resources based on risk based system.

Objective No. 2: To strengthen legal and organizational framework relating to international norms.

Strategies:

- To strengthen organizational capacity.
- To improve legal framework.

Objective No. 3: To collect and manage information relating to beneficial ownership.

Strategies:

- To gather information relating to beneficial ownership through multiple approach.
- To make provision for special monitoring of beneficial ownership related system.
- To develop mechanism to have access to the information on beneficial ownership.

Objective No. 4: To implement curative and regulative techniques on compact manner for security of financial system and economy.

Strategies:

- To ensure adoption of risk-based approach by reporting entities.
- To make risk-based regulation and supervision system effective.
- To adopt techniques for promotion of virtue of financial system.

Objective No. 5: To restrain, suppress and alleviate financial investment in terrorism, terrorism activities and manufacturing and expansion of arms and ammunition of mass destruction.

Strategies:

- To increase micro surveillance / collect information relating to terrorism financing.
- To undergo micro surveillance on manufacturing and transportation of mass destructive weapon.
- To increase defense ability against terrorism activities and make controlling action effective.

Objective No. 6: To provide functional autonomy and improve analytical capacity of Financial Information Unit.

Strategies:

- To provide managerial autonomy by making financial information unit rich on means and resources.
- To make provision for FIU to take service of various subject experts.
- To increase capacity of FIU on collection and analysis of information.

Objective No. 7: To intensively increase the capacity for investigation and prosecution of financial crime.

Strategies:

- To develop scientific investigation procedure by increasing capacity of the human resources involved in investigation.
- To make investigation and prosecution function effective by increasing coordination between concerned authorities.
- To expand methods for declaration of Cash and Bearer negotiable instruments (BNIs).

Objective No. 8: To undergo management of seizing, freezing and confiscation of proceeds of crime.

Strategies:

- To effectively implement legal provisions on seizing, freezing and confiscation of proceeds of crime.
- To manage archives of seizing, freezing and confiscation of proceeds of crime .

Objective No. 9: To expand international cooperation mechanism of mutual legal assistance, extradition and other international support for crime control.

Strategies:

- To expand cooperation and support with the foreign nation and international organization for crime control.
- To effectively mobilize international cooperation mechanism on risk basis.
- To forward process of Mutual Legal Assistance related treaty/agreement.

Objective No. 10: To centralize entire efforts to make system a success by implementing strategy and action plan.

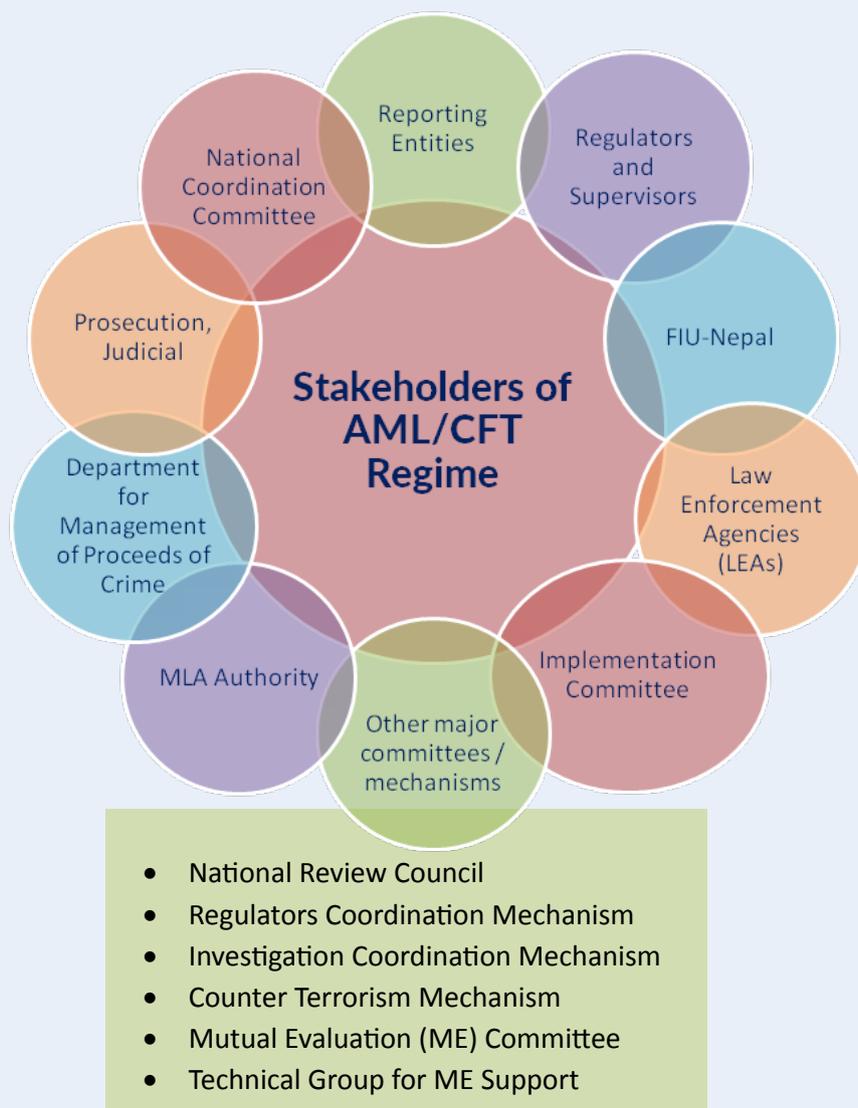
Strategies:

- To organize promotional programs.
- To strengthen coordination system and mechanism at implementation level.
- To mainstream the strategy and action plan.
- To prepare for AML/CFT mutual evaluation 2020/21.

C. Institutional Measures

Money Laundering and Terrorist Financing is a multi-agencies’ task and requires active participation of all stakeholders to materialize its objectives. Agencies stated below in the diagram form the structure of functional AML/CFT system in Nepal.

Figure 1.1: Stakeholders in AML/CFT regime



FIU-Nepal is a national central agency with pivotal role to play in AML/CFT regime. FIU-Nepal is the secretariat of NCC, which is an inter-agency body to recommend Government of Nepal on AML/CFT policy matters. It works as a bridge between Reporting Entities (REs), LEAs and regulators as well. It is operating in a harmonious relationship with different stakeholders to implement AML/CFT policies as per its legal mandate. However, its performance depends on the functional efficiency of other stakeholders of the entire system. Thus, effective supervision of REs to produce qualitative STRs and investigation and prosecution on its products play a vital role to enhance FIU's functional capacity.

1.4 NRB Strategic Plan

1.4.1 NRB Strategic Plan 2012-16

Since FIU-Nepal has been established within Nepal Rastra Bank, the Bank's five-year strategy 2012-2016 had planned to strengthen FIU-Nepal by enhancing analytical skill, set up of the automated system and capacity building of its employees. FIU-Nepal had achieved targets set in the strategic plan 2012-16.

AML/CFT issues in the Strategic Plan of 2012-16 were as follows:

- i. Strengthen Financial Information Unit and its mechanism for cooperation with other agencies
 - Establish IT network for online receiving, processing and analysis of data
 - Strengthen the analytical capabilities of FIU on STR (Suspicious Transactions Reporting)
 - Develop a mechanism for getting prompt cooperation from law enforcement agencies, regulators and other related agencies
 - Develop international cooperation mechanism on anti-money laundering
 - FIU as Secretariat to the NCC
- ii. Comply with the international standards for AML/CFT
 - Conduct study on AML/CFT National Risk Assessment (NRA).
 - Review AML/CFT legal framework
 - Develop AML/CFT compliance framework
 - Develop Strategic Implementation Plan (SIP) to comply with the recommendations of APG Mutual Evaluation Report
 - Implement AML/CFT National Strategy

1.4.2 NRB Strategic Plan 2017-21

Third Strategic Plan of NRB (2017-21) has focused on addressing economic and financial issues currently faced by NRB and the Nepalese economy in maintaining macro-economic stability. It has also given the priority on restructuring of the NRB in accordance with federal structure, constructing earthquake devastated buildings, modernizing ICT system, adopting technological advancements, upgrading payment system, strengthening good governance and institutional capabilities and maintaining good relations with national as well as international entities. Major areas related to AML/CFT issues in NRB strategic plan 2017-21 are as follows:

- i. Revise AML\CFT Provisions
- ii. Developing comprehensive supervision framework based on AML/CFT standards

- Review National Risk assessment (NRA) framework
 - Formulate AML/CFT National Strategy
 - Develop AML/CFT compliance framework
- iii. Strengthening relationship with relevant international organizations
- Increase international cooperation to combat for AML/CFT issue
 - Strengthen coordination framework with relevant stakeholders (law enforcement agencies, regulators and other related agencies)
- iv. Implement goAML software

1.4.3 NRB Strategic Plan 2022-26

Fourth Strategic Plan of NRB (2022-26) has focused on a set of five strategic directions which will guide the bank's overall efforts and endeavors. It aims to drive the bank towards: Macroeconomic Stability, Resilient and Inclusive Financial System, Digitalized Financial Ecosystem, Recovery and Crisis Management and Organizational Effectiveness and Harmonized Relations. Major areas related to FIU in NRB strategic plan 2022-26 are as follows:

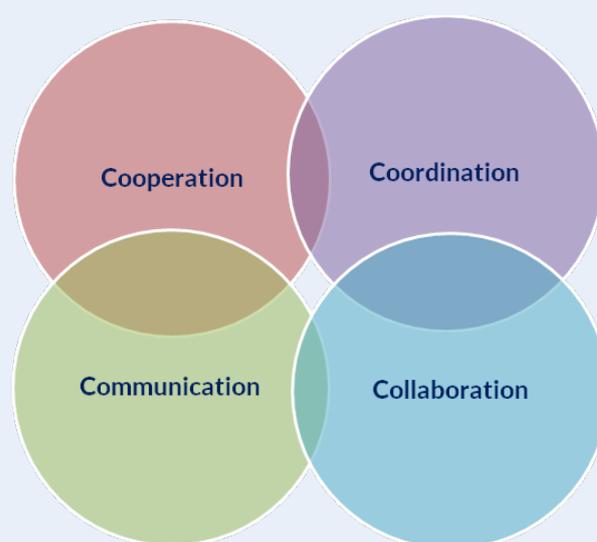
- i. Establishing information sharing and communication channel among the domestic regulators**
- a. Strengthen coordination mechanisms with Law Enforcement Authorities (LEAs), reporting entities and other related agencies
- ii. Establishing global cooperation**
- a. Strengthen international cooperation mechanism for information sharing on AML-CFT
- iii. Coordinating with stakeholders to develop and comply with international standards for AML/CFT**
- a. Coordinate and Support Mutual Evaluation Process (MEP)
 - b. Conduct National Risk Assessment (NRA)
 - c. Facilitate the Preparation of National strategy and Action Plan (2025-2029)
- iv. Expanding the coverage of goAML**
- a. Integration of all NRB licensed institutions into the goAML system

ENTITIES AND COMPETENT AUTHORITIES

A country’s AML/CFT/CPF system comprises of various components or stakeholders. The protection of a country’s financial system and economy from the threats of ML/TF/PF, can only be achieved if the components of its AML/CFT /CPF system are functioning properly and with coordinating/ collaborating among stakeholders.

In AML/CFT/CPF system of Nepal, entities and competent authorities are: -

1. FIU-Nepal
2. Reporting Entities (REs)
3. Regulators and Supervisors
4. Law Enforcement Agencies (LEAs)/ Investigating Authorities
5. Ministry of Law, Justice and Parliamentary Affairs (MOLJA) as the Central Authority Mutual Legal Assistance (MLA)
6. Department for Management of Proceeds of Crime and Department of Money Laundering Investigation are the agencies entitled for Freezing, seizure and confiscations actions
7. Ministry of Home Affairs is the central authority for managing extradition
8. Prosecution/Judicial: Special Government Attorney and Special Court
9. Statutory and other committees/mechanisms as per National Strategy: -



Four C's of participatory management

Statutory Committees as per ALPA and ALPR	Committees/Mechanisms as per 'National Strategy and Action plan (2019-2024)'
<ul style="list-style-type: none"> • National Coordination Committee (NCC) • Implementation Committee 	<ul style="list-style-type: none"> • National Review Council • Regulators Coordination Mechanism • Investigation Coordination Mechanism • Counter Terrorism Mechanism

2.1 FIU-Nepal

FIU-Nepal is one of the parts of AML/CFT/CPF system of Nepal. It believes in four C's of participatory management viz. Communication, Coordination, Collaboration & Cooperation with the entities & competent authorities to the system. It is a centralized, independent, administrative authority with pivotal role to play in AML/CFT/CPF regime of Nepal. It is the secretariat of National Coordination Committee (NCC), which is an inter-agency body to recommend Government of Nepal on AML/

CFT/CPF policy matters. It functions as a buffer between the stakeholders of AML/CFT/CPF system. It is operating in a harmonious relationship with different stakeholders to implement AML/CFT/CPF policies as per its legal mandate. It receives information from Reporting Entities (REs) and disseminates intelligence to the competent authorities.

ALPA, 2008 has defined FIU-Nepal as a national agency responsible for receiving, processing, analyzing and disseminating financial information and intelligence on suspected money laundering and terrorist financing activities to the relevant law enforcement/investigative agencies, Regulators & Supervisors and foreign FIUs. It is an administrative FIU and works with other stakeholders of AML/CFT/CPF system of Nepal actively. It is a centralized, independent, administrative authority with pivotal role to play in AML/CFT/CPF regime of Nepal.

2.2 Reporting Entities (REs)

As per Section 2 of the Asset (Money) Laundering Prevention Act, 2008 (ALPA) of Nepal, Reporting Entities are defined as “the Financial Institutions and Designated Non-Financial Business and Professions (DNFBPs)”. Further, National Strategy and Action Plan relating to ML/TF (2019-24) has also listed the Reporting Entities and their Regulators & Supervisors in an Annexure 2. The Annexure 2 has been restated below:

As per Annexure 2 of National Strategy and Action Plan relating to ML/TF (2019-24), Reporting Entities and their Regulators & Supervisors are as below:

Regulators & Supervisors	Reporting Entities
<p>Nepal Rastra Bank (NRB)</p> 	A,B,C,D Class Banks & Financial Institutions under Bank and Financial Institution Act.
	Money Remitter
	Money Changer
	Payment Service Providers with trade payment media
	Employee Provident Fund
	Citizen Investment Trust
	Public Debt and Stocks
	Other entities licensed by Nepal Rastra Bank
<p>Securities Board of Nepal (SEBON)</p> 	Securities Brokers
	Securities Market
	Merchant Bankers
	Share Market (OTC Market and other related)
	Depositors
	CDS and Clearing Entity
	Credit Rating Agency
	Listed Securities Company
	Commodity Clearance and Settlement House
	Warehouse exchange

Regulators & Supervisors	Reporting Entities
<p data-bbox="193 203 545 237">Nepal Insurance Authority</p> 	<p data-bbox="603 215 914 248">Life Insurance Company</p> <p data-bbox="603 300 978 333">Non-Life Insurance Company</p> <p data-bbox="603 385 903 418">Re-Insurance Company</p>
<p data-bbox="173 488 564 521">Department of Co-operatives</p> 	<p data-bbox="603 573 783 607">Co-operatives</p>
<p data-bbox="180 734 558 808">Inland Revenue Department (IRD)</p> 	<p data-bbox="603 831 1377 904">Approved Retirement Funds & Dealers in Precious Stones & Metals</p>
<p data-bbox="167 1037 571 1111">Ministry of Culture, Tourism & Civil Aviation (MOCTCA)</p> 	<p data-bbox="603 1155 1007 1189">Casinos or Casino Businessman</p>
<p data-bbox="196 1339 542 1458">Department of Land Management and Archive (DOLMA)</p> 	<p data-bbox="603 1462 967 1496">Real Estate Business/Agents</p>
<p data-bbox="225 1664 513 1697">Notary Public Council</p> 	<p data-bbox="603 1742 778 1776">Notary Public</p>

Regulators & Supervisors	Reporting Entities
Institute of Chartered Accountants of Nepal (ICAN) 	Auditors and Accountants
Office of the Company Registrar (OCR) 	Company & Trust Service Providers
Nepal Bar Council 	Law Practitioners

Section 6 of ALPA has prohibited REs from maintaining anonymous accounts, or accounts in fictitious names or transacting in such accounts. Also, establishment or permission to operate shell bank in the territory of Nepal has been prohibited by Section 7 of ALPA and it prohibits the financial institutions of Nepal to enter into or continue business relation with any financial institution or other entity that allow transaction to shell bank.

The REs are legally obliged to report TTRs, STRs and SARs to FIU-Nepal in a specified format as defined by regulators in consultation with FIU-Nepal. Section 10A of ALPA states that if a person transacts more than the threshold, prescribed by the Nepal Rastra Bank, at a time or several transactions within a period of time, the reporting entity and “The Government Body” shall provide the report to the Financial Information Unit within fifteen days of such transaction. “The Government Body” means the Office of Land Revenue, Office of the Company Registrar and other offices as prescribed by the Government of Nepal.

The ALPA states various provisions to the REs for Identification of Politically Exposed Person, Identification of Beneficial Ownership, Risk Assessment and Management, Enhanced CDD, Simplified CDD, CDD of Existing Customers, Timing of Identification, Ongoing Monitoring, Identification and Verification by Third Party, New Technology and non-Face to Face Customer or Transactions, Obligations Regarding Wire Transfers, Provision on Cross-border Correspondent Banking, Special Monitoring of Certain Transactions, Transactions not to be carried out, Responsibilities of the REs to develop and implement AML/CFT Policy and Procedures, Compliance with Obligations by Foreign Subsidiaries and Branches, Record Keeping and Obligation to Report Suspicious Transactions.

Further, FIU-Nepal has published various documents such as SAR/STR Guidelines, TTR guidelines, AML/CFT Directives for REs issued by their regulators, Information booklet on Predicate Offence, Sanction List, notices, etc., which are beneficial for the REs as well as other stakeholders.

(Available on FIU-Nepal's official website: <https://www.nrb.org.np/departments/fiu/>)

2.2.1 Financial Institutions (FIs)

The Reporting Entities categorized as financial institutions include A, B, C & D Class Banks & Financial Institutions (BFIs) under Bank and Financial Institution Act (BAFIA) as well as other FIs. Other FIs includes Money Remitter, Money Changer, Payment Service Provider (PSP), Payment System Operator (PSO) with trade payment media, Employee Provident Fund, Citizen Investment Trust, Public Debt and Stocks & other NRB licensed entities regulated by Nepal Rastra Bank. Securities Brokers, Securities Market, Merchant Bankers, Share Market (OTC Market and other related) etc. are regulated by SEBON. Life Insurance Companies, Non-Life Insurance Companies & Re-Insurance Companies regulated by Nepal Insurance Authority (NIA) and Co-operatives are regulated by Department of Co-operatives. Approved Retirement Funds are regulated by Inland Revenue Department (IRD).

2.2.2 Designated Non-Financial Business and Profession (DNFBPs)

The Reporting Entities categorized as Designated Non-Financial Business and Profession (DNFBPs) include several REs regulated and supervised by different regulators/supervisors. Dealers in Precious Stones & Metals are regulated by the Inland Revenue Department. Casinos or Casino Businessman are regulated by the Ministry of Culture, Tourism & Civil Aviation. Real Estate Business/Agents are regulated by the Department of Land Management and Archive. Notary Public are regulated by the Notary Public Council. Auditors and Accountants are regulated by the Institute of Chartered Accountants of Nepal. Company & Trust Service Providers are regulated by the Office of the Company Registrar's and Law Practitioners are regulated by Nepal Bar Council.

2.3 Regulators & Supervisors

As per Section 2 of the Asset (Money) Laundering Prevention Act, 2008 (ALPA) of Nepal, Regulators & Supervisors are defined as “ any institution established for the regulation and supervision of reporting entity under prevailing laws. It shall also denote the Regulator designated by the Government of Nepal pursuant to subsection (2) of the section 7T.” subsection (2) of the section 7T mandates Nepal Government to designate an agency or regulator to work as regulator for such reporting entity upon the advice of National Coordination Committee (NCC) if there is no regulator mandated for such entities. Further, National Strategy and Action Plan relating to ML/TF (2019-24) has also listed the Reporting Entities and their Regulators & Supervisors in an Annexure 2. (Please refer above paragraphs)

Section 7T of ALPA, 2008 states that Regulation and Supervision will be done by the regulators and supervisors established in accordance with the prevailing law in relation to whether the reporting entity has taken action or not. Further, Section 7U of the Act has provisioned regarding the functions, responsibilities and powers of regulators and supervisors. Further, Section 7V has stated the provision for Regulatory Actions and Sanctions against REs.

Following regulators and supervisors are involved in AML/CFT regime in Nepal:

i. Nepal Rastra Bank (NRB)

NRB is the central bank of Nepal, established in 1956 under the Nepal Rastra Bank Act 1955 as the monetary, regulatory and supervisory authority of banks and financial institutions. Nepal Rastra Bank Act (2002) has ensured operational autonomy and independence to the Bank. NRB not only regulate the bank and financial institutions with regard to AML/CFT directives but also supervises them to enforce those policies and directives. AML/CFT related regulation of

bank & financial institutions, foreign currency transacting entities & Payment System Operators (PSOs) and Payment Service Providers (PSPs) are carried out by its Bank & Financial Institution Regulation Department, Foreign Exchange Management Department and Payment Systems Department respectively. AML/CFT supervision of banks and financial institutions are carried out through its Bank & Financial Institution Supervision Departments. Likewise, supervision of Money Changers, Money Remitters, Hire Purchase Companies and Co-operative Bank are carried out by its Non-Bank Financial Institutions Supervision Department. Further, PSOs and PSPs are supervised by its Payment Systems Department. NRB has issued AML/CFT directives on AML/CFT based on Act and Regulation. FIU-Nepal is an operationally independent and autonomous unit within the NRB structure.

ii. Securities Board of Nepal (SEBON)

SEBON was established by the Government of Nepal on June 7, 1993 as an apex regulator of Securities Markets. It has been regulating the market under the Securities Act, 2006. It has the power to regulate and manage the activities of the securities markets for protecting the interests of the investors in the securities market. There are two departments namely Regulation & Management Department, and Supervision & Research Department in SEBON. Furthermore, it regulates and supervises the AML/CFT regime within securities sectors viz. Securities Brokers, Securities Market, Merchant Bankers, etc. It has issued AML/CFT directive to its licensed entities in FY 2017/18.

iii. Nepal Insurance Authority (NIA)

Nepal Insurance Authority (*Formerly known as Insurance Board*) is the Insurance Regulatory Authority of Nepal, under the Ministry of Finance, Government of Nepal. It is constituted to systematize, regularize, develop and regulate the insurance business within the country under Insurance Act, 1992. It looks after all the insurance related activities in Nepal. As a regulatory body, the Board's main concern is to create a professional, healthy and developed insurance market in Nepal. Furthermore, it regulates and supervises the AML/CFT regime within insurance sectors viz. life insurance companies, non-life insurance companies and re-insurance companies. It has issued AML/CFT directive to its licensed entities in FY 2018/19.

iv. Department of Cooperatives

The Department of Cooperatives was established in 1953. Pursuing its 'Regulation for co-cooperativeness' mission, it complements the self-regulating processes of co-operatives in line with the principles of co-operation. As co-operative development is a function shared between the three levels of Government– federal, provincial and local – the Department, as a federal agency, has a leading role to play in terms of providing co-operative agencies of provincial and local governments with the necessary regulatory, promotional and training or educational services. Furthermore, it regulates and supervises the AML/CFT regime within co-operative sectors. It has issued AML/CFT directive to co-operatives in FY 2019/20.

v. Inland Revenue Department (IRD)

The role of IRD is tax revenue mobilization through internal revenue sources. It is currently responsible for the enforcement of Tax Laws and administration of the following taxes: Income Tax, Value Added Tax, Excise Duty, Health Tax, Education Service Fee and duties like Entertainment fee (Film Development Fee). It carries out Tax Administration, Tax Policy, Tax Payer Services, Registration, Revenue Collection, Tax audit, Tax Enforcement and Investigation, Review & Appeal, Tax Refund, Advance Ruling, Tax Treaty and International Taxation, Excises

and Liquor Administration and Monitoring of non-tax. Furthermore, it regulates and supervises the AML/CFT regime within tax sectors viz. Approved Retirement Funds & Dealers in Precious Stones & Metals. It has issued AML/CFT directive to its regulated entities in FY 2020/21.

vi. Ministry of Culture, Tourism and Civil Aviation

The Ministry of Culture, Tourism and Civil Aviation is the governmental body established in 1978 for promoting tourism, culture and private sector involvement in Nepal. It also serves as the Nepalese aviation regulatory body. It is the regulator of the Casinos and Internet Casino Businesses in Nepal. It has four divisions viz. Tourism Division, Administrative & Planning Division, Civil Aviation Division and Culture Division. Furthermore, it regulates and supervises the AML/CFT regime within tourism sectors viz. Casino Business. It has issued the directives on AML/CFT for Casino Business in FY 2019/20.

vii. Department of Land Management and Archive

Department of Land Management and Archive (DOLMA) under the Ministry of Land Management, Cooperatives and Poverty Alleviation is the only Department of Government of Nepal, which undertakes Land Reform, Land Administration and Management functions through its nation wide distributed district land revenue offices. It is the regulator of Real Estate Businesses in Nepal. It has the objective to collect revenue from land taxes and fees and to develop robust and efficient land information system to automate land records and procedures. It has issued the directives on AML/CFT for Real Estate Businesses in FY 2021/22.

viii. Nepal Notary Public Council

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

ix. The Institute of Chartered Accountants of Nepal (ICAN)

The Institute of Chartered Accountants of Nepal (ICAN) was established under a special act, The Nepal Chartered Accountants Act, 1997. It is an autonomous body and is fully authorized by the Act to regulate accountancy profession in Nepal. It is the regulator of Auditors and Accountants. It has the objective to play the role of regulatory body in order to encourage the members to carry on accounting profession being within the limit of the code of conduct laid down so as to make accounting profession transparent. It has issued the directives on AML/CFT for Auditors and Accountants in FY 2020/21.

x. Office of the Company Registrar

The Office of the Company Registrar under the Ministry of Industry, Commerce & Supplies, Government of Nepal was established in 1993. It is the regulator of Company and Trust Service Providers. To get legal authority anyone must register the company in The Office of the Company Registrar of Nepal. It has issued the directives on AML/CFT for Company and Trust Service Providers in FY 2021/22.

xi. Nepal Bar Council

Nepal Bar Council is an independent legal institution established by the Nepal Bar Council Act, 1993. Nepal Bar Council is the regulator of the Law Practitioners. The main objectives of the

Council are to promote, protect and regulate the activities of the law practitioners in a more professional manner. It discharges its duties and responsibilities in accordance with this Act and the rules and regulations framed there under in areas of Internal Management, Financial Administration, Rules of Employees, code of Conduct for Lawyers, Curriculum for Examination and Conducting the Examinations for Law Practice etc.

2.4 Investigating Authorities/Law Enforcement Agencies (LEAs)

There are different investigating Authorities/LEAs actively investigating and prosecuting the money laundering and terrorist financing cases. National Strategy and Action Plan relating to ML/TF (2019-24) has also listed the Investigating Authorities in Annexure 3.

As of Annexure 3 of National Strategy and Action Plan relating to ML/TF (2019-24), Investigating Authorities are as below:

- i. Commission for the Investigation of the Abuse of Authority (CIAA)
- ii. Department of Money Laundering Investigation (DMLI)
- iii. Nepal Police
- iv. Department of Revenue Investigation (DRI)
- v. Department of Forests & Soil Conservation
- vi. Department of National Parks and Wildlife Conservation
- vii. Department of Foreign Employment
- viii. Narcotics Control Bureau
- ix. Inland Revenue Department (IRD)
- x. Department of Customs
- xi. Other Competent Authorities related to Investigation

i. Commission for the Investigation of the Abuse of Authority (CIAA)

CIAA is an apex constitutional body to curb corruption and its tentacles in the country. The constitution of Nepal has empowered CIAA to investigate and probe cases against the persons holding any public office and their associates who are indulged in the abuse of authority by way of corruption. CIAA is a distinctive anti-corruption agency which plays the role of an ombudsman, investigator and prosecutor as well. It aims to crack down the corruption issues at national level with system-based approach. It also focuses on detection and punishment of corrupt acts on the one hand and social, cultural and institutional reform on the other. While performing its duties and responsibilities, CIAA embraces Preventive, Promotional and Punitive (3Ps) measures to combat corruption. CIAA basically is a law enforcing agency, guided by the principle of rule of law, human rights, fairness and impartiality contributing impunity and promoting good governance are the sole priority areas of CIAA.

ii. Department of Money Laundering Investigation (DMLI)

DMLI was established on 15 July, 2011 as per the Section 11 of ALPA, 2008. DMLI is functional as a principal entity to conduct investigation on ML/TF/PF cases in Nepal. The first-class officer (Joint Secretary) of the Government of Nepal heads the department. The department functions as an investigatory and prosecutorial authority for ML/TF cases. It has all powers that an investigation authority exercises under existing laws of Nepal. ALPA 2008 has provided DMLI the power to search and seize, freeze assets and put restraints on the transaction of the asset subject to investigation.

iii. Nepal Police

Nepal Police is primarily responsible for maintaining law and order, prevention of crime and crime investigation within the jurisdiction determined by the Constitution of Nepal. Nepal Police has four departments viz. Administrative Department, Operations Department, Crime Investigation Department and Human Resource Management Department. Crime Investigation department is further divided into Special Bureau, Central Investigation Bureau, Narcotics Control Bureau and Nepal Police Canine Operation Division. Among various division/bureau of Nepal Police, Special Bureau investigates Terrorist Financing cases. The Central Investigation Bureau mainly investigates the cases of financial fraud which falls under the predicate offence under ALPA. It investigates complex and profound nature crimes, as well as public concern cases. Narcotics Control Bureau investigates the cases related to drugs and Cyber Bureau investigates cases related to cybercrimes.

iv. Department of Revenue Investigation (DRI)

DRI has jurisdiction for investigation, interrogation and prosecution on revenue leakage and abuse of foreign exchange according to the Revenue Leakage (Investigation and Control), Act 1995, Revenue Leakage (Investigation and Control) Regulation 2013, Foreign Exchange (Regulation) Act, 1962 and Foreign Exchange (Regulation) Rule 1963. Furthermore, according to the Revenue Leakage (Investigation and Control) Act, DRI has the authority to invite and mobilize any officials from any organizations/institutions as an expert and specialist as and when needed. DRI is given the responsibility of controlling and investigating of non-tax revenue leakages from FY 2008/2009, along with its initially assigned functions of controlling and investigating tax revenue leakages. The mandate given by the Government of Nepal to DRI includes controlling and investigation of revenue leakages, investigation and control of economic crimes and investigation given by the Government of Nepal and it's the mandate as per the provisions of FERA includes the control and investigation of foreign exchange abuses.

v. Department of Forests & Soil Conservation

It is the department under Ministry of Forests & Environment. It has three divisions Forest Management Division, Watershed & Landslide Division and Forest & Wildlife Division. It focuses on programs that provide support for the development of community forest, water & soil conservation. Its overall goal is sustainable management of Forest & Natural Resources.

vi. Department of National Parks and Wildlife Conservation

It is the department under Ministry of Forests & Environment. It focuses on programs that provide support for the development of local community while managing the conservation activity. Its overall goal is to conserve wildlife and outstanding landscapes of ecological importance for the well-being of the people.

The primary objective of the Department is to conserve the country's major representative ecosystems, unique natural and cultural heritage and give protection to the valuable and endangered wildlife species. It encourages scientific research for the conservation of genetic diversity. In achieving its objectives, the Department implements regular programs in and around the Protected Areas.

vii. Department of Foreign Employment

Foreign Employment Act ,2008 established Department of Foreign Employment (DoFE) on December 31, 2008 as a sole organization responsible for monitoring the foreign employment, under the Ministry of Labor, Employment & Social Security. The complexity and broad scope of work and supervision of foreign employment sector raised the need of dedicated department to make this sector more secure, managed and decent and to protect right of migrant workers.

viii. Narcotics Control Bureau

Narcotics Control Bureau (NCB) was established as Narcotics Drug Control Law Enforcement Unit (NDCLEU) on June 6, 1992 with a concept of integrated approach to combat drug problems in Nepal. It was later upgraded to Bureau on Nov 29, 2012. NCB is governed by the Narcotic Drug Control Act (NDC Act) 1976. It also acts as a nodal unit to liaise with Drug Offences Monitoring Desk of South Asian Association for Regional Cooperation and other International Drug Law Enforcement Agencies. It has nine satellite stations spread across the country mainly at major border check points, including one in the Tribhuvan International Airport, Kathmandu. It is under administrative control of Ministry of Home Affairs and it functions under operational command of Nepal Police.

ix. Inland Revenue Department (IRD)

The role of IRD is tax revenue mobilization through internal revenue sources. It is currently responsible for the enforcement of Tax Laws and administration of the following taxes: Income Tax, Value Added Tax, Excise Duty, Health Tax, Education Service Fee and duties like Entertainment fee (Film Development Fee). It carries out Tax Administration, Tax Policy, Tax Payer Services, Registration, Revenue Collection, Tax audit, Tax Enforcement and Investigation, Review & Appeal, Tax Refund, Advance Ruling, Tax Treaty and International Taxation, Excises and Liquor Administration and Monitoring of non-tax.

x. Department of Customs

The Department of Customs, one of the three departments of Ministry of Finance has 39 Customs Office, 133 Sub-Customs Office and 1 Post Clearance Audit Office for the trade facilitation. Customs also plays a crucial role in safeguarding domestic industry and ensuring social protection. Nepal is a fully integrated member of the global customs community, having joined the World Customs Organization in July 1986. The main objective of Department of Customs in Nepal is to make customs administration more transparent, well managed and accountable as well as to facilitate the international trade and make it secured.

2.5 Mutual Legal Assistance

The Mutual Legal Assistance Act, 2014 deals with the process and requirements of providing and obtaining legal assistance between Nepal and any other foreign country on certain legal matters. Section 5 of the MLA outlines the scope of legal assistance that the Government of Nepal can seek from any foreign country or the foreign country can seek such assistance from the Government of Nepal. MLA Act, 2014 and Mutual Legal Assistance Regulation, 2013 are the major legal basis to provide MLA in the widest possible range. The Act is comprehensive enough to provide MLA in relation to Money Laundering (ML), Terrorist Financing (TF), and Predicate Offence (PO) investigation, prosecution, and related judicial proceedings.

The Government of Nepal (GoN) has designated the Ministry of Law, Justice and Parliamentary Affairs (MOLJPA) as the Central Authority of MLA on March 3, 2013. It is the competent authority for executing MLA matters pursuant to section 6 of the MLA Act. Section 3 of the Act imposes bilateral treaty and reciprocity requirement for enforcement of judgment and providing of legal assistance.

2.6 Freezing, Seizing & Confiscation

A robust system of provisional measures and confiscation is an important part of an effective anti-money laundering and counter-terrorist financing regime. Confiscation prevents criminal property from being laundered or reinvested either to facilitate other forms of crime or to conceal illicit proceeds. FATF Recommendations 4 & 38 states about freezing & confiscation.

Department for Management of Proceeds of Crime and Department of Money Laundering Investigation are the agencies entitled for seizure and confiscations actions. MLA central authority is also involved for the coordination with other countries for seizure and confiscations actions with other countries. The confiscated Assets Management Department established under confiscation law is responsible for managing and disposing of property frozen, seized or confiscated in its entirety.

As per section 18 of ALPA, the investigation officer may freeze or seize the following property or instrumentality or property or instrumentality suspected of being related with such property or instrumentality of anyone in the course of investigation, regardless of persons whoever owns, possesses, entitles, or has any kind of interest in:

- (a) Laundered property,
- (b) Instrumentality used or intended to be used in the commission of the offence of money laundering,
- (c) Property related with the offence of terrorist financing,
- (d) Property used or intended to be used in the offence of terrorist financing, or property used or intended to be used or allocated for the use in terrorist act or by (for the use of) individual terrorist, terrorist group or terrorist organization,
- (e) Instrumentality used or intended to be used in the offence of terrorist financing,

The investigation officer shall freeze or seize the property of corresponding value of the person suspected of engaged in ML/TF if it is not possible to freeze or seize the property or instrumentality as stipulated above, due to the disposal, concealment, use or consumption of such proceeds or instrumentality or by any other reason that disables to freeze or seize.

Chapter 6B of ALPA, Special Provisions on Freezing of Property and Funds states other provisions for freezing of property & funds of terrorist, terrorist groups & terrorist organizations.

Department for Management of Proceeds of Crime (DMPC)

‘Department for Management of Proceeds of Crime’ is established under Section 13 of ‘The Proceeds and Instrumentalities of Offence (Freezing, Controlling and Confiscation) Act, 2013’ to manage and auction properties acquired from offences and instrumentalities related to offence. As per section 14, major functions of the department are to manage, or cause to be managed, properties or instrumentalities frozen or controlled in the course inquiry and investigation into offences; to make arrangement for keeping foreign currency, negotiable instruments and precious metals or objects controlled in the course of inquiry and investigation into offences, safely and in a planned way, in the Nepal Rastra Bank or any bank specified by the Department.

Other functions are to auction, or cause to be auctioned properties or instrumentalities controlled in the course of inquiry and investigation into offences and to receive properties or instrumentalities confiscated pursuant to orders or judgments of the court. Other roles are to manage properties and instrumentalities confiscated pursuant to orders or judgments of the court, to auction, or cause to be auctioned, properties or instrumentalities confiscated pursuant to orders or judgments of the court.

2.7 Extradition

Extradition is the formal process of one state surrendering an individual to another state for prosecution or punishment for crimes committed in the requesting country’s jurisdiction. It typically is enabled by a bilateral or multilateral treaty. Some states will extradite without a treaty, but those cases are rare. (<https://www.cfr.org/backgrounder/what-extradition>) As per Section 2 of Extradition

Act, 1988 of Nepal, “Extradition Treaty” means a treaty concluded between Government of Nepal and any foreign country relating to the extradition of accused or offender relating to any offence. The act states the provisions for foreign country making request for extradition or punishment, issuance of arrest warrant, inquiry & proceedings, extradition or punishment based on report submitted, multiple foreign country making request for extradition or punishment, restriction on extradition, special authority of government of Nepal, request to be made to foreign for extradition.

Ministry of Home Affairs is the central authority for managing extradition. The ministry has separate case management system in regards to extradition requests (request to Nepal and request by Nepal) and it has the system of prioritizing and managing cases on the basis of request and risks.

2.8 Prosecution/ Judicial

According to section 22 (1) of ALPA 2008, DMLI submits the dossier or evidence to the concerned public prosecutor for a decision on whether or not to file the case after concluding the investigation on AML/CFT cases. Further, section 22 (2) states that if there is a decision from the concerned public prosecutor to file a case, the department files a case before the court designated by the Government of Nepal by publishing a notice in the Nepal Gazette. The corruption related cases are investigated by CIAA itself where the case is prosecuted by Special Government Attorney and the case is filed in Special Court. The decision can be appealed in Supreme Court of Nepal. For the cases related to revenue leakages and tax evasion, the custom officer and tax officer have delegated authority to recover its penalty and retribution. The appeal can be made to Revenue Tribunal.

FINANCIAL INFORMATION UNIT

3.1 Introduction

Financial Information Unit (FIU) Nepal is a national agency responsible for receiving, processing, analyzing and disseminating financial information and intelligence on suspected money laundering and terrorist financing activities to the relevant law enforcement/investigative agencies and foreign FIUs. It was established on 21 April, 2008 under the section 9 of the Assets (Money) Laundering Prevention Act, 2008 within the Nepal Rastra Bank (the central bank) as an autonomous and independent unit. FIU-Nepal is functioning as an autonomous and operationally independent unit within the NRB structured as per the FIU bye-laws, 2020.

The main provisions of the bye-laws are:

- Autonomy and operational independence of the Unit
- Appointment of Unit Head by the Governor for minimum two years
- Placement and transfer of staffs in consultation with Unit head
- Training and capacity development of staffs
- Provision of Budget Center; Unit has the authority to spend budget for approved programs
- Provision of accountability; Head to the Governor and FIU staffs to the Head
- Provision of Confidentiality and Code of Conduct of staffs

FIU-Nepal is continuously endeavoring to achieve the organizational excellence. It has prepared many internal documents/policies to make organization culture rule based. FIU-Nepal has developed and implemented Job Description of its staffs. The essential job requirements, job duties and job responsibilities of each level of staffs are clearly specified based on the functions and duties of FIU-Nepal. It helps the unit to understand the expectation of the role, essential duties to be performed and required competencies credentials and experiences required to its staffs. It also served as an essential tool for managing staffs and supporting greater employee accountability.

In line with the FATF Recommendation and the provision FIU Bylaws, 2020, FIU-Nepal has issued Code of conduct for its staffs. The Code of Conducts help to protect information by having rules in place governing the security and confidentiality of information and by ensuring that staffs have the necessary security clearance levels and understanding of their responsibilities. The code of conduct has clearly set out the rules outlining the norms and the responsibilities that the staffs of FIU-Nepal to be followed.

Both the Job Description and Code of conduct have added value in maintaining confidentiality and security of information along with developing organizational culture in FIU-Nepal. Also, complying with the Rule 45 (2) of ALPR, 2010, each FIU staffs have signed and taken the oath in a format as prescribed in Schedule-16. The operational Manual of FIU has served as the guidelines to its staffs to perform their regular duties. It has explained the detail procedure from receiving and analysis to

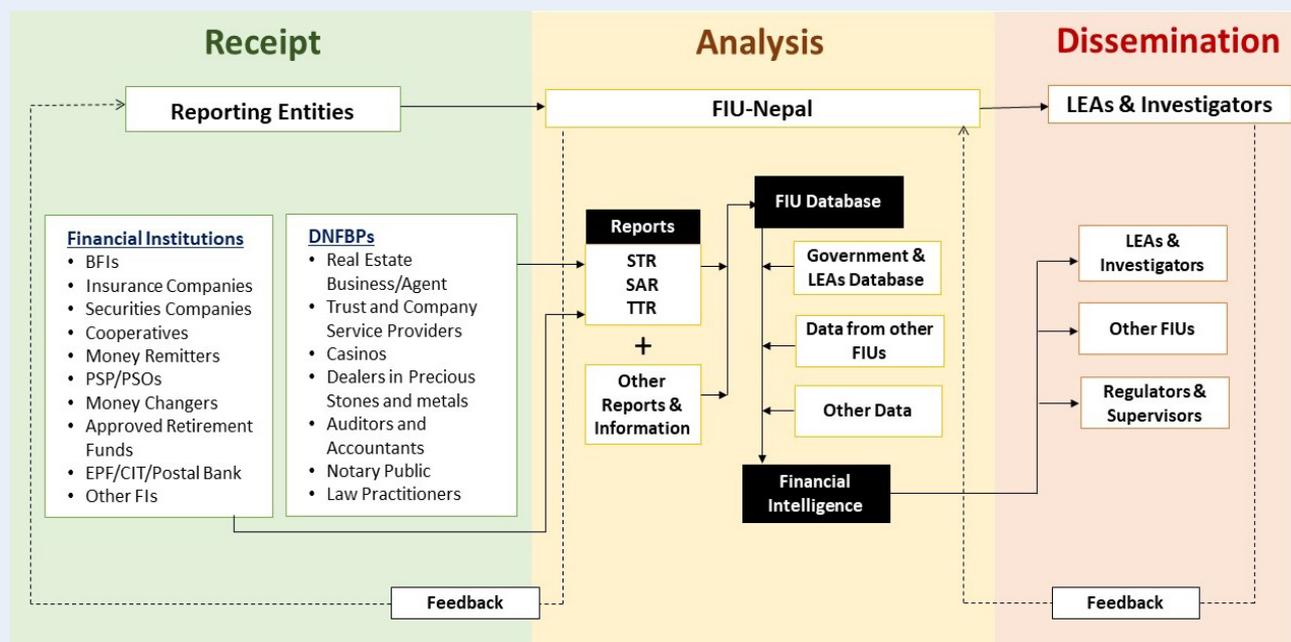
the dissemination of the analyzed report. It covers the confidential issues including procedure of handling, storage and record keeping of manual STR and their analysis process. The Security Manual of FIU-Nepal sets out the security measures to be followed in the course of its operations. It also addresses physical and personnel security of the FIU and its staff. It has the provision of FIU Security Officer who has responsibility for the development, implementation and maintenance of the FIU Security Policy and Procedures.

The FIU-Nepal is also assigned to function as the secretariat of the National Coordination Committee (NCC) constituted as a standing committee under the coordination of secretary of Office of Prime Minister and Council of Ministers, including secretaries of Ministry of Finance, Ministry of Law, Justice and Parliamentary Affairs, Ministry of Home Affairs, Ministry of Foreign Affairs, Commission for the Investigation of Abuse of Authority (CIAA), Deputy Attorney General of Office of Attorney General, Deputy Governor of Nepal Rastra Bank and Inspector General of Police (IGP) of Nepal Police as members. The Head of FIU is the Secretary of the committee. Similarly, FIU-Nepal head is member of all other statutory and other committees/mechanisms.

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

The core functions of FIU Nepal are best presented in the following Flow Chart.

Figure 3.1: FIU Information and Functional Flow



FIUs are globally conceived to perform the following three basic functions: -

- To act as a centralized repository of reports of suspicious transactions and other disclosures. The premise is that centralized information ensures greater efficiency in the gathering, processing and analysis of information.
- To analyze the reports received in order to determine which constitute evidence of potential criminal activity. In addition to these reports, FIUs also rely on information contained in their

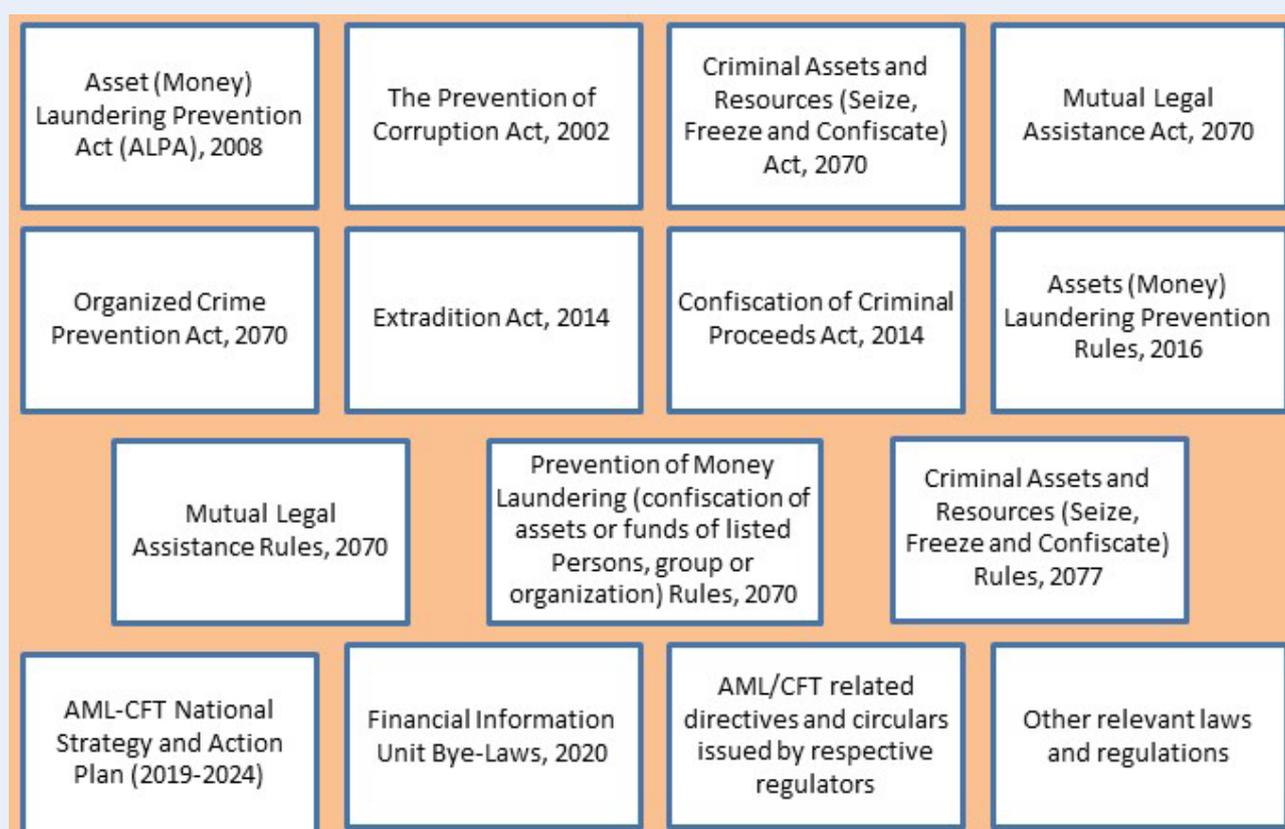
own databases, information from government databases and other public sources, additional information from reporting entities and information that is held by other FIUs; and

- To disseminate the resulting intelligence as part of a country’s efforts at anti-money laundering and combating the financing of terrorism. In order to be effective, this information sharing function of a FIU requires that it should be mandated to share information with domestic regulatory and judicial authorities as well as with international authorities involved in the detection, prevention and prosecution of money laundering and terrorist financing.

3.2 Legal and Regulatory Framework

FIU-Nepal was established under the section 9 of the Assets (Money) Laundering Prevention Act, 2008. The national AML/CFT legal framework comprises following acts and rules. These suites of laws provide for legal and institutional framework to combat ML and associated predicate offences.

Figure 3.2: Supporting Legal Framework



3.3 Core Functions of FIU- Nepal

Section 10 of Assets (Money) Laundering Prevention Act, 2008 has given following power, function and duties to FIU Nepal. FIU Nepal in addition to other functions, responsibilities and powers mentioned anywhere in the Act, shall have following functions, responsibilities and powers: -

- To receive TTRs
- To receive and analyze STR/SARs
- To receive the report of currency and Foreign Bill of Exchange.
- To disseminate, spontaneously and upon request, analysis and related information to the

Department or other investigation agency, if it suspects money laundering, terrorist financing, or other offence in its analysis.

- To provide training on Money Laundering and Terrorist Financing (ML/TF) to its own staffs, regulator, reporting entity and relevant government agencies having liability to perform under this Act.
- To provide feedback and guidance in relation to, including, the detection of suspicious activity, suspicious transaction report or information to the reporting entity or concerned agency.
- To prepare and submit an annual report, on its activities including the money laundering and terrorist financing typologies, techniques, methods and trends of offences, to the Government of Nepal through Rastra Bank.
- To assist in supervision of REs in coordination with regulator as per necessity so as to know whether REs have developed mechanism to identify suspicious activity and reported or provide feedbacks on supervision report.
- To conclude understanding with foreign counterparts in order to exchange information upon reciprocity.

In addition to the functions, duties and powers mentioned in the Act, Rule 17 of Assets (Money) Laundering Prevention Rule, 2073 has provided with the following functions, duties and powers of the Financial Information Unit: -

- To disseminate information or analysis to the competent agency or authority that exercises the power to initiate action against any act or offence.
- To install and operate necessary electronic information network for receipt and analysis of information as well as the work performance of the Financial Information Unit.
- To act as a focal point for the prevention of money laundering and financing of terrorism.
- To provide the information as equal to the request of the counterpart if any foreign body requests for any information directly or through its counterpart.
- To act by adopting the principles formulated by Egmont Group as general principles while sharing information with Financial Information Unit of foreign country.
- To sign Memorandum of Understanding with the Financial Information Unit of other country as necessary in relation to information sharing.
- To seek and give feedback from and to the Financial Information Unit of foreign country regarding the use and achievement of the information received or disseminated.

3.4 Key Performance Indicators

There are various indicators which measures the performance of FIU. These indicators and obtained data need to be appropriately correlated. For example, merely a large number of STRs/SARs received should not be taken as an indication of FIU “success” without observing whether the reports come from a wide variety of sectors or only one (i.e., banking) and whether the reports contain useful information. Similarly, a low number of cases forwarded by the FIU for further investigation or prosecution does not necessarily indicate that the FIU is ineffective if each case already encompasses the analysis of many STR/SARs or if the value added by the FIU often leads to successful prosecutions.

Performance of FIU-Nepal is measured on following Key Performance Indicator (KPIs):

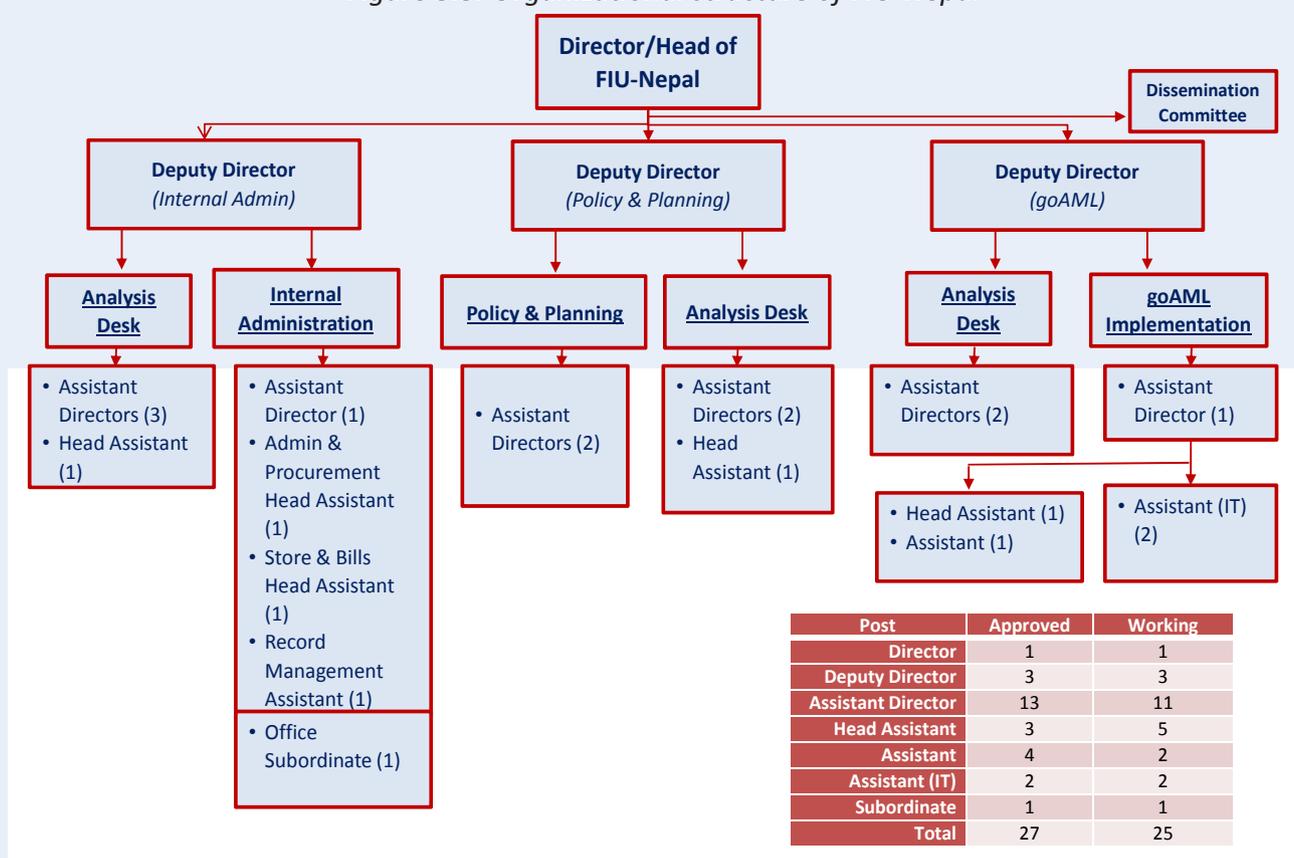
- STR/SARs received in total and breakdown by;
 - Type of entity (financial institution, designated nonfinancial businesses and professions);
 - STR/SARs analyzed, disseminated, and sent for investigation or prosecution;
 - Content, region of origin, amount of currency, possible crimes involved, complexity, etc.;
 - STR/SARs actually analyzed, used, disseminated, stored, or discarded;
 - STR/SARs resulting in prosecution or convictions for money laundering, financing terrorism, or an underlying predicate offense.
- Assessments of the quality of STR/SARs.
- Types and frequency of additional information requested with LEAs and with foreign FIUs
- Amount of information available for competent authorities in each FIU
- Disclosure in terms of the number of
 - STR/SARs and TTRs used and linked to the information reported;
 - REs involved;
 - Persons or possible suspects identified; and
 - Types of databases queried.
- Time taken to disclose relevant information to competent authorities after it is received from REs.
- Requests for assistance made or received by the FIU-Nepal from foreign FIUs, including whether the request was granted or refused.
- Time taken to respond to each request for assistance made to the foreign FIUs.
- Frequency and scope of guidance issued to REs (general and individual guidance) (if applicable).
- Response times of REs to requests for additional information.
- Frequency and scope of strategic analysis and its relevancy to other competent authorities and policymakers.
- Feedback received from law-enforcement agencies, regulator, judiciary, or other authorities and other AML/CFT Stakeholders.

3.5 Organizational Structure

FIU-Nepal commenced its functions with few officials in 2008. Currently, FIU-Nepal is functioning with 25 staff members, including the Director (Chief). Seven of the staffs are fulltime information analysts and other are involved as analyst as well as administration officers, goAML support team and policy experts.

The organizational structure is presented in Chart 3.1.

Figure 3.3: Organizational structure of FIU-Nepal



As an independent unit of NRB, FIU-Nepal has been performing its functions as required by the law. The head of the FIU is appointed by the Governor and is responsible to carry out functions defined by the ALPA 2008 and Rule 2073. The senior deputy director works as the coordinator for the Dissemination committee. The committee comprised by all the deputy directors determines whether the analyzed STR/SAR report to be disseminated or postponed. The analysis desk carries out STR/SAR analysis.

3.6 Threshold Transaction Reports (TTRs)

TTR is a report that financial institutions and Designated Non-Financial Business and Professions (DNFBPs) are required to file to FIU-Nepal for deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to the financial institution exceeding the defined threshold. TTRs are crucial to develop the data bank of customer/clients' profile for future use in case such transactions happen to be connected with money laundering and terrorist financing offences. TTRs also help to form a link chart during the analysis of a STR/SAR and help analyst to find the criminal elements involved in the transactions and convert the financial information into financial intelligence by adding value in it. TTR is very important for both the operational and strategic analysis. TTR's specific criteria are:

- Reporting entities are required to file TTRs to FIU-Nepal within fifteen days from the date of transaction.
- The threshold amount may be reached by a single transaction or by a series of transactions in cash into a single account or by a single customer over a period of one working day. It may be considered to be an aggregate transaction in cash exceeding the prescribed threshold within a single day.
- Cash does not include negotiable instrument, nor does it include a transfer of funds by means of bank cheque, bank draft, electronic funds transfer, wire transfer or other written order that

does not involve the physical transfer of cash. These methods of transferring funds do not fall within threshold reporting obligation.

- Reporting entities should make its customer declare the source of funds in case the transaction exceeds the prescribed threshold.

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

Table 3.1: Designated Threshold across Industries/Agencies

S.N.	Sector	Threshold
1.	Bank and Financial Institutions	<ul style="list-style-type: none"> • Deposit or withdrawal of more than Rs. 1 million in one transaction or in a series of transactions in one day in single account. • Cross Border Electronic or other transfer of more than Rs. 1 million by a customer in single or in a series of transactions in one day. • Exchange of foreign currency equivalent to Rs 5,00,000/- or more by a customer in one transaction or in a series of transactions in one day.
2.	Cooperatives	<ul style="list-style-type: none"> • Cash deposit or withdrawal of more than Rs. 1 million in one transaction or in a series of transactions by a member in one day • Electronic or other transfer or payment of more than Rs. 1 million to the member or other person in single or in a series of transactions in one day (Cross-Border Transactions).
3.	Insurance Company	<ul style="list-style-type: none"> • Purchase of life insurance policy with an annual premium of Rs 1,00,000/- or more, irrespective of whether paid once or multiple times in a year. • Purchase of non-life insurance policy with an annual premium of Rs 3,00,000/- or more, irrespective of whether paid once or multiple times in a year.
4	PSP/PSO	<ul style="list-style-type: none"> • Cash deposit and withdrawal of Rs 1 million and above in one transaction or in a series of transactions by a member in one month.
5.	Money Remitters	<ul style="list-style-type: none"> • Inward remittance of Rs 1 million or more in the name of a customer in one transaction or in a series of transactions in one day.
6.	Real Estate Business	<ul style="list-style-type: none"> • Purchase or sale of real-estate property of Rs 10 million or more by a customer in one transaction or in a series of transactions in one day.
7.	Securities Business	<ul style="list-style-type: none"> • Purchase or sale of securities of Rs 1 million or more by a customer in one transaction or in a series of transactions in one day.
8.	Money Changers	<ul style="list-style-type: none"> • Exchange of foreign currency equivalent to Rs 5,00,000/- or more by a customer in one transaction or in a series of transactions in one day.
9.	Casinos	<ul style="list-style-type: none"> • Win or lose of more than Rs. 1 million by an individual in one transaction or in a series of transactions in one day.
10.	Accountants, Auditors and Notary Public	<ul style="list-style-type: none"> • Purchase or sale of property or management of fund equivalent to Rs 1 million or more on behalf of a client in one transaction or in a series of transactions in one day.
11.	Dealers in precious gems, stones and metal (gold, silvers, platinum, etc.).	<ul style="list-style-type: none"> • Purchase or sale of precious gems, stones and metal (gold, silvers, platinum, etc.) of Rs 1 million or more by a customer in one transaction or in a series of transactions in one day.

Sources: Directives issued by concerned regulators

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

through goAML software, the problem of double/multiple counting of TTRs has been minimized that results the low number of TTRs in 2019/20 and 2020/21. But entity wise reporting of TTR is skewed in nature. Majority of TTRs are received from the BFIs. It indicates the need to increase the coverage of REs as well as awareness regarding their reporting obligations. Following Table gives the numbers of TTRs and their trends for last six years.

Table 3.2: Numbers of TTRs Received from Reporting Entities

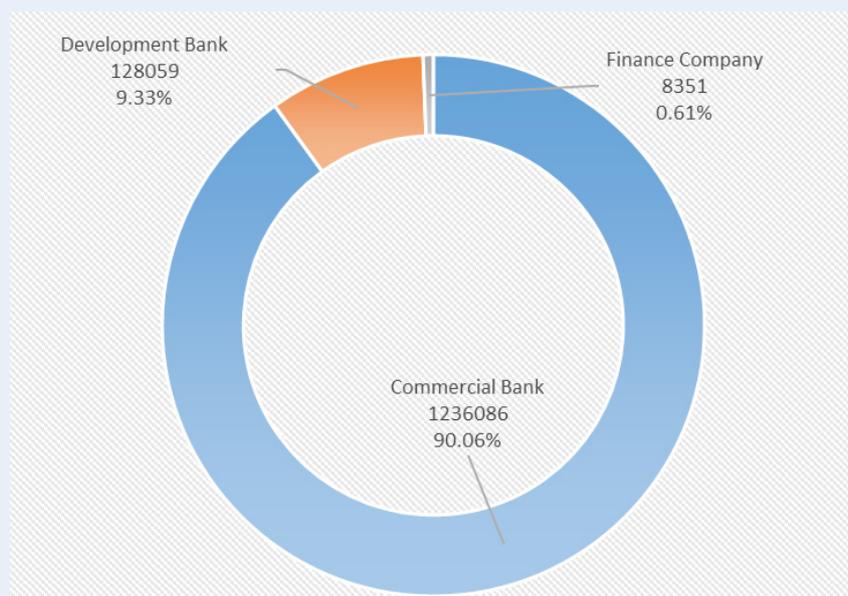
S.N.	Reporting Institutions	2073/74 (2016/17)	2074/75 (2017/18)	2075/76 (2018/19)	2076/77 (2019/20)	2077/78 (2020/21)	2078/79 (2021/22)
1	BFIs [@]	4,564,413	4,452,585	5,181,200	2,256,163	1,292,625	3,84,728
2	Cooperatives	23,633	8,885	11,447	44,360	234,517	2,74,113
3	Insurance companies	58,508	89,966	124,789	139,015	155,344	195,305
4	Securities companies	60,961	34,783	33,912	32,846	306,643	532,343
5	Money Changer	-	-	-	-	-	3939
6	CIT	-	-	-	-	-	9818
7	Others	6,055	7,598	13,601	12,977	9,917	1468
	Total	4,713,570	4,593,817	5,364,949	2,485,361	1,999,046	2,401,714

*Since the BFIs have started to report through goAML software, the problem of multiple counting of TTRs has decreased that results lower number of TTRs in 2019/2020 and 2020/21.

[@]Includes A, B, C & D class BFIS.

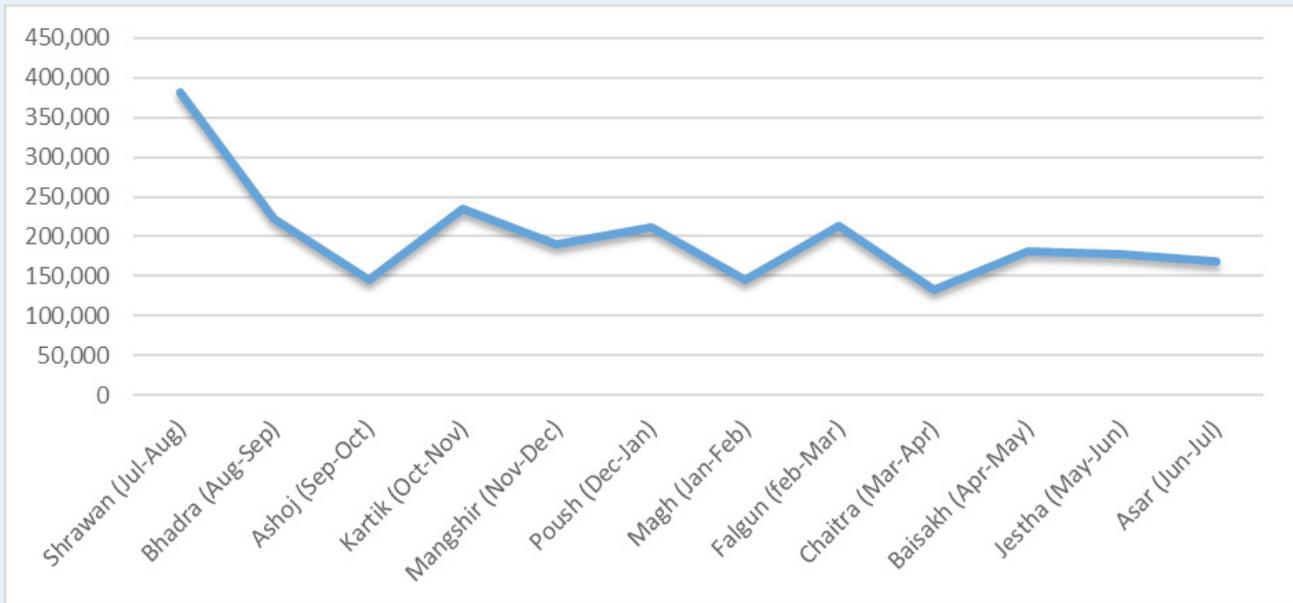
Commercial banks alone comprise almost 90% of TTRs of BFIs and more than 50% of total TTRs received in the year. Accordingly, Development Banks and Finance companies also have considerable portion in TTR numbers but the Microfinance companies are still way behind within this industry. (Link of TTR Guidelines: <https://www.nrb.org.np/fiu/threshold-transactions-reporting-guidelines/>)

Figure 3.4: Numbers of TTRs Received from A, B & C class BFIs in FY 2021/22



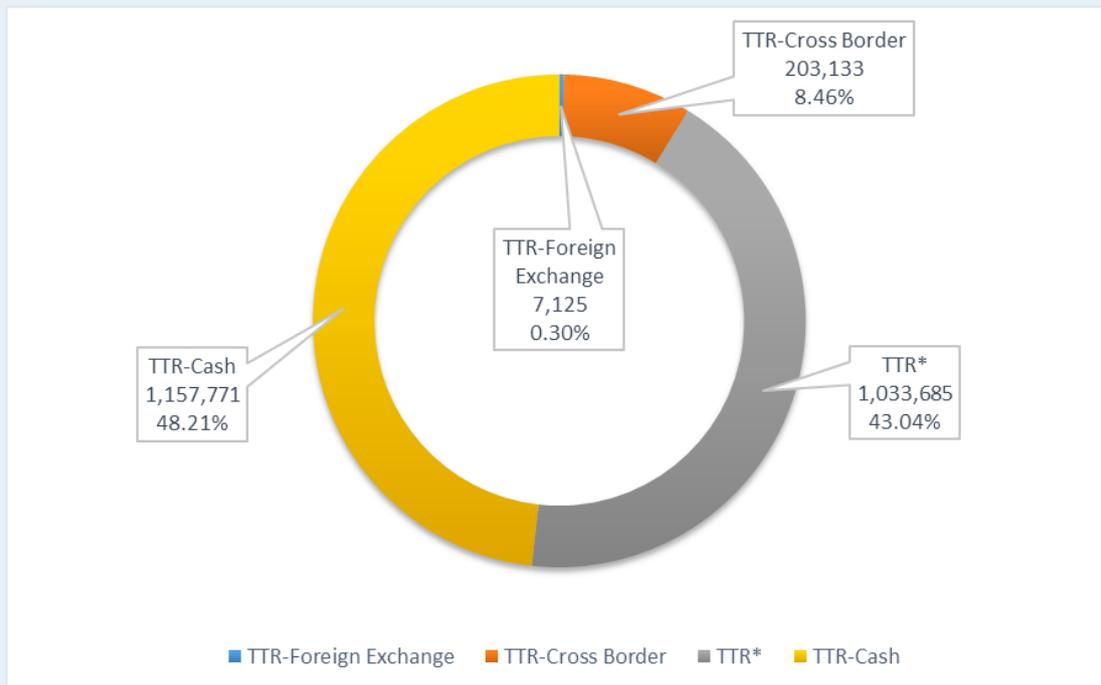
Monthly TTR received in FY 2021/22 is shown in figure below.

Figure 3.5: Monthly receipt of TTR in FY 2078/79 (2021/22)



Unified Directive, 2020 issued by Nepal Rastra Bank for A, B & C class BFIs has categorized TTR into TTR-cash, TTR-cross border, TTR-foreign exchange. As BFIs are reporting via goAML System, one of these categories must be selected while reporting. For other REs, category is not defined as cross-border transactions and foreign currency exchange related transactions are only done by commercial banks. So, TTR reports of FY 2021/22 can be further classified as below:

Figure 3.6: Categorical TTR in FY 2078/79 (2021/22)



*REs other than BFIs are not required to classify TTR, only submits 'TTR' category.

3.7 Suspicious Transaction Reports (STRs) and Suspicious Activity Reports (SARs)

STRs include detailed information about activities/transactions that are or appear to be suspicious. The purpose of STRs/SARs is to report known or suspected violations of law or suspicious activity observed by REs subject to the provision related to ALPA, 2008. It helps FIU-Nepal to identify individuals, groups and organizations involved in fraud, terrorist financing, money laundering, and other crimes. In many instances, STR/SARs have been instrumental in enabling law enforcement to initiate or supplement major money laundering or terrorist financing investigations and other criminal cases. Information provided in STR/SAR helps identifying emerging trends and patterns associated with financial crimes. The information about those trends and patterns is vital to law enforcement agencies and provides valuable feedback to financial institutions. Each STR/SAR must be filed within three days of the initial determination for the necessity of filing the report as per ALPA, 2008. FIU-Nepal has updated STR/SAR Guidelines on July, 2021 clarifying the obligation to report suspicious transactions under the ALPA, 2008 and ALPR, 2016 and providing knowledge on indicators of suspicious activities.

Suspicious Transaction Reports (STRs)

As per Section 7(S)(1) of ALPA 2008, Reporting Entity shall make a suspicious transaction report to the FIU within three days as far as possible if they find following circumstances in relation to any customer, transaction or property.

- a) If it suspects or has **reasonable grounds** to suspect that if the property is related to ML/TF or other offence, or
- b) If it suspects or has **reasonable grounds** to suspect that the property is related or linked to, or is to be used for, terrorism, terrorist, terrorist acts or by terrorist organization or those who finance terrorism.

Suspicious Activity Reports (SARs)

As per Section 7(S)(2) of ALPA 2008, Reporting entity shall also submit the report of **attempted transactions** or activity to FIU as mentioned under sub-section (1).

Suspicious Activity (SA) arises from suspicion relating to general behavior of the person in question which creates the knowledge or belief that he or she may be involved in illegal activities out of which proceeds might be generated. Any suspicious attempted transaction also falls in this category.

STR include detailed information about transactions that are suspected violations of law or appear to be suspicious/ doubtful or arouse suspicion. The goal of STR filing is to help FIU-Nepal to identify individuals, groups and organizations involved in predicate offences declared in ALPA, 2008. In many instances, STRs have been instrumental in enabling law enforcement to initiate or supplement major money laundering or terrorist financing investigations and other criminal cases.

Reporting entity has to appoint a managerial level staff as a compliance officer to deal with FIU on matters relating to STRs/SARs as per ALPA, 2008. They are generally trained to be alert for suspicious transaction/activity and report it to FIU-Nepal. REs especially BFIs are using various software which facilitates suspicious transaction/activity identification.

There are several red flags to detect suspicious transactions. In order to detect file, the STRs/SARs, guidelines have been prepared and issued by FIU-Nepal exercising the power conferred by Section 10 (1) (h) of Assets (Money) Laundering Prevention Act, 2008. The General Characteristics of Suspicious Financial Transactions/Activities are:

- Transactions having unclear economical and business target.
- Transactions conducted in relatively large amount cash and/or conducted repeatedly and unnaturally.
- Transactions conducted differently from that of usually and normally conducted by the relevant customer.
- Huge, complex and unusual transaction.
- Client refuses to provide identification as requested.
- Activities related to Identity Theft.

(Link of STR/SAR Guidelines: <https://www.nrb.org.np/fiu/suspicious-transaction-reporting-suspicious-activity-reporting-str-sar-guidelines/>)

Figure 3.7: Yearly Receipt of STRs/SARs



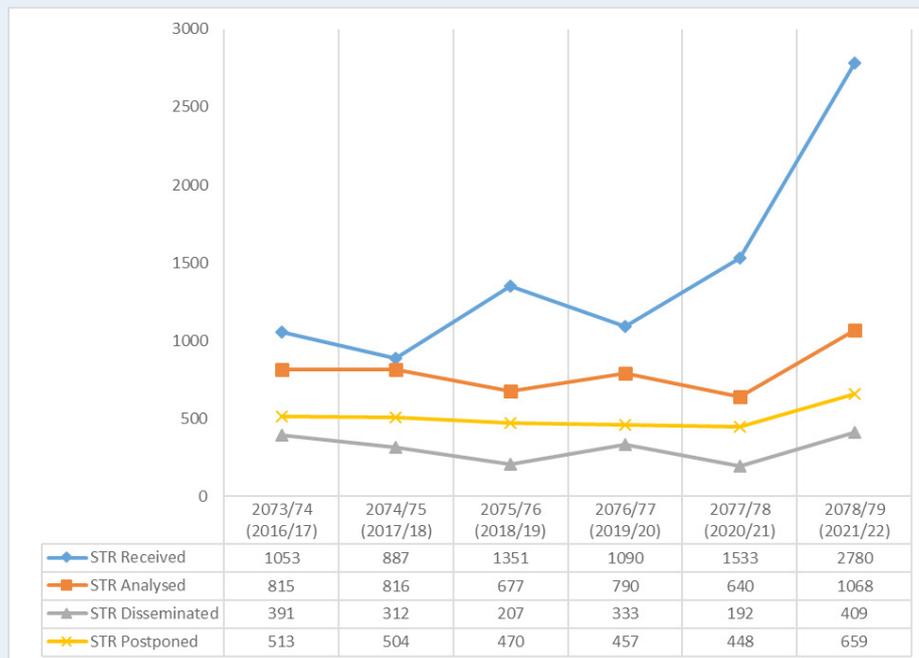
The number of STRs/SARs received increased sharply in 2015/16 resulted by the increased cross border IC withdrawals through ATM in India. However, the number falls significantly in 2017/18 as FIU-Nepal advised REs through different programs to conduct preliminary analysis before submitting STRs/SARs. In 2021/22, the number of STRs/SARs received significantly increased to 2780.

Table 3.3: Numbers of STRs/SARs Received from Reporting Entities

S.N.	Reporting Institutions (REs)	2073/74 (2016/17)	2074/75 (2017/18)	2075/76 (2018/19)	2076/77 (2019/20)	2077/78 (2020/21)	2078/79 (2021/22)
1	Commercial Banks	949	660	910	924	1403	2380
2	Development Banks	31	23	135	93	64	119
3	Finance Companies	0	3	8	1	12	19
4	Insurance Companies	4	2	31	4	3	9
5	Micro Finance	0	0	0	0	3	44
6	Remittance Companies	69	194	263	52	29	187
	Securities Companies	0	2	3	14	18	8
8	Cooperative	0	2	1	2	0	3
	Government agencies	0	1	0	0	1	11
	Total	1053	887	1351	1090	1533	2780

The share of STRs/SARs reported by commercial banks ranges over two third to the 85% percent in last six years. However, the number of reporting from other entities is rather fluctuating. Some institutions such as Cooperatives, Insurance companies etc. have quite low reporting in comparison to their size in overall financial system.

Figure 3.8: Status of STRs/SARs



The above graph depicts that the numbers of STRs/SARs received, analyzed, disseminated and postponed in last six years. In 2021/22, the total number of STRs/SARs received and analyzed were 2780 and 1068 respectively. Out of total analyzed STRs, 409 have been disseminated to different LEAs whereas 659 have been postponed for the time being due to lack of strong grounds and possibility of use in future.

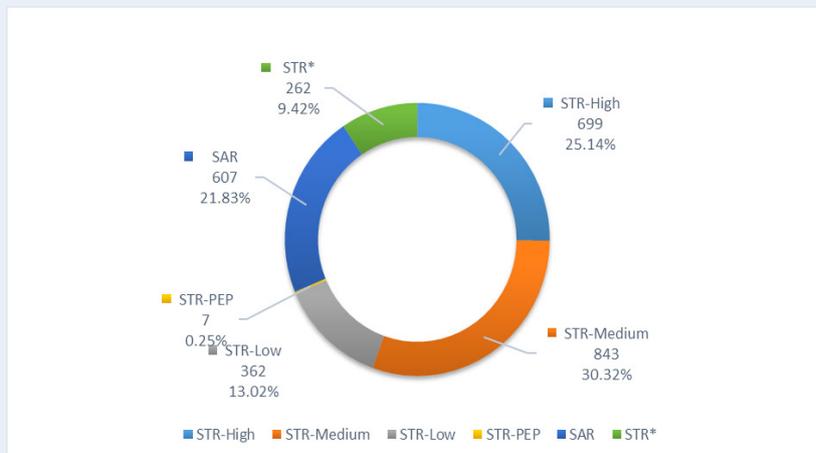
Monthly STRs/SARs received in FY 2021/22, shows the upward trend.

Figure 3.9: Monthly receipt of STR and SAR in FY 2078/79 (2021/22)



Unified Directive, 2020 of Nepal Rastra Bank for A, B & C class BFIs, STR was further categorized into STR-PEP, STR-High, STR-Medium and STR-Low. As these BFIs are reporting via goAML System, they need to self-rate STR accordingly and file report. For other REs, category is not defined yet. SAR is filed when there is attempted transaction or any suspicious activity. Total portion of SAR was 21% of total STRs/SARs. So, STRs/SARs reports of FY 2021/22 can be further classified as below:

Figure 3.10: Categorical STR in FY 2078/79 (2021/22)



* STR of other REs Except BFIs (Other REs submit STR and SAR categories only)

3.8 Analysis

Receiving, analyzing and disseminating the STRs/SARs core functions of FIU-Nepal. It analyzes STRs/SARs and can ask for additional information to explore whether the activity/conduct extends to other institutions and/or involves other parties domestically or abroad, and to reach a conclusion as to whether the case meets the FIUs threshold/standard for dissemination to LEAs. When the analysis of STRs/SARs results a reasonable suspicion that, money laundering, terrorist financing or predicate offence/offences has taken, or is taking place, the information must be disseminated to the appropriate law enforcement agencies.

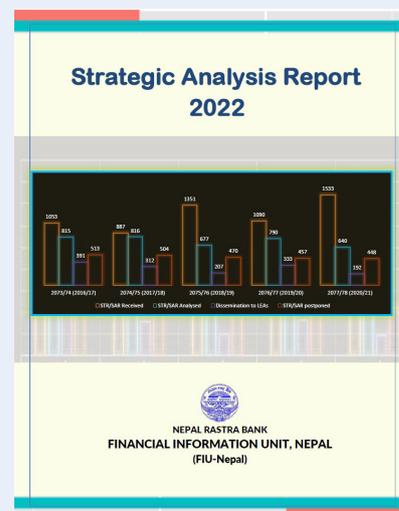
The reasonable suspicion may result from the following circumstances:

- When the subject is unable to show the legitimate source of the fund involved.
- When analysis reveals reasonable ground to believe the subject has meaningful relation with criminals or designated terrorist individuals or organizations.
- When analysis reveals globally identified typology in AML/CFT.
- When abnormally unusual and complicated transaction is revealed through analysis.

As a core function, FIU-Nepal regularly conducts operational analysis. Moreover, FIU-Nepal has initiated the practice of strategic analysis from last fiscal year.

- Operational analysis** is related with analysis of STRs/SARs/TTRs received at FIU-Nepal. It is concentrated on identifying specific targets (e.g. person, assets, criminal networks and associations) and to follow the trail of particular financial activities or transactions so as to determine the links between the targets and possible proceeds of crime (ML/TF or predicate offences). For operational analysis, FIU-Nepal has implemented goAML software in "A", "B", "C" class BFI, some Remittance and some Insurance Companies. It is also in implementation phase to other reporting entities.

b) **Strategic analysis** is conducted to enable FIU-Nepal and its stakeholder to understand the patterns and 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 helps to determine money laundering and terrorist financing related threats and vulnerabilities. Furthermore, it helps to make policies and goals for FIU, or more broadly for other entities within the AML/CFT regime. FIU-Nepal has published its first strategic analysis report 2021 in its website.



3.9 Dissemination

As specified in the ALPA 2008, FIU-Nepal disseminates information on suspected money laundering or terrorism financing to LEAs as per their scope and jurisdiction. Dissemination involves the disclosure of sensitive personal, financial and law enforcement information, and measures need to be applied to ensure that the information is properly protected, that disclosures are documented, and that dissemination is made to the appropriate authorized recipient.

In order to minimize the risk of disclosure to unauthorized recipients, the FIU-Nepal has adopted 'No Informal Disseminations and No Oral Disseminations' policy. All disseminations are in written form, and approved by the Head of FIU-Nepal. To maintain secrecy following measures are taken:

- Most of the dissemination are made through goAML Software via in-built email system i.e. Message Board. goAML integration is ongoing at a rapid pace. Very few number of dissemination is done through paper based manual system.
- Record is kept of the date and time of dissemination, the person and entity to which it was made, and the means of delivery.
- In case of manual delivery, disseminations are made through secure packaging and through secure delivery mechanisms. For courier delivery or pickup dissemination, confirmation of identity of authorized recipient (and any courier) is necessary.
- When the FIU receives additional material information in regard to an already disclosed case, a case update are prepared, and a follow-on dissemination may be made to the recipient of the earlier dissemination.

Dissemination through goAML Software

FIU- Nepal has started disseminations to LEA through goAML Software by using its in-built email system called 'Message Board' from FY 2021/22. Total 157 reports were disseminated to LEAs through goAML system. Prior to this FY, only manual disseminations were made. FIU-Nepal is integrating LEAs, Regulators & Supervisors in goAML system in a rapid pace and plans to disseminate to these authorities only via goAML system in near future.

STRs/SARS converted into intelligence by adding value, are disseminated to one or more LEAs like, DMLI, Nepal Police, DRI, IRD, CIAA and other competent authorities. Dissemination is often spontaneous and FIU can respond upon request of such agencies as well. Domestic disseminations in this regard are as follows.

Table 3.4: Dissemination Status of SARs/STRs

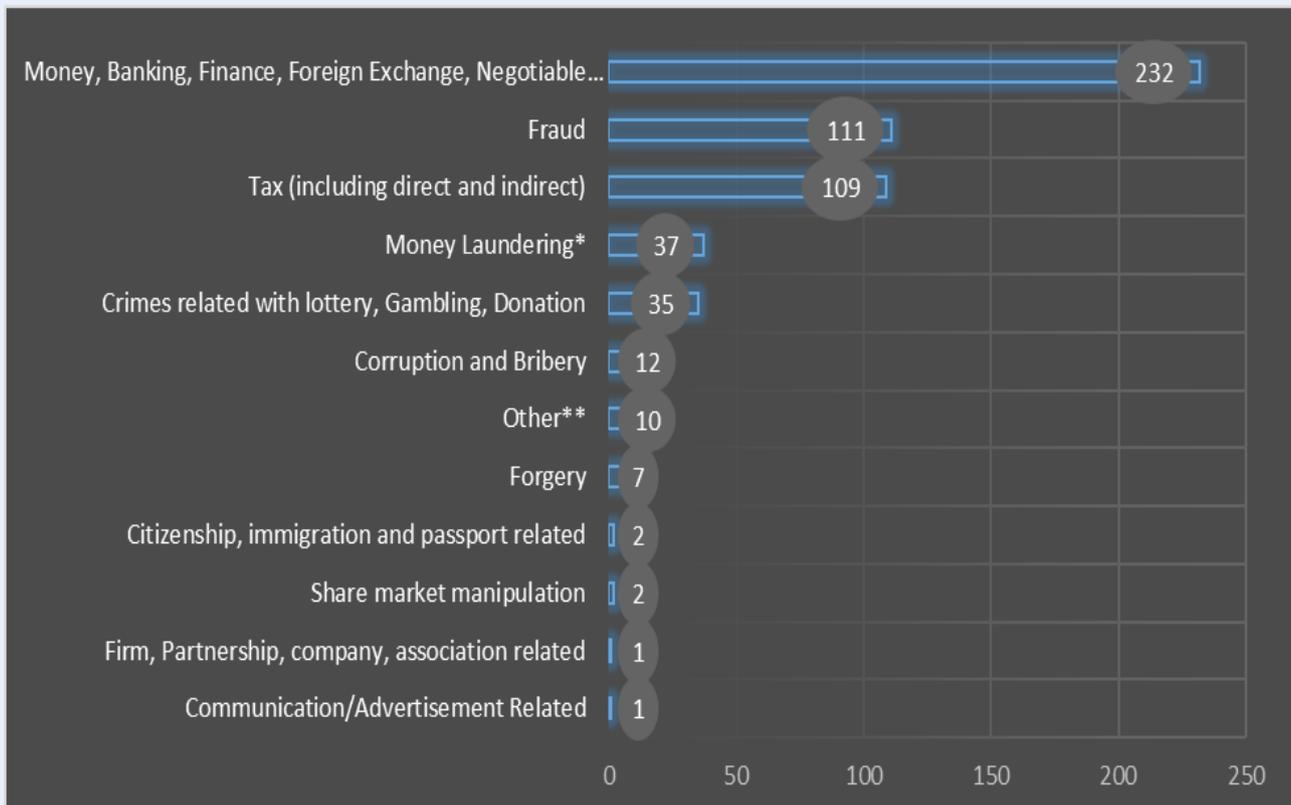
S.N.	Agencies	2074/75 (2017/18)	2075/76 (2018/19)	2076/77 (2019/20)	2077/78 (2020/21)	2078/79 (2021/22)
1.	DMLI	44	27	39	26	61
2.	Nepal Police	78	36	119	98	210
3.	DRI	144	107	200	75	162
4.	IRD	51	42	26	3	16
5.	CIAA	8	2	15	2	13
6.	Dept. of Co-operatives	-	-	18	1	2
7	Nepal Insurance Authority (NIA)	-	-	-	-	2
8	SEBON	-	-	-	-	5
9	Social Welfare Council	-	-	-	-	3
10	NRB, BFIRD	-	-	-	-	11
11	NRB, BSD	-	-	-	-	29
12	NRB, FIRD	-	-	-	-	9
13	NRB Forex Dept (FEMD)	-	-	-	-	2
14	NRB, PSD	-	-	-	-	30
15	NRB, NBFIRD	-	-	-	-	4
16.	Others	19	2	2	7	-
	Total Dissemination	344	216	419	212	559
	Actual Dissemination* (Without counting multiple dissemination)	312	207	333	192	409

*One STR/SAR can be disseminated to more than one agency and single STR/SAR disseminated to multiple LEAs' have been included in concerned LEAs for the counting purpose. Total number of STR disseminated to LEAs is shown in last row of above table by eliminating such multiple counting.

During the FY 2021/22, the number of STRs disseminated to Nepal Police is 210 followed by 162 to DRI, 61 to DMLI, 13 to CIAA, 2 to Department of Co-operatives, 2 to Nepal Insurance Authority (NIA), 29 to Nepal Rastra Bank Bank Supervision Department, 2 to Nepal Rastra Bank Foreign Exchange Management Department, 4 to Non-Bank Financial Institution Supervision Department, 30 to Nepal Rastra Bank Payment System Department and 3 to Social Welfare Council.

Based on the predicate offence, the largest number of STR dissemination falls under the category of Money, Banking, Finance, Foreign Exchange, Negotiable instrument (41%), Fraud (19%), Tax(including direct and indirect) (19%) etc. as shown in figure 3.11 .

Figure 3.11: Predicate-offence wise STR/SAR Dissemination



3.10 The goAML Software System

FIU-Nepal has installed goAML software developed by United Nations Office on Drugs and Crime (UNODC). The goAML application is the UNODC Software Products for Member States' response to money laundering and terrorist financing, and is available to Financial Intelligence Units of Member States to support their work. As of April-2022, 60 countries have already deployed goAML. In the first phase of in Nepal, it's fully functional product version is being implemented in A, B & C class Banks and Financial Institutions. Other REs such as some insurance companies, remittance companies etc. are also integrated in goAML production environment. Remaining other REs are using goAML test environment. After the quality of reports and accuracy of data are satisfactorily improved, they will be gradually shifted into goAML production environment and can digitally submit their regulatory reports. Thereafter no hard copies of reports are required to be submitted. Other Financial institutions and DNFBPs will also be incorporated to use goAML in the near future.



Figure 3.12: goAML implementing countries

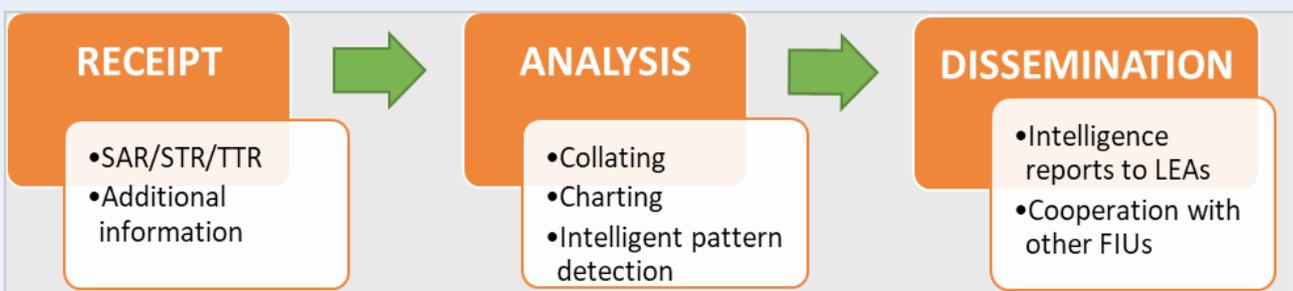


Source: UNODC

goAML helps online receipt of SARs, STRs and TTRs from the REs and analyze such reports in an automated form. As per the experiences of other counterparts, goAML not only gears up the capacity of FIU, particularly in its core function like receiving and analyzing information, but also assists for qualitative analysis. However, it is the foremost need of FIU-Nepal to make development of technical and analytical skills of FIU staffs to carry out analysis through goAML.

The goAML solution is executed in three steps: **Receipt**, **Analysis** (rule-based analysis, risk-score and profiling) and **Dissemination** (escalate to law enforcement and seek feedback). It provides a facility for the rapid exchange of information between the FIU-Nepal, financial institutions law enforcement and judicial authorities, while ensuring confidentiality of the data collected.

Figure 3.13: Steps in goAML Software System



Source: UNODC

3.10.1 Inherent Risk and shortcomings in paper based/manual reporting procedure

- Risk of leaking, manipulating or tipping off information while exchanging hard copy document in various levels and by various personnel involved in the communication channel – sender, dispatch personnel, carrier, primary receiver etc.

- Risk of loss, damage or theft while handling the documents in physical form.
- Procedure and channel for communicating AML/CFT information should be secured and reliable as recommended by FATF. Since leaking, manipulating or tipping off information is generally considered serious crimes as per AML/CFT regulations
- Difficult to manage records and keep statistics of various types of reports received from REs and domestic cooperation between FIU and LEAs leading to mismatch in statistical data.
- Time consuming and receipt/non-receipt of the correspondence needs to be confirmed via phone call in many cases.

3.10.2 Advantages of using goAML

- goAML uses secured electronic channel for communication and the information is transferred in encrypted form so the chances of leaking and manipulating information is minimal.
- goAML can be used both for receiving reports from REs and disseminating information to LEAs while maintaining the confidentiality and integrity of the information
- The information can be directly sent and received by the end parties without the involvement of third parties like messenger and carriers.
- Communication through goAML is simple, easy and fast (similar to sending email/filling web form)
- No need to purchase or install new software at REs/LEAs end (software is already procured and installed by FIU-Nepal) although REs may require middleware for generating XML reports
- REs/LEAs just require internet connectivity for reaching the goAML server/website
- LEA can provide feedback on the disseminated information to FIU-Nepal along with Asset Confiscation and detailed conviction information (including number of persons convicted)
- International co-operation to be made in co-ordination of FIU e.g. EGMONT group, APG, etc., can be done efficiently
- Statistics of various types of reports submitted by REs and dissemination, feedback, domestic and international co-operation can be maintained and obtained easily.

3.10.3 Features of goAML

There are 14 key features of goAML which are mentioned in figure below:

Figure 3.14: Features of goAML



Source: UNODC

<p>1. Data Collection: This component of the goAML solution allows reporting entities to submit regulatory reports and other information offline (i.e., through XML data exchange such as email attachment, CD, HD, etc.), online (through direct upload of XML data messages), or by filing and submitting online forms through the FIU's secure website. Of particular note is that this feature allows for the reporting of multi-party transactions, which is useful for organizations that deal in high-value goods and often report single-sided transactions, despite there being several parties to the transaction.</p>
<p>2. Data Evaluation and Clean Up: This feature of goAML occurs in a 'staging area' outside the main system environment and automatically reviews the data it receives to verify it is both accurate and complete. If the system determines that the submitted data is complete and accurate, it is pushed through to the main database. If not, it is sent back for correction to the entity that reported it.</p>
<p>3. Ad Hoc Queries and Matching: With the goAML solution, users can make ad hoc queries, allowing them to find information on a range of criteria (such as name, address, country, account number, full text search, etc.). Upon submitting a query, goAML presents a list of entities that match the search and—where they exist—links them. In terms of matching, goAML has an importer that inputs external data in any format on people, entities and accounts and matches that information against the FIU's database. This process can be either scheduled or be scheduled as a regular task.</p>
<p>4. Statistical Reporting on Information/Reports Received and Processed: Statistical reports can be auto-generated and ad hoc statistics obtained from the system by goAML. This capability helps complete reports on any of the activity that happens in the solution. Compliance-related reports can be prepared that include the types, numbers and values of reports collected by an FIU, and can also identify the organization that completed the report by name, address and type. FIUs are also able to report on and analyze their own activities as needed. This functionality helps FIUs identify financial institutions that have missed their deadline for submitting reports or that have failed to report their side of a transaction that has been reported by another institution.</p>
<p>5. Structured Analysis at Both Tactical and Strategic Levels: With this feature, in-depth analysis can be performed on information contained in reports and any data stored in the database. Trends and patterns of an individual's financial transactions, account activity and movement of money can be analysed. Using information in the database, tactical and more general strategic analysis can be performed on specific targets. Options for strategic analysis includes analysis pivoting on occupation and business type, account activity, signatories, primary account holder, top players, time lines, etc.</p>
<p>6. Profiling Tool: The goAML platform stores profiling data, with profiling scheduled to run only before any new data is distributed, ensuring that the new data is compared with the saved profile data before it influences it so that exception reporting is more accurate. To help identify profile trends, profile data is appended to structured tables along with a date time stamp. Profiling in goAML works based on occupation and business type, persons, entities, geographical area, etc.</p>
<p>7. Rules-Based Analysis: This feature offers fully customizable rules-based analysis, including rules that have dynamic risk scores. Data is continuously monitored to determine whether any reported transactions fall into certain patterns, and analysts are alerted if a pattern changes or an exception is detected.</p>
<p>8. Workflow Management System: The workflow management system moves work items through a series of sequenced steps to help FIUs effectively manage information. This includes receiving and processing reports, analysis function, and management of feedback and dissemination processes.</p>
<p>9. Task Assignment and Tracking: The goAML solution offers the ability for managers to assign, reassign or remove tasks, within either ad hoc or predetermined timeframes. Tasks can be monitored to ensure progress is being made and that appropriate actions are being completed. When a task is due or overdue, the system sends an alert to staff.</p>
<p>10. Document Management with Full Text Search Capability: Document management in goAML lets documents be captured via e-transfer or scanning and optical recognition, then be filed based on a range of characteristics. Documents can be retrieved through text search functionality.</p>

11. Intelligence File Development and Management System: After an analyst has gathered the initial information and determined that a report, further analysis or escalation is warranted, this component creates and then manages an intelligence file. Any analytical work that follows is completed within this file. After analysis is finished and the case is to be escalated, a case file is generated for sharing with end user agencies.

12. Data Acquisition/Integration from External Sources: This component is responsible for collecting and storing external data in a predefined format. Data can be accessed, queried and retrieved from external databases electronically, so long as such databases exist and there are rules in place regarding the sharing of information. If it's not possible to allow electronic access to data, the solution can use preformatted templates to create requests for transmission to external agencies via mail, fax or email.

13. Integrated Charting and Diagramming: With goAML, users can create visualizations, including of transactional link analysis, automated link analysis using addresses, phone number, company board membership, etc. Charts can be built manually for individual cases by using the available diagram options and icons.

14. Intelligence Report Writer: Representing the final stage in goAML's analytical process, the intelligence report writer acts as a template and process for FIUs to complete and disseminate their final intelligence packages to their end user agencies. Supplementary information such as charts and documents can be attached to the report as needed.

Source: UNODC

3.10.4 goPortfolio

goPortfolio is a set of innovative evidence-based models and software products developed by the UNODC for Member States to help strengthen their capacity to fight organized crime. The Software Products for Member States (SPMS) section is part of the United Nations Office on Drugs and Crime's Enterprise Application Centre in Vienna (EAC-VN). SPMS develops innovative evidence-based models and software products for Member States within the thematic areas of UNODC substantive mandates: countering corruption, illicit drugs control, and transnational organized crime.

Upon request and in close collaboration with United Nations Secretariat substantive units and user communities, UNODC SPMS develops sustainable and affordable IT solutions, and makes these solutions available to key government institutions of Member States for use in their jurisdictions under the umbrella of the digital transformation agenda of the Secretary-General. Institutions include:

- legal affairs,
- trade and development,
- environment,
- human settlements,
- human rights,
- protection and assistance of refugees, and humanitarian assistance

(Text Source: UNODC)

Figure 3.15: goPortfolio Products & Models



Source: UNODC

3.10.5 Methods of reporting in goAML system

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

- A. Web Report
 - B. XML Report
- A. Web Report:** SAR/STR/TTR reports in goAML system can be submitted by typing manually in web form. There are mandatory and non-mandatory fields in goAML. The mandatory fields which are marked by asterisk sign (*) should be filled. The non-mandatory fields or optional fields can be leave as blank. Certain fields which are not marked as mandatory in goAML can also be provided as per operational guideline issued by FIU-Nepal. While filling in the web form, there are other different types of cascading web forms that should be saved one after another before submitting. If there are errors in the form (shown with red color), that should be revisited and corrected accordingly.
- B. XML Report:** An XML file is an extensible markup language file, and it is used to structure data for storage and transport. In an XML file, there are both tags and text. The tags provide the structure to the data. The text in the file that you wish to store is surrounded by these tags, which adhere to specific syntax guidelines. At its core, an XML file is a standard text file that utilizes customized tags, to describe the structure of the document and how it should be stored and transported.

An XML schema is a description of a type of XML document, typically expressed in terms of constraints on the structure and content of documents of that type, above and beyond the basic syntactical constraints imposed by XML itself.

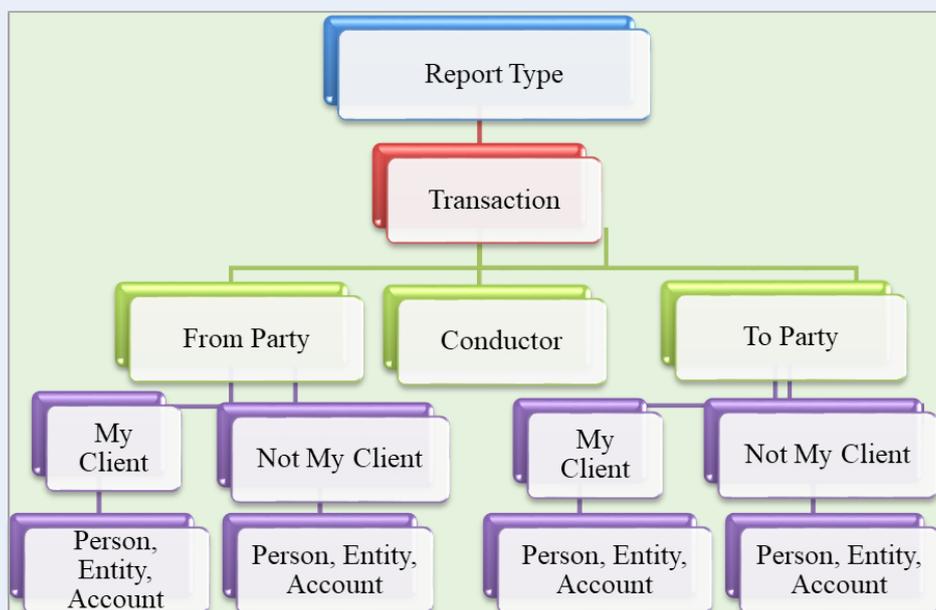
The XML file suitable with goAML can be generated through **middleware software**. Middleware software takes input as raw data from core system of REs (such as Core Banking System (CBS) of BFIs, or similar software in insurance, securities and other) and generate XML file as output. It validates the XML file through goAML XML validator. This option is also available in goAML website. All the validated XML files can be zipped and upload in bulk through XML upload.

XML reporting is appropriate in case of large number of reports than web based reporting. Individual transaction should type manually one by one and save to report threshold transaction in web based reporting, which is quite time consuming process. Once the XML file is generated which includes all the transactions of specific report and submitted in our system and it is easy process.

There are two types of validation in goAML which are initial schema level validation and business rule or logical validation. The initial schema level validation validates the report file based on available XML schema in goAML system and business rule or logical validation validates report based on available XML rejection rule in goAML system. After the pass of all business rules the report status is processed and saved in goAML database system.

3.10.6 Report Structure

Figure 3.16: Report Structure in goAML



- Report Type:** The report types in goAML are Suspicious Activity Report (SAR), Suspicious Transaction Report (STR) and Threshold Transaction Report (TTR).
- Transaction:** Threshold transaction of person or account or entity should be reported while reporting TTR and suspicious transaction of specific party should be reported during STR reporting. At least one of the suspicious transactions should be provided while reporting STR.
- From Party:** Multi party and Bi-Party transaction features of goAML software system enable us to capture the information of party type. Bi-party means two party. Currently, Bi-party transaction feature is enabled in our system. REs should provide Bi-party transaction information while

reporting. The two party type are **'from party'** and **'to party'**. **'from party'** is also called source party. The party type information depends upon the flow of currency. For example, if a person deposit cash in his account, so the **'from party'** is person and REs should provide the person information in **'from party'** node. The following cases are explained in goAML operational manual issued by FIU-Nepal among others.

- d. **Conductor:** Conductor is always natural person. A person who carries transaction on behalf of others or self. The Information regarding natural person should be provided while reporting and it plays vital role while tracking the suspect person.
- e. **To party:** Another party type is **'to party'** and also called destination party. For example, if a person deposits cash in his/her account then 'to party' is account, so account information should be provided in **'to party'** node. The different cases are explained in goAML operational manual issued by FIU-Nepal.
- f. **My Client:** From the point of view of REs, the party (Individual, entity) whose account information presented in their institutions are categorized as **'my client'**. REs should provide detail information of my client inside **'my client'** node.
- g. **Not My Client:** If transaction was carried out by individual person or account in banks and financial institutions or other REs. The information regarding person or account or entity is not available with them so they can categorize such information as not my client. The minimum information of not my client should be provided under **'not my client'** node.
- h. **Person:** Depending upon the transaction scenario, if a person who involves in transaction or whose account information is available with REs, they should provide detail information of person while reporting in goAML software system. If the person is not my client, then minimum information can be provided.
- i. **Account:** Depending upon the transaction scenario, if the account information of natural person or entity is available with REs, they should provide detail information of the account while reporting in goAML. If account is not my client, then minimum information can be provided.
- j. **Entity:** Depending upon the transaction scenario, if account information of the organization or entity is available with REs, they should provide detail information of the account while reporting in goAML software system. If account is not my client, the minimum information can be provided.

3.10.7 Report Status

While reporting in goAML the report should pass different stages of validation process. If the report is submitted through web or uploaded through XML upload section by passing minimum criteria, then report status is **'uploaded'**. After that initial XML schema level validation process is running. If the report is validated and passed all required criteria, the next status of report is **'validated and scheduled for loading'** and it is temporary. If report is failed to validate, the status of report is **'failed validation'** and the process ends.

After completion of validation process, the report is transferred from web to client and the status is **"transferred from web"**. Another business or logical validation process starts to validate the transferred report. If the report passed all the logical criteria which defined in goAML client system, the next status of report is **'processed'**. The report is finally saved in our database. If the report failed

to validate all the logical criteria, the report is rejected automatically from system or manually by goAML team and report status is '**rejected**'. The rejected report returns back to web and REs can see the rejected reason. The report can be edited and resubmitted by fulfilling the report criteria. The report status is shown different in different stage.

3.10.8 Reporting statistics of the Reporting Entities(REs) in goAML

Commercial Banks have been submitting SARs, STRs and TTRs in goAML Production Environment Since Mid-January 2019 and 'B' & 'C' class BFIs have been submitting same since Mid-January 2020. Similarly, Insurance companies have started reporting TTRs in goAML Production Environment from April 2022 and selected Remittance Companies started reporting TTRs from May, 2022. The total number of STRs/SARs, and TTRs reported in the goAML Production environment for FY 2078/79 were 2519 and 13,84,257 respectively while it was only 1278 and 1,132,721 respectively in previous FY 2077/78 as only 'A' class Banks were reporting and 'B' & 'C' class BFIs started to report in goAML System only since middle of that FY. The table below illustrates the number of STR/SAR reporting of A, B & C class BFIs in goAML system during FY 2078/79:

Table 3.5: Status of STRs/ SARs reported in goAML

Month / F.Y. 2078/79 (2021/22)	Commercial Banks	Dev. Banks	Finance Companies	Total
Shrawan (Jul/Aug)	154	7	0	161
Bhadra (Aug/Sep)	133	7	0	140
Ashwin (Sep/Oct)	130	16	3	149
Kartik (Oct/Nov)	87	5	0	92
Mangsir (Nov/Dec)	121	11	4	136
Poush (Dec/Jan)	172	12	1	185
Magh (Jan/Feb)	174	11	4	189
Falgun (Feb/Mar)	296	14	4	314
Chaitra (Mar/Apr)	254	17	0	271
Baisakh (Apr/May)	246	1	0	247
Jestha (May/Jun)	283	6	1	291
Ashar (Jun/Jul)	330	12	2	344
TOTAL	2380	119	19	2519

Note: Insurance companies' and Remittance companies' STR/SAR data reported via goAML is minimum since they started reporting in goAML system only at the end of Fiscal Year 2021/22. Please refer table 3.3 for total data.

Table 3.6: Status of TTR reported in goAML

Month / F.Y. 2078/79 (2021/22)	Commercial Banks	Dev. Banks	Finance Companies	Insurance Companies	Remittance Companies	Total
Shrawan (Jul/Aug)	114589	11398	1006	0	0	126993
Bhadra (Aug/Sep)	99880	11303	867	0	0	112050
Ashwin (Sep/Oct)	101114	10150	828	0	0	112092

Month / F.Y. 2078/79 (2021/22)	Commercial Banks	Dev. Banks	Finance Companies	Insurance Companies	Remittance Companies	Total
Kartik (Oct/Nov)	110632	11124	795	0	0	122551
Mangsir (Nov/Dec)	108329	11764	783	0	0	120876
Poush (Dec/Jan)	104601	11026	754	0	0	116381
Magh (Jan/Feb)	90698	9469	547	0	0	100714
Falgun (Feb/Mar)	98343	11616	647	0	0	110606
Chaitra (Mar/Apr)	109316	10605	616	964	0	121537
Baisakh (Apr/May)	101816	9398	529	2498	0	114246
Jestha (May/Jun)	95286	9558	457	2984	0	108285
Ashar (Jun/Jul)	101482	10648	522	5238	36	117926
TOTAL	1236086	128059	8351	11684	36	1384257

Note: Insurance companies' and Remittance companies' TTR data reported via goAML is in low number since they had started reporting in goAML system only at the end of Fiscal Year 2021/22. 41 TTRs were also reported by Cooperatives in goAML. Please refer table 3.2 for total data.

Table 3.7: Month-wise reporting stats via goAML

FY 2078/79 (2021/22)		TTR Received	STR/SAR Received	STR/SAR Analyzed	STR/SAR Postponed	STR/SAR Disseminated
Shrawan	(Jul/Aug)	126993	161	31	17	14
Bhadra	(Aug/Sep)	112050	140	41	17	24
Ashwin	(Sep/Oct)	112092	149	24	14	10
Kartik	(Oct/Nov)	122551	92	36	16	20
Mangsir	(Nov/Dec)	120876	136	20	5	15
Poush	(Dec/Jan)	116381	185	66	17	49
Magh	(Jan/Feb)	100714	189	31	7	24
Falgun	(Feb/Mar)	110606	314	34	12	12
Chaitra	(Mar/Apr)	121537	271	45	11	34
Baisakh	(Apr/May)	114246	247	72	21	51
Jestha	(May/jun)	108285	291	102	36	66
Ashar	(Jun/Jul)	117926	344	104	64	40
Total		1384257	2519	606	237	369

3.10.9 Ongoing Activities and Future Plan

Currently, A, B & C class banks are fully reporting STRs, SARs and TTRs and some Insurance Companies and Remittance Companies are reporting in goAML Production Environment (A class Banks since Mid-January, 2019; B & C class Banks since Mid Jan, 2020; Insurance Companies since April, 2022 and some Remittance Companies Since May, 2022). Remaining Insurance companies & Remittance Companies and Other reporting entities namely Securities companies and Cooperatives have been reporting in goAML test environment. Investigating agencies (Nepal Police, DMLI, IRD and CIAA) are also integrated in goAML system. Likewise, Total 515 (Additional 119 in Asar, 2079) Reporting Entities

are also registered in goAML (Production Environment) for reporting through 'Message Board' System of goAML by attaching manual reports to replace Paper/CD/Email based manual reporting. Also some DNFBPs like CIT PSPs/PSOs, Microfinance companies and other REs are incorporated in goAML and remaining other will also gradually be incorporated in near future as guided by AML/CFT National strategy and action plan 2076-81. First and second wave of Covid-19 pandemic has elongated the course of goAML implementation in REs.

FIU-Nepal is in the process of establishing Disaster Recovery (DR) Site and procurement of other security related equipment and software for goAML Software. Major ongoing procurement for goAML system is as follows: -

a. Disaster Recovery (DR) Site

Disaster Recovery (DR) site of FIU-Nepal, located in Hetauda is in the final stage of testing for implementation and MoU with NITC has already been conducted. It is an alternative backup facility, usually IT in nature, that is used when a primary location becomes unusable due to failure or disaster. It contains equipment and infrastructure that can be temporarily used to manage business processes until the main site's functionality is fully restored. A disaster recovery site is an important asset because it keeps an organization running, albeit in a lesser state. An extended outage and consequent disruption in business operations can bring an organization to its knees - especially one that relies heavily on its IT infrastructure.

Business continuity is the most critical advantage of a DR site, which can even serve as an extension facility if loads extend beyond the primary facility's capacity. The main benefit of DR site is its Recovery Point Objective (RPO) and Recovery Time Objective (RTO) for FIU-Nepal System.

b. Security Information and Event Management (SIEM)

FIU Nepal is procuring SIEM software to collect and aggregate log data generated throughout the entire FIU-IT infrastructure, from applications to network and security devices, such as firewalls and antivirus. SIEM helps FIU-Nepal to identify, categorize, and analyze incidents and security events. SIEM analytics delivers real-time alerts, dashboards, and reports to several critical business and management units. Modern SIEMs also apply unsupervised machine learning to enable anomaly detection (User and Entity Behavior Analytics) to the collected log data.

c. Web Application Firewall (WAF)

Web Application Firewall (WAF) helps to protect FIU-Nepal web applications like goAML application by filtering and monitoring HTTP traffic between a web application and the Internet. It typically protects web applications from attacks such as cross-site forgery, cross-site-scripting (XSS), file inclusion, and SQL injection, among others. A WAF is a protocol layer 7 defense (in the OSI model), and is not designed to defend against all types of attacks. This method of attack mitigation is usually part of a suite of tools which together create a holistic defense against a range of attack vectors.

By deploying a WAF in front of a web application, a shield is placed between the web application and the Internet. While a proxy server protects a client machine's identity by using an intermediary, a WAF is a type of reverse-proxy, protecting the server from exposure by having clients pass through the WAF before reaching the server.

A WAF operates through a set of rules often called policies. These policies aim to protect against vulnerabilities in the application by filtering out malicious traffic. The value of a WAF comes in part from the speed and ease with which policy modification can be implemented, allowing for faster response to varying attack vectors; during a DDoS attack, rate limiting can be quickly implemented by modifying WAF policies.

d. Extended Detection and Response (EDR)

Endpoint detection and response (EDR), also known as endpoint threat detection and response (ETDR), is an integrated endpoint security solution that combines real-time continuous monitoring and collection of endpoint data with rules-based automated response and analysis capabilities.

FIU-Nepal has recently acquired EDR system to protect its endpoint devices and servers in its IT infrastructure.

e. Active Directory

FIU Nepal has deployed Active Directory (AD) which is a directory service developed by Microsoft for Windows domain networks. It is included in most Windows Server operating systems as a set of processes and services.

Active Directory Domain Service (AD DS) authenticates and authorizes all users and computers in a Windows domain type network, assigning and enforcing security policies for all computers, and installing or updating software. It also allows management and storage of information, provides authentication and authorization mechanisms and establishes a framework to deploy other related services: Certificate Services, Active Directory Federation Services, Lightweight Directory Services, and Rights Management Services.

Before beginning to report in the goAML Production Environment, it is crucial for both FIU-Nepal and the REs to ensure that the data in submitted reports are complete, consistent and correctly structured. In the absence of this, the goAML database clutters with garbage data which may mislead the analysis process and render the goAML system unreliable. For this, initially reporting is made in goAML Test Environment, where the REs can submit test reports to validate and improve their reports and seek feedback from FIU-Nepal.

Table 3.8: goAML Reporting status

SN	FY 2078/79 (2021/22)	Total Received	Received through goAML	Received through goAML (%)
1	TTR	2401714	1384257	57.64%
2	STR/SAR	2780	2519	90.61%

Figure 3.17: goAML Integration in Production Environment

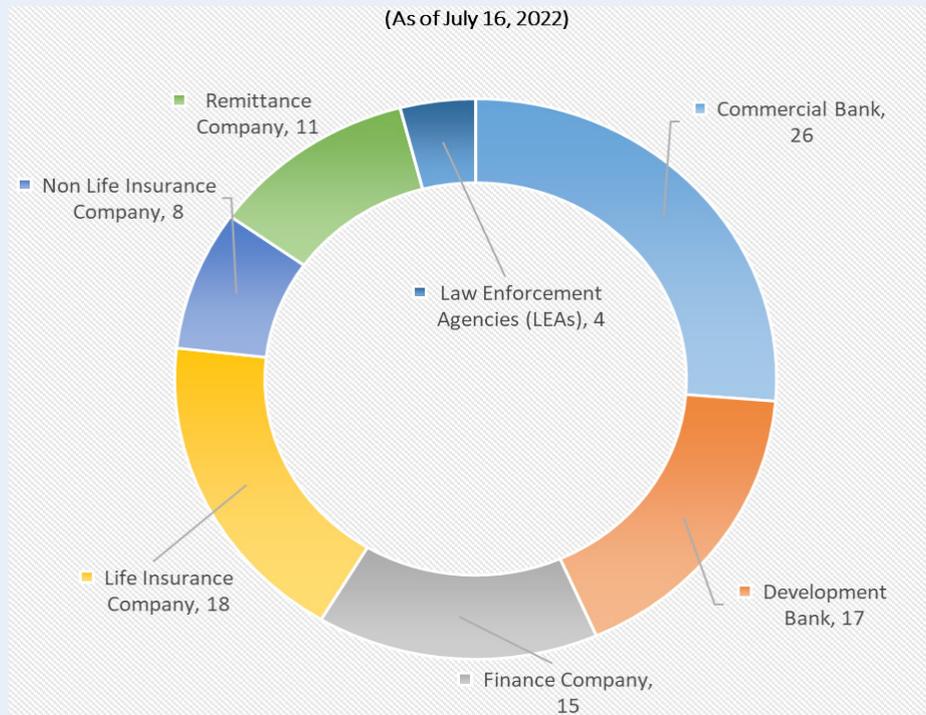


Figure 3.18: goAML Integration in Test Environment

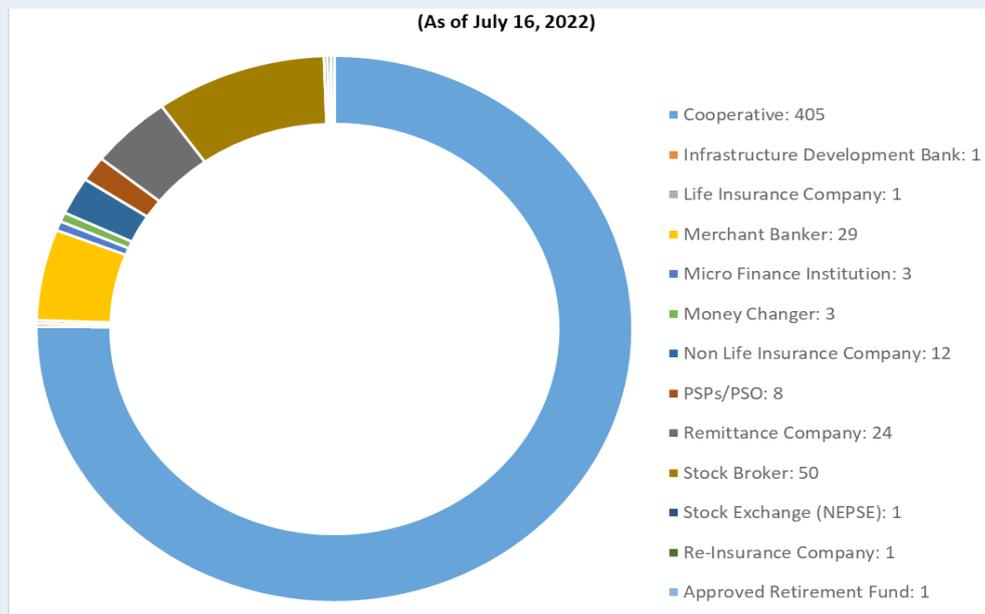


Table 3.9: REs and LEAs Statistics in goAML (As of July 16, 2022)

SN	Reporting Entity Type	Test Environment	Production Environment
1	Commercial Banks	26	26
2	Development Banks	17	17
3	Finance Companies	15	15

SN	Reporting Entity Type	Test Environment	Production Environment
4	Micro Finance Institutions	3	0
5	Cooperative	405	0
6	Infrastructure Development Bank	1	0
7	Insurance Companies (Life, Non-Life and Re-insurance))	14	26
8	Security (Stock Brokers, Stock Exchange, Merchant Bankers)	80	0
9	Remittance Companies	24	11
10	Money Changer	3	0
11	Approved Retirement Fund	1	0
12	PSP/PSO	8	0
13	Law Enforcement Agencies (LEAs)	0	4
TOTAL		539	99

Note: Commercial bank reduced from 27 to 26 as Nabil Bank and Nepal Bangladesh Bank started joint operation from July, 2022 after acquisition.

Apart from above, 515 reporting entities are also registered in goAML (Production Environment) for manual reporting through 'Message Board; System of goAML to replace Paper/CD/Email based manual reporting.

FIU-Nepal is also co-coordinating regularly with the regulators of REs like Insurance, Securities, PSPs/PSOs and Remittance companies to integrate them fully in the goAML system and working on customizing goAML to match their reporting requirements. Guidance and supports are being provided to the new REs in coordination with their regulators for incorporating them in goAML in near future. FIU-Nepal is also looking forward to incorporate other remaining LEAs in goAML for the purpose of dissemination and domestic cooperation.

3.10.10 goAML Timeline

Figure 3.19: goAML Timeline



In 2019, FIU- Nepal organized various trainings, seminars, workshops and Interaction Programs for BFIs regarding effective implementation of goAML system. BFIs started reporting on goAML (Test Environment). Since there were numerous groups of reporting entities, stage wise implementation plan was devised for the effective and successful implementation of goAML system.

Similarly, in 2020, “A” class banks fully started reporting SARs, STRs and TTRs in goAML Production Environment. “B” and “C” class banks and financial institutions and insurance companies were reporting in goAML Test Environment. FIU-Nepal issued several guidance documents and conducted orientation programs for BFIs for goAML reporting and reporting requirements. also organized an Interaction program on AML/CFT and effective implementation of goAML system for Bank and Financial Institution.

In 2021 “B” and “C” class banks and financial institutions also started reporting in goAML Production Environment since mid-January 2020. Insurance Companies, Securities Companies, Remittance Companies, Cooperatives were reporting in goAML Test Environment. Various guidance documents were issued and conducted Orientation Program for Insurance Companies for goAML reporting and reporting requirements. Interaction Program with Remittance Companies and finance companies were conducted. Also, interaction programs with DNFBPs and Development Banks were conducted. Interaction Program with Compliance Officers of BFIs on goAML implementation and Interaction program with DRI and DMLI on goAML software implementation on Law Enforcement Agencies were conducted in the same FY.

In 2022, Life Insurance Companies Non-Life Insurance and Remittance Companies started Reporting in goAML Production Environment. Similarly, 515 reporting entities (Additional, 119 in July, 2022) are also registered in goAML (Production Environment) for manual reporting through ‘Message Board System of goAML to replace Paper/CD/Email based manual reporting. Information System guidelines for FIU-Nepal, Web reporting guidance for cooperatives were issued. Also, interaction programs with cooperatives, CIT, EPF, BFIs and Insurance Companies regarding goAML reporting were conducted. Law Enforcement Agencies like Nepal Police, DMLI and DRI in goAML System (Production Environment). Similarly, Videos tutorials for goAML registration, reporting procedures and reporting requirements were issued.

3.10.11 Reporting via goAML-Message Board

For the REs which have not fully integrated on goAML (Production Environment), FIU-Nepal has provided ‘Message Board’ platform of goAML System for manual reporting by attaching STR/SAR/TTR reports. Message Board platform is only for temporary use and it is solely aimed to replace currently used unsecured reporting mediums such as CD/Paper/Letter/Email etc. In the future, each reporting entities have to submit reports via ‘web or XML’ medium of goAML (Production Environment). Such REs have started reporting manual reports from April 2022 and as of end of FY 2021/22, total 515 Reporting Entities are registered for reporting through ‘Message Board’ System of goAML by attaching manual reports to replace Paper/CD/Email based manual reporting.

In addition, Message board is in-built email platform of goAML System. It can be used to send or receive information to or from FIU. FIU-Nepal may request information with the REs about specific person, account or entity during course of analysis of any particular STR/SAR/TTR through message board. Information requested through goAML Message Board should be replied at an earliest, not exceeding three working days, to same analyst (e.g. Analyst 1, Analyst 2 etc.) or person requesting from FIU-Nepal. The requested information and documents should be replied in Message Board

itself (not in different email) and manual submission of hard copy documents is not required. After submission of report, notification regarding status of the submitted report can also be seen in message board.

3.10.12 Major goAML related progress

goAML related major progress achieved in FY 2021/22 are listed below:

- Issued Information System (IS) guidelines for FIU-Nepal
- Issued web reporting guidance for cooperatives and LEAs
- Interaction programs with Cooperatives, CIT, EPF, BFIs, Insurance Companies, Remittance companies, PSP/PSOs and other REs regarding goAML reporting
- Integration of Nepal Police, DMLI and IRD in goAML (Production Environment) software
- Issued video tutorials for goAML registration, reporting procedures and reporting requirements.
- Life Insurance Companies, Non-Life Insurance Companies and Remittance Companies started reporting in goAML (Production Environment).
- FIU Nepal has commenced STR TBML reporting for BFIs. Currently BFIs are reporting STR-TBML in goAML (Test environment). After the quality of reports and accuracy of data are satisfactorily improved, they will gradually start reporting in goAML production environment and submit their regulatory reports.

3.10.13 Major challenges faced during implementation of goAML

The major challenges faced during the implementation of goAML are:

- Customizing goAML to match the data fields and reporting requirement for different type of REs
- Lack of necessary data with the REs (lack of updated KYC related documents)
- Lack of digitized data with the REs (documents stored as scanned copy)
- Lack of necessary data fields in enterprise application of REs as per data requirement in goAML
- Challenges in updating KYC related documents of clients and digitizing data
- Challenges in developing middleware for generating XML files as per goAML schema
- Challenges in mapping available data from enterprise application of REs to goAML XML file format
- Lack of comprehensive goAML related training to FIU staffs
- Frequent issues faced in goAML system hardware and software due to power failure, physical migration of hardware to various locations etc. causing unprecedented downtime of goAML system

DOMESTIC & INTERNATIONAL COOPERATION

4.1 Domestic Cooperation and Engagement

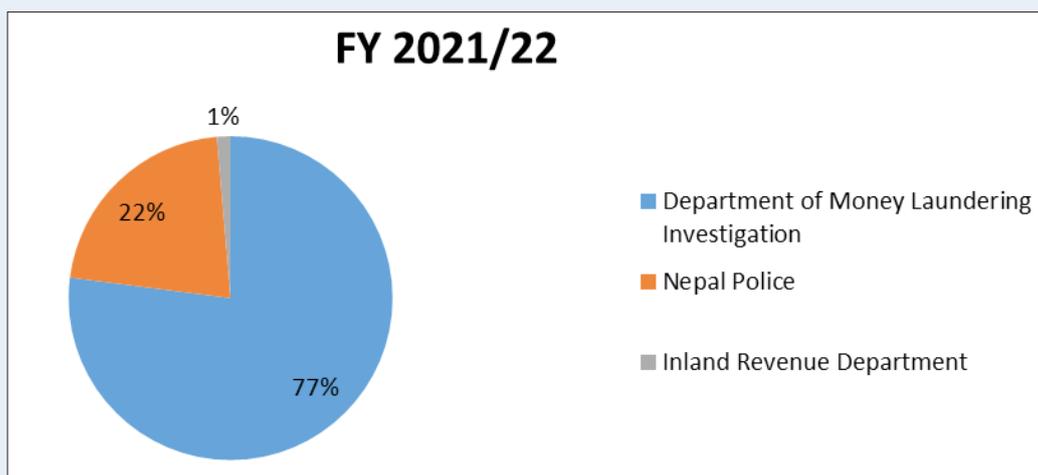
FATF Recommendation-2; National Cooperation and Coordination, states that countries should have national AML/CFT/CPF policies, informed by the risks identified, which should be regularly reviewed, and should designate an authority or have coordination or other mechanism that is responsible for such policies. Countries should ensure that policy-makers, the Financial Intelligence Unit (FIU), Law Enforcement Authorities (LEAs), supervisors and other relevant competent authorities, at the policymaking and operational levels, have effective mechanisms in place which enable them to cooperate, and, where appropriate, coordinate and exchange information domestically with each other concerning the development and implementation of policies and activities to combat money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. This should include cooperation and coordination between relevant authorities to ensure the compatibility of AML/CFT/CPF requirements.

FIU-Nepal regularly holds meetings with the representatives of the LEAs to discuss various issues of common interest. LEAs regularly ask for information which FIU-Nepal provides after collecting it from domestic agencies and international FIUs.

Investigating Agencies, mostly DMLI and Nepal Police ask for information on intelligence report and information on banks details of the suspect from FIU-Nepal for investigation purpose. FIU-Nepal collects such information from banks and disseminates it to the investigating agencies through goAML, secured mail and hard copy.

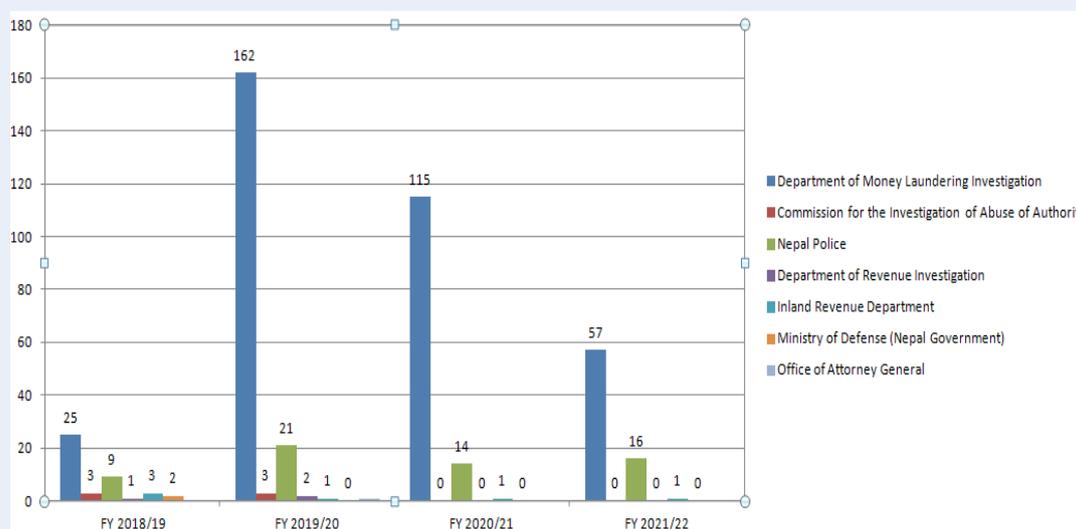
Agency wise domestic information exchange with FIU-Nepal for the different fiscal years is as follows.

Figure 4.1: Domestic Cooperation for the FY2021/22



*Note: These data do not include the STR disseminated to LEAs.

Figure 4.2: Domestic Cooperation for different fiscal years



*Note: These data do not include the STR disseminated to LEAs.

FIU-Nepal is working to build up harmonious and functional relations with all stakeholders to accomplish its basic function of combating money laundering, terrorist financing and proliferation financing. Therefore, cooperation among stakeholders and interagency relationship ensuring smooth, confidential and inspiring surroundings has been always a basic priority of FIU-Nepal.

FIU-Nepal represents wide range of activities and additionally play policy role in distinctive committees. It has also established a dedicated division for domestic cooperation and coordination to ensure a smooth relationship with REs and LEAs.

4.1.1 Cooperation with Reporting Entities

Reporting Entities are gatekeeper and information feeders in AML/CFT system whereas LEAs are end users of FIU intelligence. FIU-Nepal maintains regular engagements with Reporting Entities. The area of engagement primarily covers enhancing the awareness of REs about their reporting obligations and cooperate them in building their capabilities to ensure better compliance in the AML/CFT issues.

4.1.2 Cooperation with Law Enforcement Agencies

FIU-Nepal has developed close relationship with law enforcement agencies for strengthening AML/CFT regulations. It holds regular meetings with these agencies to discuss matters of common interest. If LEAs require the information regarding the foreign nationals/institutions, they may ask to foreign FIUs through FIU-Nepal. FIU-Nepal sends the request to foreign FIUs via Egmont Secure Web (ESW) and forwards the obtained information to LEAs. Also, FIU-Nepal receives the feedback from the LEAs.

4.1.3 Cooperation with Regulators and Supervisors

Regulators and supervisors are broadly responsible for examining the implementation of AML/CFT policies and procedures by the REs. It is expected that regulators and supervisors should be proactive for a sound and functional AML/CFT system within REs, which, consequently, results high quality reporting thus, enhancing the entire system to utilize the time and resources efficiently. FIU-Nepal gives feedback on the guidelines issued by the regulators, for adherence to AML/CFT norms, address FIU's concerns. These guidelines/directives are also uploaded on the website of FIU-Nepal for quick reference.

4.1.4 National Coordination Committee (NCC)

In order to coordinate the high-level authorities and institutions relating to money laundering and advise the Government of Nepal with regard to the prevention of money laundering, the National Coordination Committee has been formulated. FIU-Nepal as the Secretariat of NCC holds regular meetings with high-level authorities and government agencies to discuss matters related with AML/CFT. Similarly, FIU has other active roles in national policy and support on such activities. In FY 2021/22, the meetings of NCC were held for seven times. The major decisions of NCC in FY 2021/22 are as follows:

Major Decisions of NCC in FY 2021/22

- Conduct Mutual Evaluation Preparation Training in coordination with APG Secretariat.
- Request Ministry of Law, Justice and Parliamentary Affairs to take needed action/review the amendment of AML/CFT related laws.
- Direct agencies to draft simple template for sectoral and institutional risk assessment Request the Ministry of Law, Justice and Parliamentary Affairs to complete the translation of laws and related policies into English.
- Every sector to update sectoral risk assessment.
- Present ML Investigation Guidelines draft in the upcoming meeting.
- Organize Pre-Mutual Evaluation Workshop for private sector.
- Technical Assistance Group to prepare “AML/CFT Operation”, a short strategy report.
- FIU-Nepal Annual progress report for the FY 2077/78 was presented before 110th meeting of the committee.
- National Strategy and Action Plan update was provided by the Technical Support Group.
- All authorities to be directed to provide reasons for delay in the implementation of specific action plans of National Strategy.
- Preferred dates for Onsite Visit of assessors was finalized to communicate with APG through email.
- FIU-Nepal to work as a primary contact point for Mutual Evaluation process.
- Liaison team was formed to communicate to the secretariat of APG during Mutual Evaluation process.
- Finalize and submit Technical Compliance Report to APG Secretariat.

4.1.5 Memorandum of Understanding (MOUs) with domestic agencies

FIU-Nepal has entered into Memorandum of Understanding (MoUs) with partner agencies in order to provide a structural framework for enhanced cooperation and understanding. To enhance the pace of the on-going fight against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction, FIU-Nepal has signed Memorandum of Understanding (MoU) with the Nepal Police, Department of Money Laundering Investigation (DMLI) and Department of Customs. During the FY2021/22, with Department of Revenue Investigation (DRI) and the National Information Technology Center (NITC) on 20 February 2022 and 24 February 2022 respectively.

In addition, FIU has signed MoU with 15 domestic agencies including Regulators, Supervisors and LEAs regarding domestic cooperation on September 25, 2022. With this, FIU-Nepal continues its endeavor to sign MoU with other Law Enforcement Agencies.



MoU signing with Department of Revenue Investigation



MoU signing with National Information Technology Center (NITC)



MoU signing with Nepal Rastra Bank



MoU signing with Department of Money Laundering Investigation (DMLI)



MoU signing with Nepal Police



MoU signing with Inland Revenue Department



MoU signing with Securities Board of Nepal (SEBON)



MoU signing with Department of Cooperatives



MoU signing with Ministry Of Culture Tourism And Civil Aviation



MoU signing with Department of Land Management and Archive (DOLMA)



MoU signing with Office of the Company Registrar



MoU signing with The Institute of Chartered Accountants of Nepal (ICAN)



MoU signing with Department of National Parks and Wildlife Conservation



MoU signing with Department of Forest And Soil Conservation



MoU signing with Department of Immigration



MoU signing with Armed Police Force, Nepal



*MoU signing with
Department of drug administration*

4.2 International Cooperation and Engagement

FATF Recommendation 40, “Other forms of international Cooperation” states that FIUs are required to provide a wide range of international cooperation. International cooperation by means of sharing of financial intelligence or related information between FIUs is essential for tackling money laundering, associated predicate offences and terrorist financing. It is a medium for combating illicit activities that have cross border networks and ensuring a stable AML/CFT regime.

FIU Nepal is a member of Asia/Pacific Group on Money Laundering (APG), a FATF Styled Regional Body (FSRB) and is committed to provide the widest range of international cooperation. It actively participates & contributes in to activities of various regional and international bodies dealing with issues related to AML/CFT. It has been mandated by Section 10 of Asset (Money) Laundering Prevention Act, 2008 & Clause 4 of Financial Information Unit related Byelaw, 2020, to request any relevant information or cooperation needed to carry out its duties with a foreign counterpart that performs similar functions, or it may spontaneously or upon request, share its information or otherwise cooperate with such foreign counterpart, within agreed data sharing arrangements. Its international cooperation is governed by the Egmont Group of FIUs Principles of Information Exchange³ and guided by the FIU Nepal Guidelines for Information Exchange, 2022.



Source: www.ciat.org



A) Asia/Pacific Group on Money Laundering (APG)

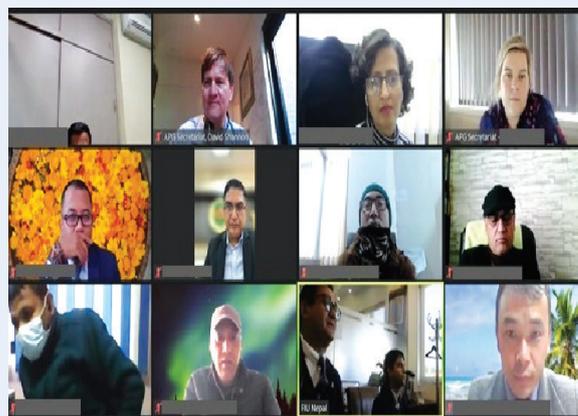
APG is a FATF Styled Regional Body (FSRB), regionally focused within Asia/Pacific Region, for ensuring effective implementation of international standards for combating ML/TF/PF by its member jurisdictions. It is an associate member of the FATF. Currently, it has 41 member jurisdictions. It ensures the adoption, implementation and enforcement of internationally accepted AML/CFT standards as set out in the FATF Forty Recommendations and FATF Eight Special



Recommendations. It also assists its members in establishing national coordination mechanisms to better utilize resources to combat ML/TF.

Nepal, after its membership in APG, since 2002, has been continually participating in different programs like plenary, trainings, and meetings organized by APG. Nepal completed two years' tenure as a regional representative of South Asian Region for the meetings of the Governance Committee of the APG in year 2019 and 2020.

APG organized the **APG Mutual Evaluation Preparation Seminar** via virtual medium in response to a request from FIU-Nepal & the Banker's Association of Nepal. It was held on 14 December 2021, where more than 200 participants from Nepal joined to discuss opportunities for the private sector to best support Nepal's overall efforts to strengthen Nepal's AML/CFT systems. Participants discussed opportunities for deeper cooperation and skills sharing within the private sector and between the private sector and government authorities. FIU-Nepal participated in APG Annual Meeting and Technical Assistance & Training Forum held in July 24-28, 2022 in Kuala Lumpur, Malaysia.



APG Secretariat Mutual Evaluation Preparation Training for Nepal on 14 December 2021, Source: APG Website

B) Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is an international policy-making organization which sets international standards that aims to promote effective implementation of legal, regulatory and operational measures for combating ML/TF/PF. Currently, it has 39 members. The FATF relies on a strong global network of FATF-Style Regional Bodies (FSRBs), in addition to its own 39 members to achieve global implementation of the FATF Recommendations. The nine FSRBs play an essential role in promoting the effective implementation of the FATF Recommendations by their membership and in providing expertise and input in FATF policy-making.



Although, Nepal is not a member of FATF directly, it has a relationship with FATF through APG. Nepal has been also engaged with FATF through the ICRG process since 2009. FIU-Nepal is committed to compliance with policy & standards to prevent organized crime, corruption and terrorism. FIU-Nepal adheres to standards set by FATF in combating ML/TF/PF. It has been actively participating in the activities of the FATF. The FATF recommendations seek to address new and emerging threats, clarify and strengthen many of the existing obligations, while maintaining the necessary stability and rigor. These standards are the basis of Mutual Evaluation, a peer review of a country's AML/CFT systems.

C) Egmont Group of FIUs

The Egmont Group is a global network of 166 FIUs providing a forum to securely exchange expertise and financial intelligence to combat ML/TF/PF, and associated predicate offenses. It fosters the development of FIUs and information exchange. It agreed in its Charter¹ and Statement of Purpose² to pursue among its priorities the stimulation of information exchange and to overcome the obstacles



1 Egmont Group of Financial Intelligence Units Charter approved by the Egmont Group Heads of Financial Intelligence Units July 2013, revised September 2018

2 Statement of Purpose of the Egmont Group of Financial Intelligence Units, The Hague, 13 June, 2001

preventing cross-border information sharing. The Egmont Group recognizes sharing of financial intelligence is of paramount importance and has become the cornerstone of the international efforts to counter ML/TF/PF. FIUs around the world are obliged by international AML/CFT standards to exchange information and engage in international cooperation. In addition to exchange of information/intelligence, Egmont Centre of FIU Excellence and Leadership (ECOFEL) facilitates knowledge enhancement activities include mentoring, coaching, staff exchanges, specialized training courses, a reference library, e-Learning platform development, and other support mechanisms for its members.

FIU-Nepal became a member of Egmont Group on June 10, 2015. Its international cooperation is governed by the Egmont Group of FIUs Principles of Information Exchange³ and guided by the FIU-Nepal Guidelines for Information Exchange, 2022. Requests for information from other FIUs are received, acknowledged upon receipt, and responded to in a timely manner via the Egmont Secure Web (ESW) secure email network. Similarly, the request for information from competent authorities is sent, upon request or spontaneously, to respective FIUs in a timely manner via the ESW. In addition to exchange of information/intelligence, FIU-Nepal continually participate in other activities of Egmont Group such as Surveys of Egmont, reviewing & providing comments on Egmont questionnaires, governance papers & projects.

FIU-Nepal participated in 28th Egmont Group Plenary held in Riga, Latvia, on July 10th to 15th, 2022. 103 FIUs witnessed the event along with 320 delegates. The theme of the plenary organized by FIU of Latvia was “New Ways to Drive Effectiveness in a Risk-Based Environment”.

D) Co-operation and Exchange of Intelligence/Information with Foreign FIUs

FIU-Nepal adheres to the Egmont principles on exchange of information³. All requests for information are replied to, in time, including cases where no information could be found. Similarly, the request for information from competent authorities is sent, upon request or spontaneously, to respective FIUs in a timely manner via the ESW. FIU-Nepal has been proactively participating in the Information Exchange confidentially to combat money laundering and financing of terrorism, from its inception.



The statistical information regarding the number of cases in which requests were made by FIU-Nepal to other foreign FIUs and the number of cases where FIU-Nepal received requests from foreign FIUs, in the fiscal year 2021/22, has been stated in the table below:

Table 4.1: Information/Intelligence Exchange with Foreign FIUs

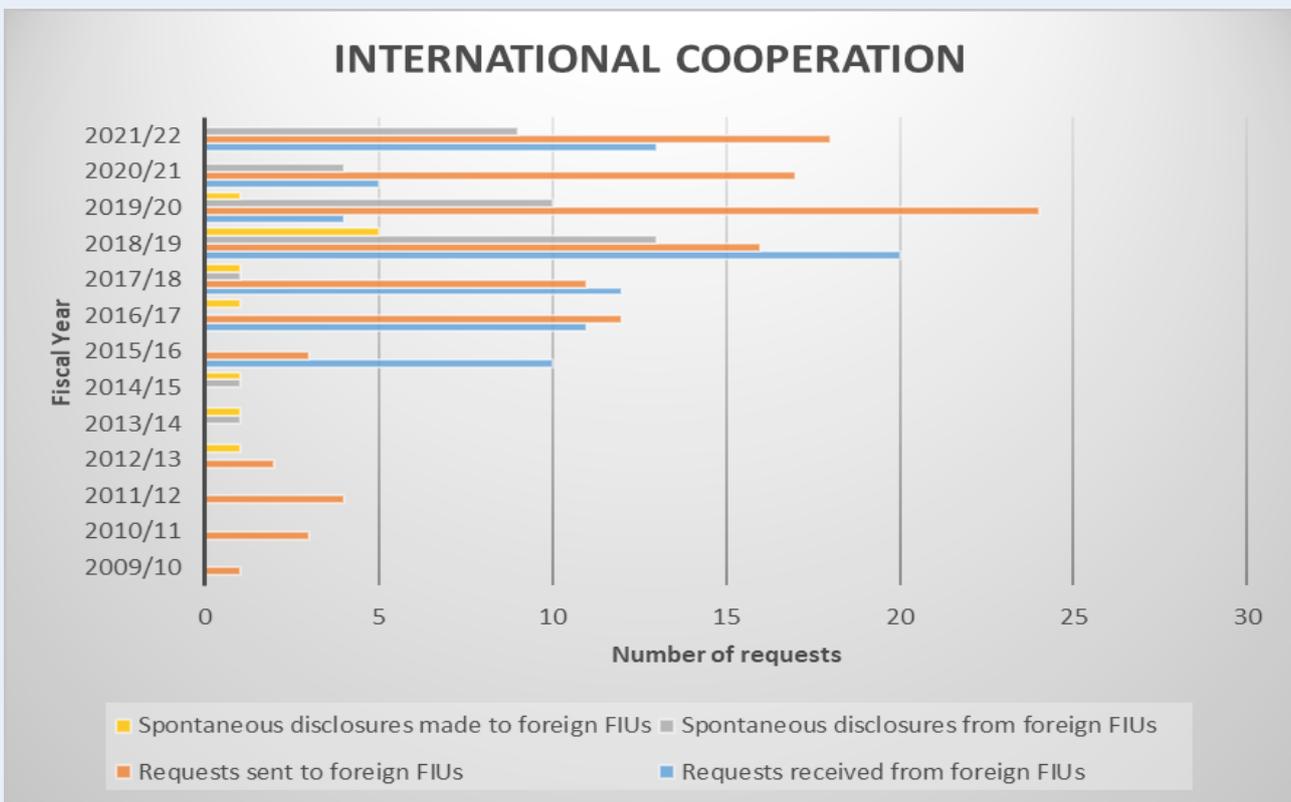
Year / Action Taken	Requests received from foreign FIUs	Requests sent to foreign FIUs	Spontaneous disclosures from foreign FIUs	Spontaneous disclosures made to foreign FIUs
2009/10	-	1	-	-
2010/11	-	3	-	-
2011/12	-	4	-	-
2012/13	-	2	-	1
2013/14	-	-	1	1

³ Egmont Group of FIUs Principles for Information Exchange Between Financial Intelligence Units, July 2013, revised May 2022

Year / Action Taken	Requests received from foreign FIUs	Requests sent to foreign FIUs	Spontaneous disclosures from foreign FIUs	Spontaneous disclosures made to foreign FIUs
2014/15	-	-	1	1
2015/16	10	3	-	-
2016/17	11	12	-	1
2017/18	12	11	1	1
2018/19	20	16	13	5
2019/20	4	24	10	1
2020/21	5	17	4	0
2021/22	13	18*	9	0

*Information Request sent via email

Figure 4.3: Information/Intelligence Exchange with Foreign FIUs'



Further, it participated in Egmont Biennial Census 2021 conducted by Egmont Group, and various other surveys of Egmont Group and other counterpart FIUs in the last fiscal year 2021/22. The statistical information regarding participation in International Surveys, in the fiscal year 2021/22, has been stated in the table below:

Table 4.2: Participation in International Surveys in FY 2021/22

S.N.	Survey Title	Surveyor
1	Feedback Survey/Asia Pacific Workshop on Information Sharing between FIUs/ Supervisory Agencies and LEAs	Egmont Centre of FIU Excellence and Leadership (ECOFEL)
2	Egmont Biennial Census 2021	Egmont Group Secretariat (EGS)
3	FIU Funding Survey	Egmont Group Secretariat (EGS)
4	OSINT for Strategic and Operational analysis	Information Exchange Working Group (IEWG)
5	Abuse of Virtual Assets for Terror Financing	Information Exchange Working Group (IEWG)
6	Trade Based Money Laundering and Misuse of Corporate Structures	Information Exchange Working Group (IEWG)

4.2.1 Memorandum of Understanding with Foreign FIUs

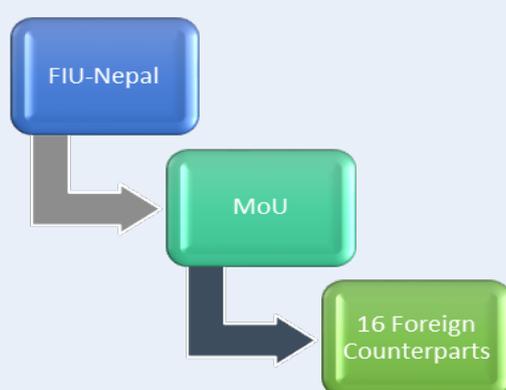
FIU-Nepal, for enhancing cooperation and exchange information/intelligence relating to ML/TF/PF and related offences with competent authorities in other jurisdictions, continued signing Memorandum of Understanding (MoU) with various foreign FIUs. Being a member of the Egmont Group, FIU-Nepal is able & authorized to exchange information/intelligence with 166 member FIUs through Egmont Secure Web (ESW) without requiring to Conduct MoU. The objectives of MoU are to facilitate the parties to the MoU in exchange of information concerning financial transaction suspected of being related to ML, associated predicate offenses and TF; and to facilitate them to disseminate information to each other, which may ultimately result in investigations and prosecution of person suspected



Source: <https://www.istockphoto.com/illustrations/mou>

of ML, associated predicate offences and TF by the competent authorities in their respective jurisdictions.

FIU-Nepal has taken initiative to sign MoU with the other FIUs to facilitate cooperation and information/intelligence exchange as well as to strengthen its relationships with them. It has done MoU with 16 foreign counterparts including MoU with Financial Intelligence Department (FID), Bhutan on 2020. It is in process of conducting MoU with Financial Monitoring Unit (FMU), Pakistan and FIU-Maldives.



CAPACITY BUILDING

The process of developing and strengthening the skills, instincts, abilities, processes and resources of FIU Nepal is continuing every year. Every day sophisticated ML/TF trends and instruments appear in the world unraveling the new threats and vulnerabilities. With the Covid-19 pandemic spreading in alarming rate, money launders and criminals are attacking the economic system using new tools and methods. E-wallet, e-banking, mobile banking systems are being abused; number of online fraud cases has increased. In reciprocation, FIU-Nepal has given utmost priority to enhance the capacity and skills of human resources/analysts who are engaged in detecting such criminal elements through STRs/SARs analysis. FIU-Nepal has made several strategic and operational efforts to enhance its capacity. Excelling the skills of workforce; knowledge building on red flags, trends and typologies of ML/TF and predicate offences are emphasized. For which, Staffs/Analysts of FIU-Nepal have participated in various national and international trainings, knowledge sharing programs, meetings, seminars both in national and international level. Most of the programs were in virtual platform during the year.

5.1 International Trainings

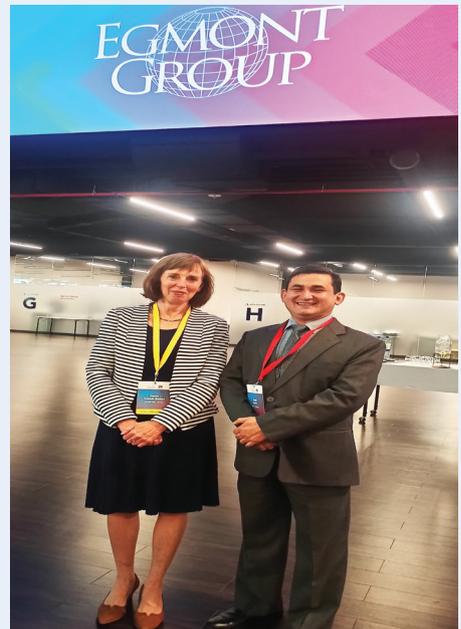
FIU-Nepal's officers and assistants have participated in training\workshop\seminar organized by International organizations viz. SEACEN, APG, Egmont Group, UNODC etc. During fiscal year 2021/22, 14 staffs of FIU-Nepal have participated in 14 different programs. The details of various Training\Workshop\Seminar participated by employees of FIU-Nepal is presented in the table below:-

Table 5.1: International Trainings and Meetings

S.N.	Trainings	Organizer	Medium
1	Counter proliferation Finance Due Diligence & sanctions Risk Management	SEACEN	Virtual
2	Corporate Vehicles & Financial Products	Egmont Centre	Virtual
3	Understanding the Evolving Typologies related to Networks and Structures of sanctioned Actors	CRDL Global	Virtual
4	ECOFEL APRG Workgroup	Egmont Group	Virtual
5	Virtual Webinar on Data Analytics	APG	Virtual
6	Wildlife Inter-Regional Enforcement (WIRE) Meeting	UNODC	Virtual
7	Introduction to VA/VASPs and the relevant FATF Standards training session	APG	Virtual
8	Webcast of the Plenary and Working Group Meeting	APG	Virtual
9	APG Special Plenary Meeting	APG	Virtual
10	APG Focused Virtual Standards Training Course	APG	Virtual

S.N.	Trainings	Organizer	Medium
11	Implementation on the FATF Standards Relating to Virtual Assets & Virtual Assets Service Providers	APG	Virtual
12	DNFBP 5th Webinar (Virtual)	APG	Virtual
13	Mutual Evaluation	Bangladesh FIU	Physical
14	28th Egmont Group Plenary	Egmont Group	Physical

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



Current chair of Egmont Group **Xolisile Khanyile** and former chair Hennie **Verbeek-Kusters** in 28th Annual Egmont Group Plenary organized by FIU-Latvia on Riga, Latvia (10-15 July, 2022)



FIU-Nepal along with Nepali delegates attended APG Annual Meeting and Technical Assistance & Training Forum at Kuala Lumpur, Malaysia (24-28 July 2022)



Staffs of FIU-Nepal with other Nepalese delegates participating in a program organized by FIU-Bangladesh (Source: BFIU)



FIU-Nepal attended meeting organized by ADB Team on Singapore regarding Trade based money laundering (TBML) (September 6, 2022)

5.2 Domestic Trainings

Nepal Rastra Bank, Bankers' Training Centre, organizes various training programs for the central bank staffs. Officers and Non-officers of FIU-Nepal participated in BTC's training programs which are structured to capacitate staffs on core banking functions.

The domestic training programs attended by the FIU-Nepal officials and assistants mainly includes the AML/CFT international standards, Risk based Supervision, NFRS, Management Development and Central Banking trainings. The detailed lists of domestic trainings are listed below in the table.

Table 5.2: Domestic Trainings

S.N.	Trainings	Organizer	Participants
1	AML/CFT Regime of Nepal	BTC, NRB	Assistant Director-4 Head Assitant-1
2	Research Methodology & report Writing	BTC, NRB	Assistant Director-1
3	Procurement Through E-Bidding	BTC, NRB	Head Assitant-1 Assistant-1
4	Planning, Budgeting & Risk Management	BTC, NRB	Assistant Director-1
5	Trainers Training	Staff College	Deputy Director-1
6	Financial Statement Analysis & NFRS	BTC, NRB	Deputy Director-1
7	Effective Leadership	BTC, NRB	Assistant Director-1
8	Risk Based Internal Audit	BTC, NRB	Assistant-1
9	Leadership	BTC, NRB	Deputy Director-2
10	Macroeconomic Management	BTC, NRB	Assistant Director-1
11	GL software	BTC, NRB	Head Assitant-2
12	Central Banking Training	BTC, NRB	Assistant Director-1 Head Assitant-1
13	Payment & settlement Systems in Nepalese Context	BTC, NRB	Assistant Director-1
14	Organization Behavior	BTC, NRB	Assistant-1
15	Management Dev. Programme	BTC, NRB	Assistant Director-1
16	Training on AML/CFT	National Judicial Academy	Assistant Director-2
17	Secretariat Training	BTC, NRB	Head Assitant-1
18	Forex Management	BTC, NRB	Assistant Director-1

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

5.3 Knowledge Sharing Programs within FIU

FIU-Nepal organized five Knowledge Sharing Programs in the fiscal year 2021/22, among which four were in-house and one is outside program. The Knowledge Sharing Programs were on different avenues of AML/CFT for sharing observations, experiences, ideas and best practices. It helps to enrich the skills and knowledge of the human resource of FIU-Nepal as well as to build uniformity in official working process.

In addition to these, FIU-Nepal encourages staffs to use e-learning platform like ECOFEL.



FIU-Nepal during Knowledge Sharing Program

FIU-Nepal organizes capacity building program through knowledge sharing program inviting national experts to deliver and share their experiences on AML/CFT. On 17th June 2022, Mr. Hari Kumar Nepal presented on “AML/CFT Mutual Evaluation 2022-23” at the Knowledge Sharing Program organized on online platform.

5.4 Interaction Programs

Interaction Programs Planned to be organized by FIU-Nepal in 2022/23

S.N.	Programs
1	AML/CFT Interaction Program with DNFBPs
2	Interaction Program on Pre-preparation of goAML Live Reporting with Regulators and reporting entities related to DNFBPs, Regulators and reporting entities of ‘D’ class financial institutions, Cooperatives, Provident Fund and Citizen Investment Trust.
3	Interaction Program for effective implementation of goAML with Compliance Officer of ‘A’, ‘B’, ‘C’ Class BFIs, securities, Insurance and Remittance reporting entities about problems, challenges and solution about goAML implementation on Office Program Hall.
4	AML/CFT Interaction Program with Regulatory and Supervisory bodies
5	AML/CFT Interaction Program with Law Enforcement Agencies
6	Interaction Program with representatives of PSP/PSOs about AML/CFT probable risks and preparation for SAR/STR/TTR Reporting through goAML System

Interaction Program related to APG Third Round Mutual Evaluation Preparation



Interaction Programs Planned to be organized by FIU-Nepal in 2022/23

S.N.	Programs
1	AML/CFT Interaction Program with DNFBPs
2	Interaction Program on Preparation of goAML Live Reporting with Insurance Companies
3	Interaction Program on Preparation of goAML Live Reporting with Regulators and reporting entities related securities sector
4	Interaction Program for effective implementation of goAML with Compliance Officer of 'A', 'B', 'C' Class BFIs reporting entities about problems, challenges and solution about goAML implementation
5	AML/CFT Interaction Program with Regulatory and Supervisory bodies
6	Interaction Program on Preparation of APG Third Round Mutual Evaluation with NRB Departments/ Division/Unit

MUTUAL EVALUATION OF NEPAL

6.1 Mutual Evaluation: Brief Overview

FATF/FSRB conducts mutual evaluations of its members' levels of implementation of the FATF Recommendations on an ongoing basis. These are peer reviews, where members from different countries assess another country. A mutual evaluation report provides an in-depth description and analysis of a country's system for preventing criminal abuse of the financial system as well as focused recommendations to the country to further strengthen its system. The Assessment of AML/CFT system is done on the basis of:

- FATF revised standards 2012
- FATF methodology 2013
- APG 3rd round ME procedures 2021
- Mutual evaluation questionnaire

The mutual evaluation reports allow countries to determine how they should improve their national AML framework and how to do this via tailored recommendations provided by FATF. Mutual evaluations are useful to country authorities, regulators, the financial sector and the general public as they help determine the money laundering or terrorist financing risks of a jurisdiction. The FATF/FSRB follows a very structured methodology and predefined procedures to measure two distinct components that make up the overall assessment.

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

Thus, FATF does not only look at what laws and institutions are in place to foster an effective AML framework, but also at how effective these measures are and what results and consequences they are having. Typically, countries respond to mutual evaluation observations by taking additional policy measures.

THE FATF “BIG SIX” RECOMMENDATIONS

The 40 FATF Recommendations are evaluated in a risk based, manner. However, certain Recommendations are viewed as vital building blocks for a functional AML/CFT regime, regardless of the risk and context. These are Recommendations that make up the “big six” and consist of Recommendations 3, 5, 6, 10, 11, and 20 corresponding to criminalizing ML & TF

offence, targeted financial sanctions for TF, customer due-diligence & record keeping measures and reporting of suspicious transactions.

If a country is rated Non-compliant or Partially Compliant (NC/PC) on 3 or more of these big six, then a country may be subject to the International Co-operation Review Group process, should they meet the prioritization criteria. In respect to terrorist financing, both Recommendations 5 (TF Offence) and 6 (targeted financial sanctions for terrorism finance), are among the “Big Six” Recommendations.

Source: Report on the State of Effectiveness and Compliance with the FATF Standards

TECHNICAL COMPLIANCE AND EFFECTIVENESS

Mutual evaluations result in two sets of ratings:

a) Technical Compliance (TC)

40 ratings that represent the extent to which the country has established the laws, regulations and operational framework required by the FATF. These are the building blocks for a robust framework to combat money laundering, and the financing of terrorism and proliferation. The ratings scale:

- Compliant (C)- There are no shortcomings.
- Largely compliant (LC)- There are only minor shortcomings.
- Partially compliant (PC)- There are moderate shortcomings.
- Non-compliant (NC)- There are major shortcomings.
- Not applicable (NA)- A requirement does not apply, due to the structural, legal or institutional features of the country.

b) Effectiveness

11 Ratings that reflect the extent to which a country’s measures are effective. The assessment is conducted on the basis of 11 immediate outcomes, which represent key goals that an effective AML/CFT/CPF system should achieve. The ratings scale:

- High level of effectiveness (HE)- The Immediate Outcome is achieved to a very large extent. Minor improvements needed.
- Substantial level of effectiveness (SE)- The Immediate Outcome is achieved to a large extent. Moderate improvements needed.
- Moderate level of effectiveness (ME)- The Immediate Outcome is achieved to some extent. Major improvements needed.
- Low level of effectiveness (LE)- The Immediate Outcome is not achieved or achieved to a negligible extent. Fundamental improvements needed.

Source: Report on the State of Effectiveness and Compliance with the FATF Standards

Follow-up Processes

a) Regular and enhanced follow-up

After publication of their mutual evaluation report, a country enters the follow-up process, which monitors the progress they make in addressing the deficiencies. Depending on the results of their mutual evaluation, they can enter a regular or enhanced follow-up process, with more frequent reporting.

b) International co-operation and review (ICRG)

The FATF also identifies jurisdictions with significant weaknesses in their regimes to combat money laundering and terrorist financing to work with those countries to address their weaknesses. The FATF's process encourages countries to swiftly address these deficiencies and helps protect the integrity of the international financial system by issuing a public warning about the risks emanating from the identified jurisdictions.

ICRG: Identifying and Addressing Serious Weaknesses in the Global Financial System

The FATF continually identifies and reviews jurisdictions with strategic AML/CFT/CPF deficiencies that present a risk to the international financial system and closely monitors their progress. The FATF's International Co-operation Review Group (ICRG) oversees the process.

The FATF reviews jurisdictions based on threats, vulnerabilities, or particular risks arising from the jurisdiction. Specifically, a jurisdiction will be reviewed when:

1. It does not participate in a FATF-style regional body (FSRB) or does not allow mutual evaluation results to be published in a timely manner; or
2. It is nominated by a FATF member or an FSRB. The nomination is based on specific money laundering, terrorist financing, or proliferation financing risks or threats coming to the attention of delegations; or
3. It has achieved poor results on its mutual evaluation, specifically:
 - it has 20 or more non-Compliant (NC) or Partially Compliance (PC) ratings for technical compliance; or
 - it is rated NC/PC on 3 or more of the following Recommendations: 3, 5, 6, 10, 11, and 20; or
 - it has a low or moderate level of effectiveness for 9 or more of the 11 Immediate Outcomes, with a minimum of two lows; or
 - it has a low level of effectiveness for 6 or more of the 11 Immediate Outcomes.

To be removed from FATF monitoring, a jurisdiction must address all or nearly all the components of its action plan. Through the ICRG process, the FATF has so far publicly identified over 80 jurisdictions. The process is instrumental in ensuring the high-level political commitment necessary for necessary legal, regulatory and operational reforms. Over 60 of these publicly identified countries made the necessary changes to close the loopholes and successfully exited the ICRG process. By strengthening their national framework, they help prevent the harm caused by money laundering and terrorist financing in their own country and worldwide.

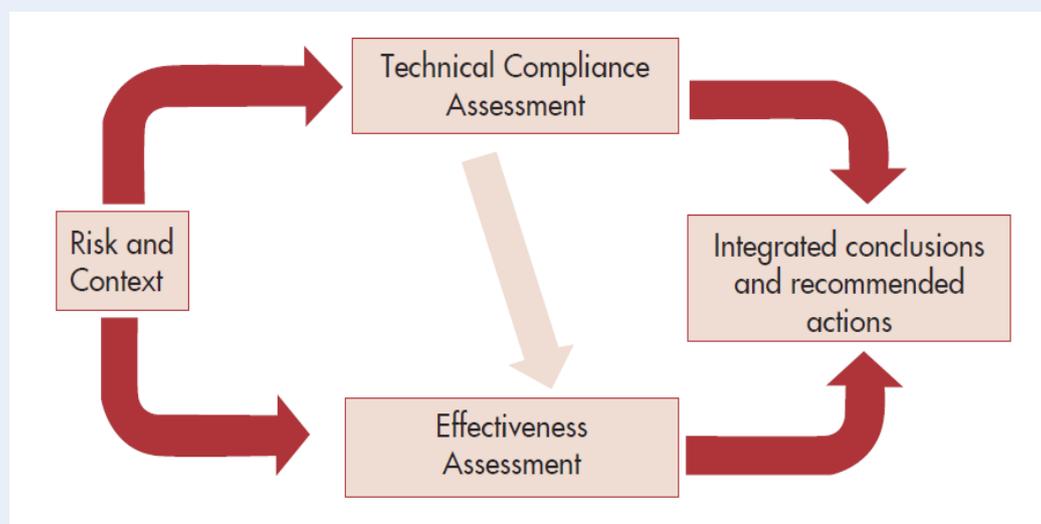
Source: Report on the State of Effectiveness and Compliance with the FATF Standards

Figure 6.1: Relationship between Recommendations and Immediate Outcomes

Relationship between Recommendations and Immediate Outcomes		
EFFECTIVENESS	TOPIC	RELATED RECs
IO 1	Risk and policy coordination	R. 1, 2, 33, 34
IO 2	International cooperation	R. 36-40
IO 3	Supervision	R. 14, 26-28, 34, 35
IO 4	Preventive measures	R. 9-23
IO 5	Transparency of legal persons and arrangements	R. 24, 25
IO 6	Financial intelligence	R. 29-32
IO 7	Money laundering investigations and prosecutions	R. 3, 30, 31
IO 8	Confiscation	R. 1, 4, 32
IO 9	Terrorist financing investigations and prosecutions	R. 5, 30, 31, 39
IO 10	Terrorist financing targeted financial sanctions and non-profit organizations	R. 1, 4, 6, 8
IO 11	Proliferation financing targeted financial sanctions and domestic coordination	R. 7

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

Figure 6.2: Mutual Evaluation Process



Source: APG

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

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

Assessor considers the nature and extent of the ML/TF risk factors to the country at the outset of the assessment and throughout the assessment process.

Risk level and types of proceeds-generating crime in the country, cross-border flow of criminal or illicit assets and country's own assessment is taken as an initial basis for understanding the Risk. The relative importance of different parts of the financial sector and different Non-Financial Business and profession are also taken into consideration. In order to reach a general understanding of the context in which the country's AML/CFT system operates the contextual factors, including the risks, issues of materiality, structural elements, and other contextual factors are considered.

i) **Materiality**

- The relative importance of different types of financial products or institutions;
- The amount of business which is domestic or cross-border;
- The extent to which the economy is cash-based; and
- Estimates of the size of the informal sector and/or shadow economy).
- The size of population, level of development, geographical factors, trading or cultural links, relative importance of different sectors and issues are also considered.

ii) **Structural Elements**

- Political Stability, High level commitment to address AML/CFT issues,
- Stable Institutions with accountability, integrity and Transparency
- Rule of law and capable independent and efficient Judicial System.

iii) **Other Contextual Factors**

- Maturity and sophistication of Regulatory and Supervisory regime in the country.
- The level of corruption and the impact of measures to combat corruption or the level financial exclusion.

b) Technical Compliance Assessment: A desk-based technical compliance analysis assesses compliance by an APG member with the specific requirements of each of the 40 FATF recommendations- the relevant legal and institutional framework of the jurisdiction, and the powers and procedures of competent authorities. These recommendations represent the building blocks of an AML/CFT system. The technical compliance analysis is undertaken by an assessment team prior to an on-site visit of the member being evaluated. In case of requirement Pre-Onsite Visit is conducted by the Assessment Team to gauge the level of technical compliance.

c) Effectiveness Assessment: The main component of a mutual evaluation is effectiveness assessment. It assesses the extent to which an APG member achieves a defined set of outcomes that are central to a proper functioning and effective AML/CFT system with expected results based on the ML and TF risk profile of that jurisdiction. An effectiveness assessment comprises of the extent to which an APG member achieves a defined set of outcomes that are central to a proper functioning and effective AML/CFT system with expected results based on the ML and TF risk profile of that jurisdiction. Experts forming the assessment team use "11 Immediate Outcomes," including core issues for each outcome, in the 2013 methodology with an aim to achieve the High Level objective of "Protecting the Financial System and the Broader economy from ML/TF threats and Proliferation, Strengthening Financial System Integrity and contributing to safety and security".

The effectiveness assessment is not just based on information exchanged with the assessment team; after the information is exchanged the team will visit the member under evaluation (usually for two weeks, sometimes longer) and interview government and private sector officials to gain a comprehensive understanding of how the AML/CFT system is working. It's about gauging how things are done in practice in line with Risk and Context. It focuses on results achieved and is measured using the IO referenced in the FATF Methodology. Private sector participation is central to gaining this understanding.

d) Integrated Conclusions and Recommended Actions: It is the final step of mutual evaluation where the key findings with recommended actions are presented. On the basis of a), b) and c) as mentioned above, the detailed analysis of the level of compliance with the technical criteria and the final conclusion are presented by the assessor team. A mutual evaluation report is not the end of the process. It is a starting point for the country to further strengthen its measures to tackle money laundering and the financing of terrorism and proliferation. Mutual Evaluation Report is not the end of the process. It is a starting point for the country to further strengthen its measures to tackle money laundering and the financing of terrorism and proliferation.

Table 6.1 Rating Scales for Technical Compliance and Effectiveness Assessment

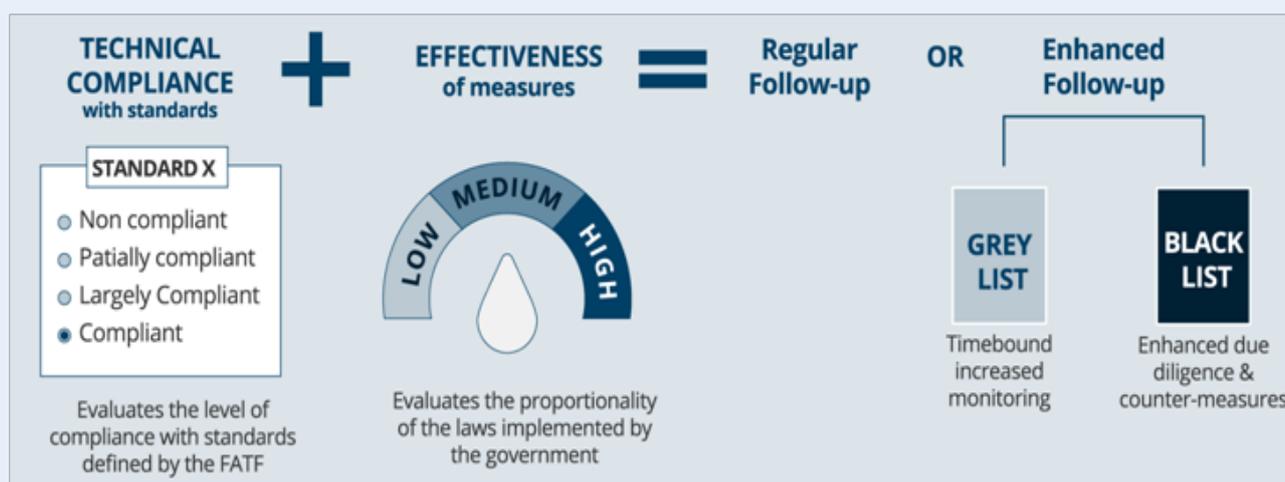
Compliance/Achievement Ratings			
Technical-40	Shortcomings	Effectiveness - 11	Extent of achievement/Improvements needed
Compliant	No	High level of effectiveness	Very large/minor
Largely compliant	Minor	Substantial level of effectiveness	Large/moderate
Partially compliant	Moderate	Moderate level of effectiveness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

A complete mutual evaluation takes up to 18 months. The stages in this process are as follows:

- **Assessor training:** The FATF/FSRB organizes regular training to train experienced national experts in the FATF Recommendations and FATF Assessment Methodology. FATF does not restrict itself to assessors from FATF countries, all countries that are part of the Global Network of FATF and FATF-style regional bodies and FATF observer organizations can provide experts for assessments.
- **Country training:** The FATF/FSRB organizes training for representatives of the assessed country so that they know what they will need to provide and demonstrate during the process.
- **Selection of assessors:** The FATF/FSRB selects the members of the assessment team from the pool of trained assessors. The composition of the team depends on the required expertise for an assessment, including language and legal background. Assessors are appointed by the President, assessed countries do not have a say in the selection.
- **Technical compliance:** The country provides information about its laws and regulations to the assessors. The assessors analyze this information, checking if all the required laws and regulations, as required by the FATF Recommendations, are in place. This analysis takes approximately 4 months, sometimes longer if translations or additional documents are required. Following the analysis, assessors produce a draft report, with technical compliance ratings for all 40 Recommendations.

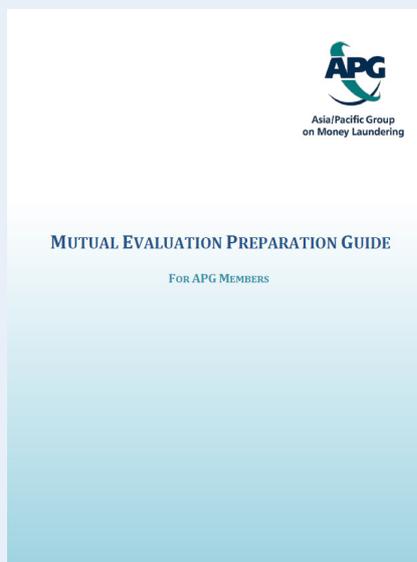
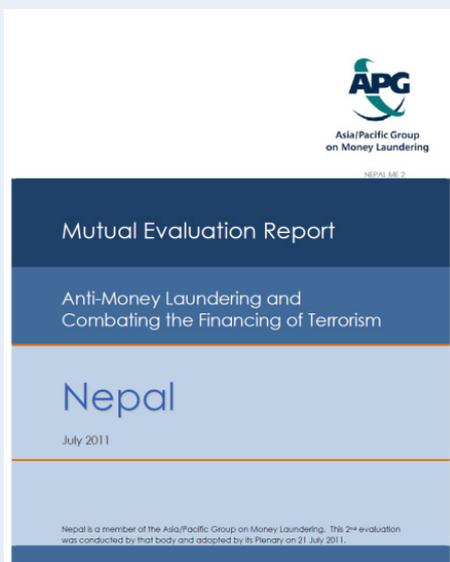
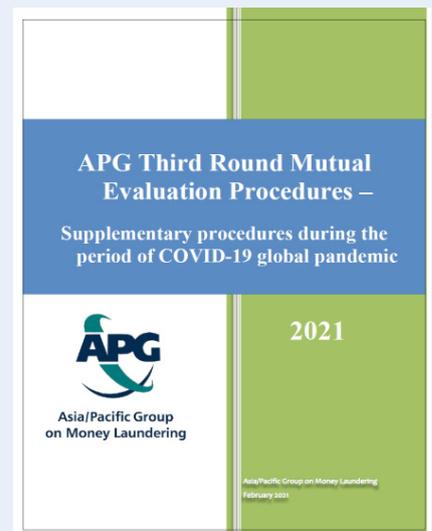
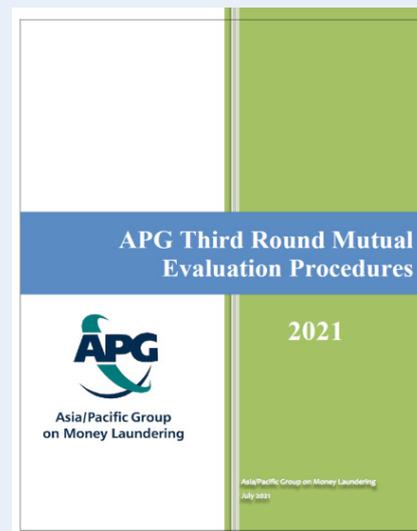
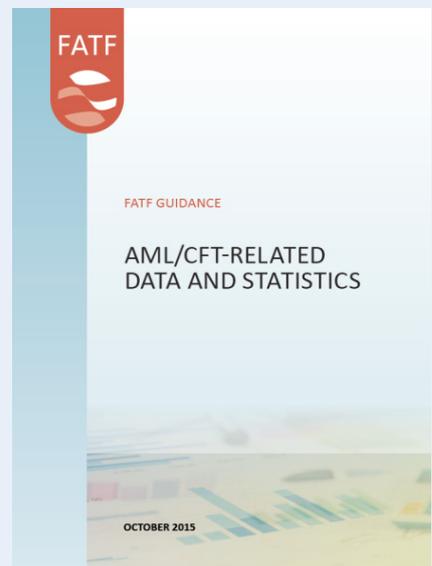
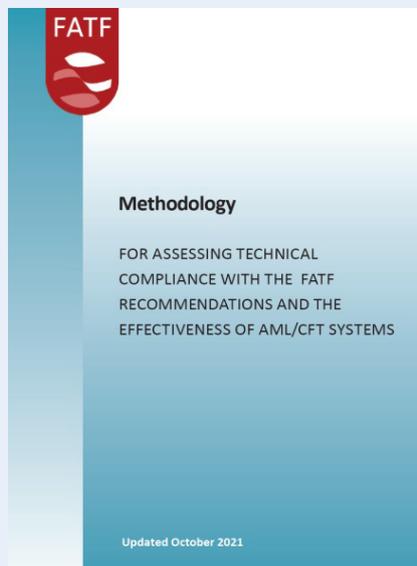
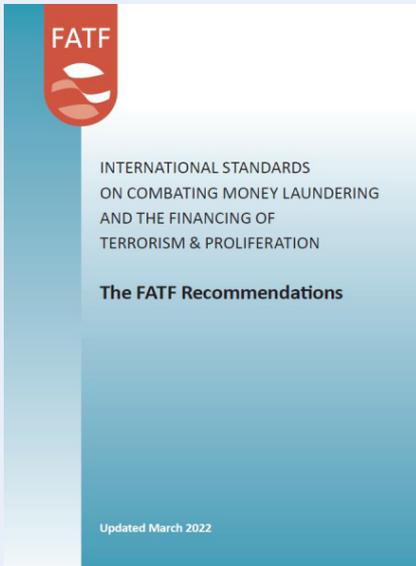
- **Scoping:** In preparation for the effectiveness assessment and the on-site visit, assessors undertake a preliminary scoping exercise to determine the areas of focus of the on-site visit. Elements that are factored in are the type of threats, vulnerabilities and risks, the type of economy, the size type of financial and other sectors, political stability and commitment, the rule of law, and the level of maturity of the country’s system to combat money laundering and the financing of terrorism and proliferation.
- **On-site visit:** The on-site visit provides the best opportunity to clarify issues relating to the member’s AML/CFT system. Assessors focus on areas where higher ML and TF risks are identified. They request and meet with all relevant agencies during the on-site. The team works on understanding of risk, to complement the write-ups of the member’s national risk assessment(s).
- **Report drafting:** Immediately following the on-site visit, the assessors finalize the mutual evaluation report with the findings of the effectiveness and technical compliance assessment. The assessed country is given the opportunity to comment on the draft report, and have a face-to-face meeting with the assessors. The report is also reviewed by independent reviewers. But ultimately, the assessors are the only ones who decide on the text of the report and the final proposed ratings for effectiveness and technical compliance.
- **Plenary discussion:** The assessors present the draft report to the FATF Plenary at one of the three meetings it held every year. The Plenary will discuss the assessors’ findings and proposed ratings. Consensus among members (except for the assessed country, which has no vote) is required to overrule any of the draft findings and ratings by the assessors.
- **Final quality review:** Following plenary approval, all countries within the FATF Global Network will review the report for technical quality and consistency before it is published on the website, which is usually two months after plenary approval.
- **Follow-up:** After adoption, the countries are required to address the shortcomings identified in the report. All countries are subject to post-assessment monitoring. This can include anything from regular reporting of improvements for countries that are already largely compliant and demonstratively committed to addressing the remaining few shortcomings, to issuing a public warning against a country that makes insufficient progress to address key deficiencies.

Figure 6.3: Mutual Evaluation Process and Outcome



Source: fatfplatform.org

6.2 Key Documents for Mutual Evaluation



6.3 Functions and Responsibilities of Different Agencies in AML/CFT Regime

Reporting Entities	Regulators\Supervisor	FIU	LEAs & other
<ul style="list-style-type: none"> • AML/CFT Policy & Program • CDD/KYC Mechanisms • Risk Assessment • Ongoing Monitoring • Detecting SAR/STR/TTR • Reporting regulatory reports • Internal Control • Capacity Development • Record Keeping • Review & Appraisal 	<ul style="list-style-type: none"> • Licensing and Implementing fit & proper test • Directives Issue • Conduct sectoral risk assessment • Maintaining institutional risk profiling • Conducting risk based AML/CFT supervision • Ensuring the integrity of the sectors • Ensuring the system in the sector is functioning, effective and producing outcomes (not only outputs) • Imposing Sanctions • Cash Penalty to De-licensing 	<ul style="list-style-type: none"> • Receiving SAR/STR/TTR • Analyzing them (information to intelligence) • Disseminating intelligence to LEAs and other competent agencies 	<ul style="list-style-type: none"> • <u>Jurisdiction</u>: Predicate offences (LEAS) and ML/TF (DMLI) • Adoption of two pronged investigations (predicate & financial) • Use of Financial Investigation tools • Following money trail (source & destination) • Honor the rights of bona-fide third parties • Use of special powers like undercover, arrest waiver, monitoring order, control delivery • Domestic & international cooperation & coordination (Counterpart, FIU, MLA) • Prosecution & Adjunction • Assets Recovery

6.4 Nepal and Mutual Evaluation

As Nepal is a member of APG, mutual evaluation of Nepal is conducted by APG. A mutual evaluation involves a team of experts drawn together from APG member jurisdictions (specially trained and qualified in the FATF's assessment methodology). The team consists of legal experts, financial and regulatory experts and law enforcement experts (including FIU experts). The basic objective of the mutual evaluation is to assess the legal and institutional compliance level and the extent to which the defined outcomes are achieved.

Nepal was evaluated for the first time in 2005 based on FATF 40 + 9 standards. Nepal was rated Non-Compliant (NC) on 34 recommendations, Partially Compliant (PC) on 8 recommendations, Largely Compliant (LC) on 4 Recommendations and 3 recommendations were Non-Applicable (NA) out of 49 recommendations. Out of the 16 core/key recommendations Nepal was NC or PC on 15 Recommendations and LC on one recommendation. When the first mutual evaluation was carried out Nepal had not promulgated Assets (Money) Laundering Prevention Act hence, money laundering offence was not criminalized. The Act was later enacted in 2008.

Nepal was evaluated for the second time in 2010 again based on FATF previous 40 + 9 standards. The report was adopted in July 2011 where Nepal was rated NC or PC on 43 recommendations, LC on 3 recommendations, NA on 2 recommendations and compliant on one recommendation. Out of the 16 core/key recommendations Nepal was NC or PC on 15 Recommendations and LC on one recommendation. However, Nepal's progress after the evaluation was so substantial that it had technically (legal and institutional) resulted LC in 10 Core/Key recommendations. Department of Money Laundering Investigation was institutionalized later in 2011. These achievements have also assisted Nepal to come out from the APG Expedited/Enhanced as well as from regular monitoring in 2014. Technical assistance provided by the APG for the development of such AML/CFT system in Nepal is remarkable.

Nepal's third mutual evaluation was originally scheduled for 2021-22, however, due to Covid-19 pandemic, it is re-scheduled for 2022-23 under new methodology revised in 2013. Unlike last evaluation of Nepal in 2010, which was primarily based on technical (legal and institutional) aspects, the third evaluation will also be assessed in effectiveness for visible implementation and outcomes in addition to technical outputs and laws. All respective agencies need to have serious concerns early so that scattered efforts can trickle down into a consolidated national achievement.

6.4.1 Nepal's Third Round Mutual Evaluation 2022

Nepal's Third Round Mutual Evaluation is being done under the FATF's Revised 2012 standards and 2013 Methodology as guided by FATF's Universal Procedures. The onus or the burden of proof rests on the assessed jurisdiction to provide evidence of technical compliance and effectiveness. The sound knowledge of our system, case studies, statistics and evidence to support assertions of compliance and effectiveness is a pre-requisite. Year 2022-23 is of significant importance as it is the year for Mutual evaluation for Nepal. Nepal has begun its preparation of Mutual Evaluation 2022-23 with the active participation and involvement of Regulators, Intelligence Agencies, Investigation Agencies, Prosecuting and Adjudicating Agencies, the Oversight and Policy Agencies, Private Sector, Civil Society, High Level Committees and with the support of APG secretariat.

a) Key Steps of Nepal's ME includes

- Pre-onsite visit on TC (Technical Compliance)
- Onsite visit for EC (Effectiveness Compliance)
- Face-to-face meeting
- Global distribution of report
- Comments and review
- Pre-plenary meeting
- Plenary meeting
- Determination of monitoring modality based on results
- Report publication

b) Nepal's preparation for ME:

- Involvement of 57 Agencies (Ministries/Departments/LEAs/Regulators/Committees) more than 100 face-to-face meetings, workshops and interactions
- More than 30 programs (Virtual/physical) for preparation of ME
- Three virtual interaction programs were conducted with coordination with APG Secretariat
- Regular meeting of Mutual Evaluation Main Committee (MEC)
- Discussion of ME in all major AML-CFT committees such as National Co-ordination Committee (NCC), National Review Council, Regulators coordination committee, Investigation Coordination Committee, Counter Terrorism Mechanism, Mutual Evaluation Committee and Technical Group for Implementation.
- Nepal's Response on Technical Compliance Criteria's– 40 Recommendations, 251 Main Criteria's (questions) & 425 Total Questions
- Nepal's Response on Effectiveness Compliance – 11 Immediate Outcomes, 55 Main questions & Total 138 Questions

- Nepal's response to additional set of questions total 137 questions and Technical Compliance and Effectiveness Assessment further questions received from the Assessment Team.
- Preparation for Onsite visit is under progress

c) Role of FIU-Nepal in APG Third Round Mutual Evaluation (ME) of Nepal 2022-23

- FIU-Nepal worked as a contact point for APG Secretariat, all email communication between APG Secretariat and Nepal is done through FIU-Nepal.
- FIU-Head is the member of Mutual Evaluation Committee (MEC) and Technical group, on which decision is made regarding mutual evaluation process, such as finalisation pre-onsite agenda, participants in the meeting (lead agency and supporting agency), etc.
- Deputy Director and Assistant Directors of FIU-Nepal are members of Mutual Evaluation Logistics Team.
- One officer from FIU-Nepal is deputed at OPMCM for Mutual Evaluation Support Team on full-time basis for Report/Response writing regarding Mutual Evaluation and co-ordinating with relevant domestic agencies of Nepal as per requirement.
- Two officers from FIU-Nepal to work as liaison officers during pre-onsite and onsite visit of assessment team.
- FIU-Team facilitated for translation of AML/CFT documents from Nepali to English Language.
- FIU-Nepal co-ordinates with relevant stakeholders and agencies for mutual evaluation process as per requirement.

d) Challenges for ME

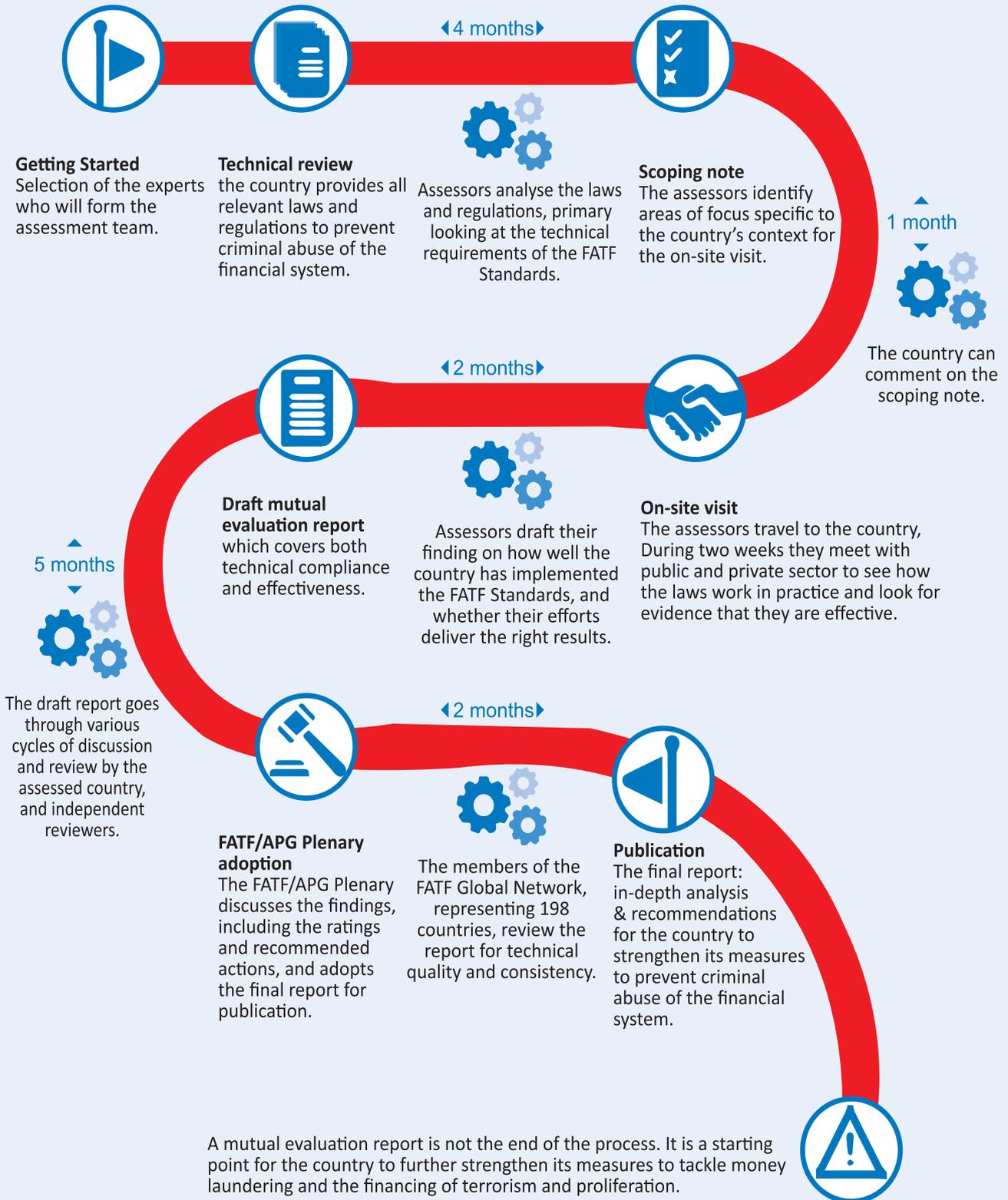
- Inadequate legal/ statutory provisions - required amendments arrangements
- Effective implementation of principles, laws, policies and institutional obligations
- Effective action in High Risk Areas
- Capacity Building and Motivation of Human Resources working in the Area of collection , Analysis, Dissemination and investigation of Financial Crimes.
- Risk of Nepal falling under Enhanced follow-up or ICRG Monitoring.

e) Consequences of low rating in ME

- Weak AML/CFT regimes are taken and high risk jurisdiction by International Community and are skeptical in providing foreign aid, technical assistance , banking relations, foreign investments, flow of remittance etc.
- International and corresponding Banking may get blocked, delayed or pass-through cumbersome process of covenants which may add to cost of international trade and Informal systems like Hundi, Hawala.
- Reputation and Image of Country's financial sector will be at stake.
- Possible occurrence of Capital flight.
- Assets of Nepali Residents and Nepal Government abroad may be considered Risky.
- Banking Sector of Nepal may face undue consequences in conducting International Banking Transactions.
- Unwanted Expansion of Informal Sector which may jeopardize and limit the areas and influence of Fiscal and Monetary Policy.
- Internal issues may emerge such as civil unrest and destabilize the economy.

Figure 6.4. Mutual Evaluation Process

THE MUTUAL EVALUATION PROCESS



Source: FATF

OPPORTUNITIES AND CHALLENGES

7.1 Overview

AML/CFT system has established itself as a primary means to safeguard the financial system, control financial crimes and disseminate a message that nobody can permanently enjoy the proceeds of crime. It is a principal concern of the world that any kind of wealth generating offence cannot go free without detection and prosecution in any jurisdiction. However, the task of controlling money laundering and terrorist financing is possible only with sincere involvement of multi-agencies within the territory and it equally demands the international cooperation.

Nepal has made significant achievement to build a foundation for implementation of AML/CFT system by devising sound legal and institutional frameworks, organizing gradual capacity building programs, and creating awareness to stakeholders as well as to the general public. The accomplishment also counts on the development of smooth coordination in policy as well as operational levels. Necessary institutions, including FIU-Nepal, has been established to strengthen the overall chain of AML/CFT regime of Nepal. FIU-Nepal has legal mandate to receive, analyze and disseminate financial intelligence and works as the focal point of this regime. Further, FIU-Nepal is continuously giving efforts for domestic as well as international cooperation to improve the speed and quality of information/intelligence sharing.

There is always room for improvement, hence, assurance of effective implementation and continuous improvement of AML/CFT system still has remained a foremost challenge. Dynamic and complex nature and trends of ML/TF is such a challenge where all stakeholders and their collective and coordinated efforts need to be put together.

Furthermore, Nepal should pay attention towards its ongoing mutual evaluation. Since it will be focused on effectiveness assessment, it demands not only implementation and outputs but also visible outcomes along with cooperation and coordination among AML/CFT stakeholders. Hence, to achieve this outcome, all concerned agencies should concentrate on their core business considering the benefits of AML/CFT system and the third round mutual evaluation as the most important agenda. The third round mutual evaluation will be an opportunity to prove Nepal that it is very sensitive towards the implementation of AML/CFT norms into reality.

7.2 Opportunities & Challenges

FIU-Nepal, one of the core agencies of AML/CFT system of the country, works as buffer between REs, LEAs, and other stakeholders. It has made efforts to take REs into confidence and become proactive to make LEAs use its intelligence to prosecute ML/TF offenders. So, it demands a critical balance among the stakeholders. Similarly, relation with regulators is very important to motivate REs to comply with AML/CFT rules and regulations. FIU-Nepal also focuses on national AML/CFT policy formulation and implementation.

FIU-Nepal has put increased focus on its core functions; receiving, analysis and dissemination of financial information (STRs/TTRs) and make all possible efforts to boost coordination and cooperation for achieving its objectives and assisting supervisors, LEAs, prosecutors and judicial authorities for their contribution to overall ML/TF system. FIU-Nepal is continuously working to develop analytical skills compatible with goAML and integrate major REs and LEAs in goAML system.

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

- To integrate all the REs and LEAs into goAML system,
- To create intensive awareness among REs on STR/SAR and reporting system,
- To enhance skills and capacity of FIU-Nepal officials and other related stakeholders regarding goAML software and AML/CFT emerging issues,
- To enhance analytical skills and capacity building of analysts,
- To prepare for ongoing Mutual Evaluation Process,
- To access government database and other data sources for necessary information for STRs/SARs analysis.
- To increase STRs/SARs reporting from DNFBCs.
- To maintain inter-agency coordination and cooperation in policy and operational levels,
- To assist in national policy formation and implementation.

Some general key points of opportunities and challenges for worldwide FIUs are:-

- FIUs' expertise, procedures and governance arrangements need to be responsive to changes in the environments in which they operate for them to continue to effectively perform their core functions (*Source: FIUs: Effective institutional design, mandate and powers, Transparency International, 2019*).
- An ongoing feature of FIUs' work is adapting to changes in criminal behavior and methodology.
- FIUs must also keep pace with technological advances, which present both opportunities and challenges for the AML/CFT system; for example crypto-currencies and other products using block chain technology (*FATF 2017*).
- FIUs must operate in an evolving legislative and regulatory framework as governments grapple with the possibilities and vulnerabilities posed by this area of innovation.
- Many countries are making or considering changes to their privacy and data protection laws, which may also have ramifications for FIUs' access to, treatment and storage of information (*Egmont Group, Strategic Plan 2018-2021*).
- An area of increased emphasis for FIUs, both in their institutional design and operation, is corruption.
- The Egmont Group notes that FIUs are "strategically placed to detect corruption and trace its proceeds" (*Egmont Group, Buenos Aires Communique 2018*). Given the widespread and high levels of corruption reported worldwide, FIUs need to develop effective capabilities to identify transactions and activities which are indicative of corruption.
- In 2018, the Egmont Group published a non-exhaustive set of red-flag indicators to assist FIUs with this growing area of work, including practices to determine whether a case involves politically exposed persons (*Egmont Group 2018*).

7.3 Way Ahead

FIU-Nepal can expand and systematize international cooperation in the reciprocal exchange of information and increase the effectiveness by offering trainings and promoting personnel exchanges. It helps to improve the expertise and capabilities of the staffs of FIU-Nepal in operational and strategic analysis. Furthermore, it is hoped that the membership of Nepal with international agencies like APG, Egmont etc. will help Nepal in exchange of information, technical support and improving AML/CFT regime.

FIU-Nepal will further improve feedback mechanism and increase coordination with LEAs for the effective use of disseminated intelligence report. FIU-Nepal is preparing for the ongoing Mutual Evaluation of Nepal and functioning to meet the compliance requirement in line with the FATF Standards.

FIU-NEPAL: MONTHLY HIGHLIGHTS OF FY 2021/22

Shrawan (July/August)

- Publication of updated **STR/SAR Guidelines 2021**.
- Publication of goAML Web Reporting Guideline for Cooperatives.
- Integration of Nepal Police in goAML software.
- Interaction program with Nepal Police to discuss on areas of coordination and cooperation.

Bhadra (August/September)

- APG Pre-Mutual Evaluation Assistance to Nepal, Virtual Workshop for Nepal's lead authorities/agencies regarding preparation of Mutual Evaluation was organized with the support of APG Secretariat.
- Interaction program was conducted with CIT for integration in goAML software.
- Meeting with Development Bank Supervision Department on goAML reporting and Other Supervision Issues.

Ashoj (September/October)

- First Issue of "FIU-Nepal Newsletter" published on October 2021.
- One day "Compliance Officers' Meet" organized with 27 Commercial banks.
- Knowledge Sharing Program conducted on soft skill development within FIU-Nepal employees.

Kartik (October/November)

- Submission of Annual Report 2020/21 of FIU-Nepal to NRB and MoF.
- Department of Revenue Investigation (DRI) incorporated in goAML (Production Live Environment).
- Interaction Program with Payment Service Providers (PSPs) and Payment System Department (PSD) regarding goAML reporting.
- Interaction program with Microfinance Institutions and Microfinance Institutions Supervision Department regarding goAML reporting.

Mangshir (November/December)

- Knowledge sharing on APG Assessor Training was organized.
- Compliance Officers' Meet was organized with the participation of compliance officers and goAML related officers of 17 development banks.
- APG Pre-Mutual Evaluation Assistance to Nepal, Virtual Workshop for private-sector Reporting Entities regarding preparation of Mutual Evaluation was organized with the support of APG Secretariat.
- Interaction program with Nepal Police Training Academy participants and field visit at FIU-Nepal.
- Micro-Finance Company was registered in goAML test environment.
- Interaction session with Compliance officers and Trade finance experts from commercial banks regarding TBML risks and prospects of STR-TBML reporting.

Poush (December/January)

- Knowledge Sharing Program was conducted with Life and Non-Life Insurance Sector's participants on goAML reporting.
- Interaction Program was conducted between FIU-Nepal and DNFBPs

Magh (January/February)

- Virtual Interaction Program with Casinos on goAML implementation.
- goAML System upgraded to newer version 4.9.3.0 on Production environment.
- Virtual Interaction Program with Nepal Infrastructure Bank Ltd. (NIFRA) on goAML implementation.
- NIFRA formally registered in goAML (Test Environment).

Falgun (February/March)

- Memorandum of Understanding (MoU) was signed between FIU-Nepal and Department of Revenue Investigation (DRI) on Information Exchange and Confidentiality.
- MoU signed between FIU-Nepal and National Information Technology Center (NITC) regarding goAML server placement at Government Integrated Data Center (GIDC), Singhadurbar, CKathmandu and Disaster Recovery (DR) site, Hetauda, Makwanpur.
- Knowledge Sharing Program was organized to share different contemporary issues of Cryptocurrency and central bank digital currency (CBDC) within FIU-Nepal employees.
- Compliance Officers' Meet was organized with Finance Companies and Micro Finance Companies.
- Interaction and visit program of Nepal Police to FIU was conducted.
- Integration of Citizen Investment Trust (CIT) in goAML (Test Environment).

Chaitra (March/April)

- Interaction Program was conducted with Regulators of FIs & DNFBPs.
- Handbook on Predicate Offence was inaugurated by Respected Governor Maha Prasad Adhikari. The book has been published in official website of FIU-Nepal.
- Life Insurance companies started reporting in goAML (Production Environment).
- Notice issued to Reporting Entities which have not yet been registered in goAML (Production Environment), to report through 'Message Board' to replace existing manual mediums such as CD, Letter, Email etc.
- Introduction of new report type 'STR-TBML' in goAML (Test Environment) for Commercial Banks.
- Virtual Interaction Program was conducted with representatives of Nepal Banker's Association (NBA) and all Commercial Banks regarding new report type 'STR-TBML'
- Strategic Analysis Report of FIU-Nepal published on Chaitra 2022.

Baisakh (April/May)

- Interaction and Knowledge Sharing Program regarding goAML Reporting for Remittance Companies was conducted.
- Physical visit of proposed Disaster Recovery (DR) Site at Hetauda, Makwanpur by FIU Head, goAML Team and Internal Administration of FIU-Nepal.

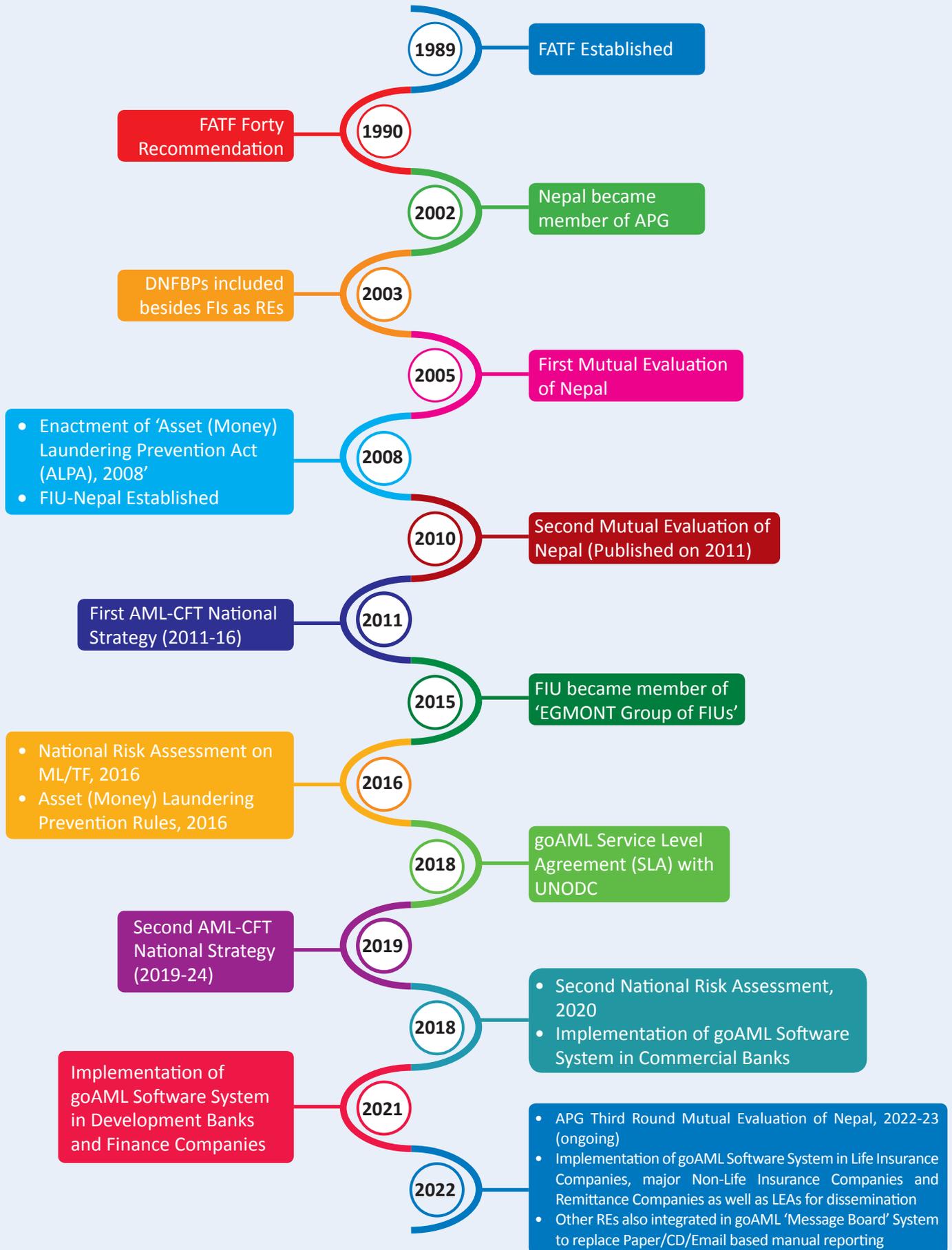
Jestha (May/June)

- Knowledge Sharing Program was organized for FIU-Nepal employees on the topic "A Critical Analysis on Asset Laundering Prevention Act, 2008" by resource person from Department of Money Laundering Investigation (DMLI).
- Interaction Program on APG Third Round Mutual Evaluation Preparation was conducted with participants from Nepal Rastra Bank's various departments.
- Knowledge Sharing program organized by FIU on 'Trade Based Money Laundering (TBML)' session delivered by an expert from Fintelekt Academy, India.
- Interaction Program on goAML Reporting for Securities Companies (Stock Brokers, Merchant Banks and Portfolio/Fund Managers) was conducted.
- Inland Revenue Department (IRD) was integrated on goAML (Production environment) as LEA.
- Annual Plan and Budget of FIU-Nepal for upcoming Fiscal year 7079/80 was presented at Management Workshop.

Asar (June/July)

- Interaction Program regarding AML/CFT and goAML Reporting for Payment System Operators (PSOs) and Payment Service Providers (PSPs) was conducted.
- Money Changer were integrated in goAML (Test Environment).
- Remittance companies were integrated in goAML (Production Environment) for full-fledged web/XML reporting.

FIU-NEPAL: TIMELINE



FREQUENTLY ASKED QUESTIONS (FAQS)

PLEASE NOTE THAT THESE FAQS CONSTITUTE BRIEF GUIDANCE AND ARE PROVIDED FOR INFORMATION ONLY

A) General FAQs

1. What is Money Laundering?

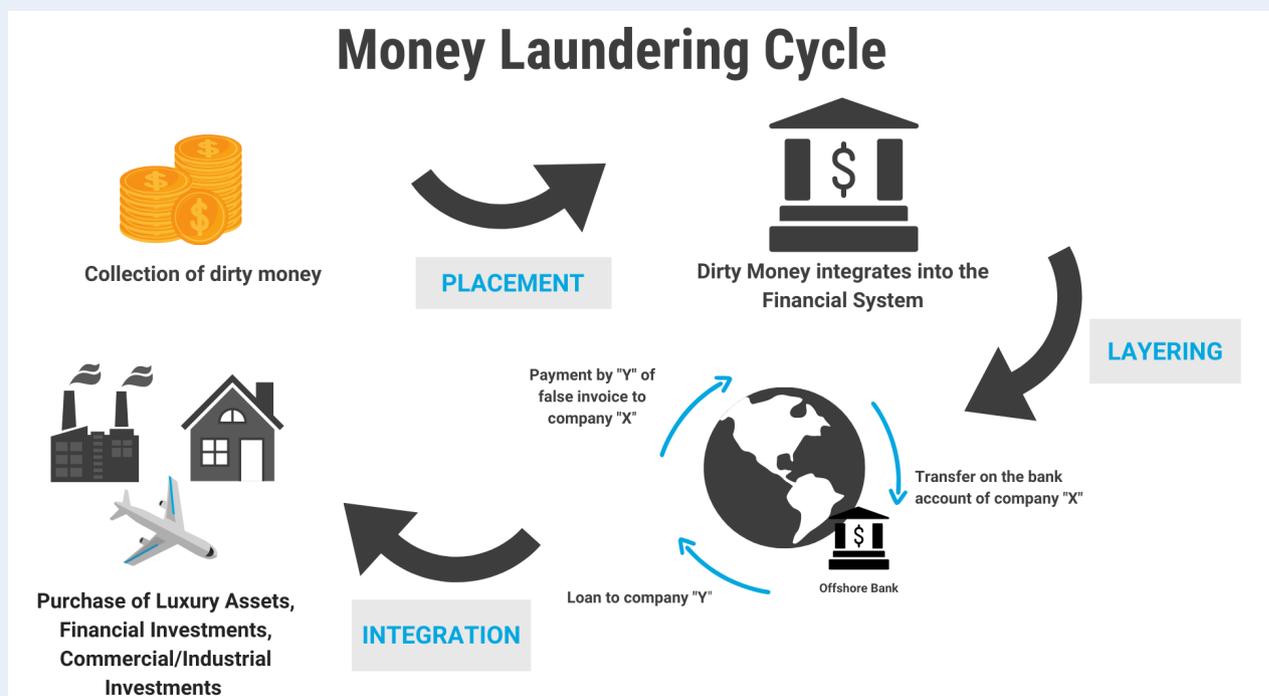
Criminal activities, such as drug trafficking, smuggling, human trafficking, corruption and others, tend to generate large amounts of profits for the individuals or groups carrying out the criminal act. However, by using funds from such illicit sources, criminals risk drawing the authorities' attention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

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

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

2. How is Money Laundered?

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



Source: UNODC

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

3. What is a Money Laundering offence?

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

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

4. What are Proceeds of Crime?

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

5. What is financing of Terrorism?

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

6. How are Efforts to Combat Money Laundering and Financing of Terrorism linked?

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

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

7. How are Corruption and Money Laundering linked?

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

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

8. Why controlling money laundering is necessary?

Since money laundering is a financial crime, it does not serve the interest of any economic actor. In addition to saving the areas affected by it, controlling money laundering is necessary for the following reasons:

- Bring the suspect under the purview of legal action by inquiring, investigating and prosecuting him/her after identifying the suspicious transactions
- Criminalize money laundering and the financing of terrorism and proliferation
- Imprison and penalize the criminals involved in money laundering after bringing them into legal action
- Confiscate the properties earned and used in money laundering and the financing of terrorism and proliferation

- Initiate, promote and continue exchange of cooperation at national, regional and international level for control of money laundering
- Create an environment where the criminals in the days to come shall not be in a position to launder through illegal activities, and
- Expedite healthy development of national, regional and international economies.

9. Why Know Your Customer (KYC) is necessary?

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

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

The application of KYC process by financial institutions and a high degree of transparency is crucial to fight money laundering and the financing of terrorism effectively. CDD must be applied upon establishment of a business relationship or in preparation of specific cash transactions in excess of a certain amount. The basic steps of KYC measures are the appropriate identification of a customer and/or beneficial owner, the verification of the identity of the customer or beneficial owner, as well as the collection of information on the customer's purpose and nature of the business relationship.

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

10. What is beneficial ownership?

Beneficial owner refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. Beneficial ownership information may be present in a company profile that can be bought from a company register.

Section 7A of ALPA requires REs to identify and verify the identity of the customer and the beneficial owner when carrying out the following acts:

- Establishing business relationship
- Opening an account
- Carrying out occasional transactions above a threshold limit as prescribed by NRB

- Carrying out wire transfers by electronic means
- There is suspicious about the veracity or adequacy of previously-obtained customer identification information
- There is suspicion of money laundering or terrorist financing
- At any time of transaction in relation to the high risked and politically exposed person
- In any other situations as prescribed by the regulator.

11. What is Money Mule?

A money mule (also known as a “*smurfer*”) is an individual that is recruited, knowingly or unknowingly, to act on the behalf of criminals as part of a money laundering scheme. While historically they have been used to transfer physical amounts of cash between locations, in a modern financial context, they are generally used to open and manage bank accounts in order to facilitate the deposit, transfer and withdrawal of illegal funds.

Money mules may be recruited from a range of background, age and gender groups, although most tend to be younger men. When recruiting, criminals may approach potential mules with an offer of seemingly legitimate employment that masks the illegal nature of the work. Alternatively, they may be complicit in the criminal enterprise. Criminals looking for money mules often seek to take advantage of certain social trends or crises, such as the COVID-19 pandemic, that have resulted in a high number of unemployed people.

While criminals may specifically target vulnerable people or those with criminal backgrounds for money mule roles, they may equally seek to hire candidates without criminal backgrounds in order to better evade the scrutiny of authorities. Money mules may be paid directly for their participation in a money laundering scheme or may keep some amount of the illegal funds for themselves as a fee.

Once the money mule, or money mule account has been created, criminals can use it to begin transferring illegal money into the legitimate financial system. The laundering process may proceed in the following way:

- A money mule opens an account with a bank or financial services provider.
- Funds are deposited in the mule’s account from a criminal source.
- The criminals instruct the mule how and where the money should be moved.
- Mules transfer the illegal funds to a third-party account or withdraw them as cash.
- Money transferred from a mule account may then be converted into a virtual currency, such as Bitcoin, in order to prevent authorities tracing its origin.

(Source: <https://complyadvantage.com/insights/money-mule-money-laundering/>)

12. What influence does money laundering have on economic development?

Launderers are continuously looking for new routes for laundering their funds. Economies with growing or developing financial centers, but inadequate controls are particularly vulnerable as established financial center countries implement comprehensive anti-money laundering regimes. Differences between national anti-money laundering systems will be exploited by launderers, who tend to move their networks to countries and financial systems with weak or ineffective counter measures. As with the damaged integrity of an individual financial institution, there is a damping effect on foreign direct investment when a country’s commercial

and financial sectors are perceived to be subject to the control and influence of organized crime. Fighting money laundering and terrorist financing is therefore a part of creating a business-friendly environment which is a precondition for lasting economic development.

13. What is the connection with society at large?

The possible social and political costs of money laundering, if left unchecked or dealt with ineffectively, are serious. Organized crime can infiltrate financial institutions, acquire control of large sectors of the economy through investment, or offer bribes to public officials and indeed governments. The economic and political influence of criminal organizations can weaken the social fabric, collective ethical standards, and ultimately the democratic institutions of society. In countries transitioning to democratic systems, this criminal influence can undermine the transition. Most fundamentally, money laundering is inextricably linked to the underlying criminal activity that generated it. Laundering enables criminal activity to continue.

14. What is a STR/SAR?

Suspicious transaction refers to any transaction (including attempted or proposed), regardless of the amount that appears unusual, has no clear economic purpose, appears illegal, does not commensurate with the customer's profile or business activities, involves proceeds from an unlawful activity and indicates that the customer is involved in money laundering or terrorism financing activities. When REs suspect that the customer is involved in ML/TF activities, they should submit a report to FIU-Nepal. Such report is known as Suspicious Transaction Report (STR). The STR has to be reported even when the customer only attempts to establish a relation with the reporting entity. An attempted or proposed transaction reporting is known as Suspicious Activity Report (SAR).

General Characteristics of Suspicious Financial Transaction are:

- Transactions having unclear economical and business target.
- Transactions conducted in relatively large amount cash and/or conducted repeatedly and unnaturally.
- Transactions conducted differently from that of usually and normally conducted by the relevant customer.
- Huge, complex and usual transaction.

A person must make a required report (within three days of the suspicion) if you know or suspect or have reasonable grounds for knowing or suspecting that another person is engaged in money laundering or that certain property is or is derived from the proceeds of criminal conduct or terrorist financing. Reporting Entities (as mentioned in Chapter Two- 2.1) file STRs to FIU-Nepal.

15. Which law should I disclose STR/SAR under?

The legal basis for the reporting of suspicion in respect of money laundering is set out in Assets (Money) Laundering Prevention Act, 2008. The legal basis for the reporting of suspicion in respect of terrorist financing is also the same.

16. When should I submit a STR/SAR?

REs are required to submit a STR/SAR to FIU-Nepal within three days of the initial determination that person knows or suspects (or has reasonable grounds for knowing or suspecting) that

another person is engaged in money laundering or terrorist financing or that certain property is or is derived from the proceeds of criminal conduct or terrorist financing. Further to that the information or other matter on which the knowledge or suspicion is based, or which gives the reasonable grounds for that knowledge or suspicion, came to them in the course of the business and makes the STR as soon as practicable after the information or other matter comes to them.

17. How do I submit a STR/SAR to FIU-Nepal?

A STR/SAR must be submitted at the FIU-Nepal under a prescribed form under Unified Directive No.19 issued by NRB and other directives issued by different regulators (as mentioned in Chapter Two- 2.2) along with the necessary documents.

18. Does FIU have the automatic system for the reporting STR/SAR?

The FIU-Nepal has introduced the automated system called goAML to the reporting entities. STR/SAR/TTR should be reported to the FIU-Nepal electronically through goAML web reporting system by BFIs, Insurance companies, Remittance companies and assigned REs where as other REs through 'Message Board' (In-built email platform) of goAML system.

19. What should I include in a STR/SAR ?

Suspicious Transactions Reports (STRs) include detailed information about transactions that are suspected violations of law or appear to be suspicious or arouse suspicion or has reasonable grounds to suspect that if the property is related to ML/TF or other offence. An activity may be included in the Suspicious Transactions Reports (SARs) if the activity gives rise to a suspicion that the account holder is attempting to hide something or make an illegal transaction.

The quality of a STR/SAR is only as good as the content, therefore, it should include, 'who, what, where, when, why, how and which predicate offence'. It should also include all supporting documents as per directive issued by concerned regulators.

20. Is a single red flag or indicator sufficient to report suspicious transactions/ activities?

A transaction may have certain 'red flags' or indicators of STR/SAR. It is important that the presence of multiple indicators should act as a warning sign in order to add intelligence to the report. Further, REs should take reasonable measures that enable them to establish that there are grounds to suspect that the transaction or attempted transaction is related to the commission of a ML/TF or other predicate offence.

21. What is Threshold Transactions Reporting (TTR)?

A Threshold Transaction Report (TTR) is a report that financial institutions and designated non-financial business and professions (DNFBPs) are required to file to FIU for deposit, withdrawal, exchange of currency, or other payment or transfer, by, though, or to the financial institution which involves a transaction more than One Million Nepalese Rupees for BFIs and for other entities as presented in Table 3.2. The threshold amount may be reached by a single transaction or by a series of transactions in cash into a single account or by a single customer over a period of one working day. It may be considered to be an aggregate transaction in cash exceeding the prescribed threshold.

22. What do I do if I am requested to provide additional information from the FIU?

Reporting Entities who receive a request for additional information from the FIU should respond as instructed by the Act, Rule and Directives.

23. Can I terminate the business relationship?

Whether or not to terminate a business relationship is a commercial decision for the Reporting Entities. Where a RE makes a decision to terminate a business relationship after it has made a STR and is concerned that in doing so it may prejudice an investigation or contravene the tipping off rules, it should engage with the FIU accordingly. The decision to terminate a relationship, however, remains with the Reporting Entities.

24. What is 'Tipping Off'?

The Assets (Money) Laundering Prevention Act, 2008 provides that it is an offence if a person knows, or suspects, that an internal suspicion report to a FIU-Nepal has been or will be made or if any information or other matter concerning the internal suspicion report or STR has been or will be communicated to FIU and s/he discloses to any other person information or any other matter about, or relating to, that knowledge or suspicion unless it is for a purpose set out in those laws.

25. What is Financial Information Unit, Nepal (FIU-Nepal)?

Financial Information Unit (FIU)-Nepal is a national agency responsible for receiving, processing, analyzing and disseminating financial information and intelligence on suspected money laundering and terrorist financing activities to the relevant law enforcement/investigative agencies and foreign FIUs. It was established on 21 April, 2008 under the section 9 of the Assets (Money) Laundering Prevention Act, 2008 within the Nepal Rastra Bank (the central bank) as an independent unit. The FIU-Nepal is also assigned to function as the secretariat of the National Coordination Committee under the coordination of Secretary of Office of the Prime Minister and Council of Ministers. The Head of FIU is the Secretary of the committee.

The legislation, in regards to AML/CFT, mandates the FIU to:

- receive and collect reports on suspicious and prescribed threshold financial transactions and other information relevant to money laundering and terrorist activities financing from government agencies, financial institutions and non-financial institutions;
- analyze and assess the information received from reporting entities and inspect transactions and records of bank, financial institution and non- financial institution;
- provide suspicious and other relevant information to the Investigation Department and others relevant;
- guide the banks, financial institutions and non-financial institutions regarding the reporting;
- ensure compliance by reporting entities with their obligations under the Act, rules and regulations;
- manage training and awareness programs;
- impose fine bank, financial institution and non-financial institution in the failure of reporting compliance;
- develop information exchange mechanism with other FIUs or related international institution by entering into Memorandum of Understanding or membership.

26. What will FIU-Nepal do with the information received by it?

FIU-Nepal will process and analyze received financial information or STR and disseminate actionable intelligence in appropriate case to relevant Law Enforcement Agencies.

27. How do FIUs exchange information with each other?

FIUs exchange information with other FIUs on the basis of reciprocity or mutual agreement consistent with procedures understood by the requested and requesting party. An FIU requesting information should disclose to the FIU that will process the request at a minimum, the reason for the request, the purpose for which the information will be used and enough information to enable the receiving FIU to determine whether the request complies with its domestic law. FIU-Nepal sends request for information to other FIUs by the Egmont Secure Web (ESW) secure email network and also receives request from other Egmont Group members.

28. What is Predicate Offence?

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

- Participation in an organized criminal group and racketeering,
- Disruptive (terrorist) act and terrorism,
- Trafficking in person and migrant smuggling ,
- Any kinds of sexual exploitation including sexual exploitation of children,
- Illicit trafficking of narcotic drugs and psychotropic substances,
- Illicit transportation of arms and ammunition,
- Illicit transportation of stolen and other goods,
- Corruption and bribery,
- Fraud,
- Forgery,
- Counterfeiting of coin and currency,
- Counterfeiting of goods and plagiarism or piracy of products,
- Environmental related,
- Murder, grievous bodily injury,
- Kidnapping, illegal restraint or hostage-taking,
- Theft or robbery,
- Smuggling (including custom, VAT and tax) related,
- Tax (including direct and indirect) related,
- Extortion,
- Piracy,
- Insider Dealing and Market Manipulation in securities and commodities related,
- Ancient monument conservation related,
- Forest, National park and wild animals related crime,
- Money, banking, finance, foreign exchange, negotiable instruments, insurance, cooperatives related,
- Black marketing, consumer protection, competition, supply related,
- Election related,
- Communication, broadcasting, advertising related,
- Transportation, education, health, medicine, foreign employment related,

- Firm, partnership, company, association related,
- Real estate and property related,
- Lottery, gambling, donation related,
- Citizenship, immigration and passport.
- Offence of terrorist financing or association with terrorist organization.

29. What is Mutual Evaluation?

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

- Technical Compliance Assessment:** A desk-based technical compliance analysis assesses compliance by an APG member with the specific requirements of each of the 40 FATF recommendations- the relevant legal and institutional framework of the jurisdiction, and the powers and procedures of competent authorities. These recommendations represent the building blocks of an AML/CFT system. The technical compliance analysis is undertaken by an assessment team prior to an on-site visit of the member being evaluated.
- Effectiveness Assessment:** The main component of a mutual evaluation is effectiveness. It assesses the extent to which an APG member achieves a defined set of outcomes that are central to a proper functioning and effective AML/CFT system with expected results based on the ML and TF risk profile of that jurisdiction. The effectiveness analysis is not only based on information exchanged with the assessment team but also after the exchange of information, the team will visit the member under evaluation (usually for two weeks, sometimes longer) and interview government and private sector officials to gain a comprehensive understanding of how the AML/CFT system is working. Effectiveness assessment is done based on the FATF's 11 Immediate Outcomes (IOs).

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

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

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

B) goAML related FAQs

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

No. REs do not need to pay any fee or charges to FIU-Nepal for goAML membership or for reporting purpose. Membership of goAML software to all REs (*BFI, Insurance companies, Securities companies, Cooperatives, Remittance companies etc.*) is absolute free.



2) How should TTR be reported?

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

3) In which format should TTR be reported?

One XML file should be submitted for each TTR Category as specified in directive. i.e. One XML file should contain TTR related to only one person or account comprising of all the transactions in that particular day in which TTR was generated. Different XML file should be submitted for different TTRs.

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

For cash transaction threshold, single TTR should be submitted comprising of all debit and/or credit transactions for that day. For cases where two or more threshold categories (Cash, Cross Border and Foreign Currency Exchange) are triggered at same day separate TTR should be submitted for each TTR Category.

5) How should STR be reported?

STR can be reported either in XML format or through Web reporting in goAML. If large number of suspicious transaction has to be reported, XML format is recommended. Information to be provided with STR is mentioned in Operational guideline designated to reporting entities. While reporting STR as XML file, related attachments and the XML should be zipped together and uploaded as single zip file.

6) What information should be provided in Reason Fields of STR?

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

7) What attachments should be provided with STR?

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

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

Provide 'Not Applicable' in such cases.

9) What information to provide in 'PAN/VAT Number' field for Entity that do not require PAN/VAT to be registered?

Provide 'Not Applicable' in such cases.

10) Should Entity details be provided for My Client > Account > Entity though it is not Mandatory?

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

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

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

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

an with any other form of Identification that have Citizenship number – Provide Citizenship number in 'Citizenship No.' field, ID number in 'ID number' field and ID details in 'Identification' node.

- ✓ In case of Indian with any other form of Identification that do not have Citizenship number – Provide 'Not Applicable' in Citizenship No. field and ID number in 'ID number' field and other available ID details in 'Identification' node.
- ✓ Any other relevant Information regarding ID can be provided in Comments field of Identification in all situations.

13) How to provide Citizenship number if it exceeds 25 characters?

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

14) What information should be provided in Identification details if there's no sufficient information?

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

15) Should SWIFT/TT be reported as TTR?

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

16) Can we register/report through multiple users for same organization?

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

17) Can we use abbreviations/short forms for common terms?

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

18) How long will Drafted Reports be available for editing prior to submission?

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

19) How long will be Processed/Failed Validation reports be available for preview on the Web?

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

20) What does the different status of submitted report mean and do we need to take any action?

- ✓ In General, **status** is *Transferred from Web, Processed, Rejected and Failed Validation*.
- ✓ If there are some errors in the structure of XML file, then the status for such file can be seen as *Failed Validation* and REs can click on *Failed Validation* link to know more about the validation errors.
- ✓ If the XML file is validated the status changes to *Transferred from Web* and further upon approval from the screening officer of FIU or based on XML validation and rejection rules, the status will be change to *Processed*. The REs do not need to take any actions if the status is *Processed*.
- ✓ In case if '*Transferred from Web*' status is seen for longer period of time (>1 day), the REs should check their message board or email for any notification or rejection message regarding the report.
- ✓ If there are some logical mistakes or missing information in validated XML files, then the screening officer (manually) or goAML rejection rules (automatically) may reject the report with proper reason which appears as *Rejected*.
- ✓ REs should correct the mistakes in reports with *Failed Validation, Rejected and Transferred from Web* status and resubmit those files.

21) How to validate bulk of XML files?

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

22) What will happen when STR/SAR/TTR is not reported?

As per ALPA, 2008, STR/SAR must be submitted as soon as possible, not exceeding three days and TTR must be submitted within 15 days of date of transaction. Non-submission of STR/SAR/TTR or failure to submit within prescribed time/format are subject to fine and penalties. Punishment ranges from written clarification or fine up to NPR. 5 crores, FIU-Nepal can impose fine up to NPR. 10 lakhs.

FAQs regarding reporting through 'Message Board'

23) Where can we find format of TTR or STR/ SAR, that ought to be attached while reporting through Message Board of goAML?

Appropriate format of TTR and STR/SAR can be found in the annexure of AML/CFT directive issued by your concerned regulator. Some selected directives can also be found in official website of FIU-Nepal: <https://www.nrb.org.np/departments/fiu/>

NOTE: For updated directive, please always check official website of concerned regulator.

24) In which file format we need to submit/attach STR/SAR and TTR report while submitting through goAML Message Board?

TTR must be submitted in excel format and STR/SAR must be submitted either in word or in pdf format. As specified by regulator.

25) Do we need to send CD also after submitting through goAML Message Board?

No.

26) Can we submit reports by usual mechanism through CDs?

No.

27) Do we need to send reports by web or XML medium from goAML (Production Environment)?

No, you need to send reports by Message Board only. However, if you have capabilities to submit XML or web reports you must first take approval from FIU-Nepal.

28) Do we need to send reports by web or XML medium from goAML (Test Environment) as well?

Yes. Message Board platform of goAML (Production Environment) is only for temporary use and it is solely aimed to replace currently used unsecured reporting mediums such as CD/Paper/Letter/Email. In the future, each reporting entities have to submit reports via 'web or XML' medium of goAML (Production environment). To prepare and practice for that, reporting entities are also requested to submit reports by web or XML medium of goAML (Test Environment), for now, as well.

Note: For any further queries or confusions regarding goAML, please do contact the '**goAML Implementation Team**' of FIU-Nepal through **Email:** goaml@nrb.org.np & **Tel:** 01-4410201 (Ext. 418/415). Please do visit our website www.nrb.org.np/departments/fiu for latest documents, notices, goAML related video tutorials and other information.

ANNEXURES

Annex 1: Legal Instruments on AML/CFT

S.N.	Instruments
1.	FATF Standards (Recommendations and Immediate Outcomes)
2.	Assets (Money) Laundering Prevention Act, 2064 (2008)
3.	Assets (Money) Laundering Prevention Rules, 2073 (2016)
4.	Prevention of Corruption Act, 2002
5.	Mutual Legal Assistance Act, 2014
6.	Extradition Act, 2014
7.	Organized Crimes Prevention Act, 2014
8.	Confiscation of Criminal Proceeds Act 2014
9.	Mutual Legal Assistance Rules, 2014
10.	Confiscation of Criminal Proceeds Rules, 2021

Annex 2: Ratified/Acceded International Conventions

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

Annex 3: List of Regulators

S.N.	Institutions	Name of Regulator
1.	Bank and Financial Institutions under BAFIA Money remittance / transferring agencies Money Changers Payment service providers Employee Provident Fund Citizen Investment Trust Postal Saving Bank Public Debt Securities Other authorities licensed by Nepal Rastra Bank	Nepal Rastra Bank
2.	Insurance Company	Nepal Insurance Authority
3.	Capital Market (including brokers) Merchant Banks Credit Rating Agency Listed Securities Companies CDS and Clearing Commodity Clearance and Settlement House Warehouse exchange	Securities Board of Nepal
4.	Approved Retirement Fund Precious metals, ornaments and object business	Inland Revenue Department
5.	Casino and Internet Casino Business	Ministry of Culture, Tourism and Civil Aviation
6.	Real Estate Business	Department of Land Management and Archive
7.	<ul style="list-style-type: none"> • Notary Public • Auditor* • Accountant* • Other Business <i>*As per Section 2 (Dha) of Asset (Money) Laundering Prevention Act, 2064. Organization who is working for others.</i>	<ul style="list-style-type: none"> • Notary Public Council • The Institute of Chartered Accountants of Nepal (ICAN) • Licensing Authority
8.	Company and Trust Service Provider	Office of the Company Registrar
9.	Law Practitioners	Nepal Bar Council
10.	Co-operatives	Department of Co-operatives

Annex 4: Regulatory/Supervisory Instruments

S.N.	Directives	Issuing Authority
1.	AML/CFT Directives for A, B & C class BFs	Nepal Rastra Bank (NRB)
2.	AML/CFT Directives for Microfinance FIs	
3.	AML/CFT Directives for Money changers and Remittance companies	
4.	AML/CFT Directives for PSP/PSOs	
5.	AML/CFT Directives for Infrastructure Development Bank	
6.	AML/CFT Directives for EPF, CIT and Postal Saving Banks	
7.	AML/CFT Directives for Insurance companies	Nepal Insurance Authority (NIA)
8.	AML/CFT Directives for Securities Companies	Securities Board of Nepal (SEBON)
9.	AML/CFT Directives for Cooperatives	Department of Cooperatives
10.	AML/CFT Directives for Approved Retirement Funds	Inland Revenue Department
11.	AML/CFT Directives for Dealers in precious stones and metals	
12.	AML/CFT Directives for CASINOS	Ministry of Culture, Tourism and Civil Aviation
13.	AML/CFT Directives for Real Estate Business/Agents	Department of Land Management and Archive (DOLMA)
14.	AML/CFT Directives for Trust or Company Service Providers (TCSPs)	Office of Company Registrar
15.	AML/CFT Directives for Auditors and Accountants	The Institute of Chartered Accountants of Nepal (ICAN)
16.	Others	Issued by regulators mentioned in Annex 3

Annex 5: Responsibility of the Key Players (FATF Standards and Prevailing Nepalese Laws)

Rec.	FATF Recommendations 2012	Responsible Agency
1.	Assessing risks and applying a risk-based approach	Common: • Primarily the Policy Level, Financial Sector and LEAs
2.	National cooperation and coordination	Common: • Primarily the Policy Level, Financial Sector and LEAs
3.	Money laundering offence	Legal

Rec.	FATF Recommendations 2012	Responsible Agency
4.	Confiscation and provisional measures	<ul style="list-style-type: none"> • DMLI • Nepal Police • DRI • CIAA • Customs • Court • Confiscated Assets Management Department
5.	Terrorist financing offence	<ul style="list-style-type: none"> • Legal
6.	Targeted financial sanctions related to terrorism and terrorist financing	<ul style="list-style-type: none"> • MOFA/MOHA • Regulator/s
7.	Targeted financial sanctions related to proliferation	<ul style="list-style-type: none"> • MOFA/MOHA • Regulator/s
8.	Non-profit organizations	<ul style="list-style-type: none"> • MOHA • SWC • Regulator/s
9.	Financial institution secrecy laws	<ul style="list-style-type: none"> • Regulator/s
10.	Customer due diligence	<ul style="list-style-type: none"> • Regulator/s
11.	Record keeping	<ul style="list-style-type: none"> • Regulator/s
12.	Politically exposed persons	<ul style="list-style-type: none"> • Regulator/s
13.	Correspondent banking	<ul style="list-style-type: none"> • Regulator/s
14.	Money or value transfer services	<ul style="list-style-type: none"> • Regulator/s
15.	New technologies	<ul style="list-style-type: none"> • Regulator/s
16.	Wire transfers	<ul style="list-style-type: none"> • Regulator/s
17.	Reliance on third parties	<ul style="list-style-type: none"> • Regulator/s
18.	Internal controls and foreign branches and subsidiaries	<ul style="list-style-type: none"> • Regulator/s
19.	Higher-risk countries	<ul style="list-style-type: none"> • Regulator/s
20.	Reporting of suspicious transactions	<ul style="list-style-type: none"> • Regulator/s
21.	Tipping-off and confidentiality	<ul style="list-style-type: none"> • Regulator/s
22.	DNFBPs: Customer due diligence	<ul style="list-style-type: none"> • Regulator/s
23.	DNFBPs: Other measures	<ul style="list-style-type: none"> • Regulator/s
24.	Transparency and beneficial ownership of legal persons	<ul style="list-style-type: none"> • Legal Person Registrars ++ • Regulator/s
25.	Transparency and beneficial ownership of legal arrangements	<ul style="list-style-type: none"> • Legal Person Registrars ++ • Regulator/s
26.	Regulation and supervision of financial institutions	<ul style="list-style-type: none"> • Regulator/s
27.	Powers of supervisors	<ul style="list-style-type: none"> • Regulator/s
28.	Regulation and supervision of DNFBPs	<ul style="list-style-type: none"> • Regulator/s
29.	Financial intelligence units	<ul style="list-style-type: none"> • FIU

Rec.	FATF Recommendations 2012	Responsible Agency
30.	Responsibilities of law enforcement and investigative authorities	<ul style="list-style-type: none"> • DMLI • Nepal Police • DRI • CIAA
31.	Powers of law enforcement and investigative authorities	<ul style="list-style-type: none"> • DMLI • Nepal Police • DRI • CIAA
32.	Cash couriers	<ul style="list-style-type: none"> • Customs • Regulator/s • FIU
33.	Statistics	Common
34.	Guidance and feedback	<ul style="list-style-type: none"> • Regulator/s • FIU • LEAs • Res
35.	Sanctions	<ul style="list-style-type: none"> • Court • Confiscated Assets Management Department
36.	International instruments	<ul style="list-style-type: none"> • MOFA • MOLJ
37.	Mutual legal assistance	<ul style="list-style-type: none"> • MOLJ • Attorney General • Court
38.	Mutual legal assistance: freezing and confiscation	<ul style="list-style-type: none"> • MOLJ • Attorney General • Court
39.	Extradition	<ul style="list-style-type: none"> • MOHA • Court
40.	Other forms of international cooperation	<ul style="list-style-type: none"> • FIU • LEAs • Regulator/s

Source: FIU-Nepal, NRB

Annex 6: List of major documents available on the FIU-Nepal's official website

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

goAML related

- goAML related FAQs
- goAML Video Tutorials
- goAML Members' List

Guidelines

- Suspicious Transaction Reporting & Suspicious Activity Reporting (STR/SAR) Guidelines
- Threshold Transactions Reporting (TTR) Guidelines

Laws & Legislations

- सम्पत्ति शुद्धीकरण (मनी लाउण्डरिङ्ग) निवारण ऐन, २०६४
- सम्पत्ति शुद्धीकरण (मनी लाउण्डरिङ्ग) निवारण नियमावली, २०७३
- सम्पत्ति शुद्धीकरण (मनी लाउण्डरिङ्ग) निवारण (सूचीकृत व्यक्ति, समूह वा संगठनको सम्पत्ति वा कोष रोक्का) नियमावली, २०७०
- वित्तीय जानकारी इकाई सम्बन्धी विनियमावली, २०७७

AML/CFT Directives Issued (From Respective Regulators)

- A, B & C class BFIs
- Microfinance FIs
- Money changers and Remittance companies
- Payment Service Providers (PSPs) & Payment System Operators (PSOs)
- Infrastructure Development Bank
- EPF, CIT and Postal Saving Banks
- Insurance companies
- Securities Companies
- Cooperatives
- Approved Retirement Funds
- Dealers in precious stones and metals
- Casinos
- Real Estate Business/Agents
- Trust or Company Service Providers (TCSPs)
- Auditors and Accountants

Other Documents

- Strategic Analysis Report of FIU-Nepal, 2022
- सम्बद्ध कसुर: जानकारी पुस्तिका
- AML/CFT National Strategy and Action Plan (2076-081)

- National Risk Assessment Report on Money Laundering and Terrorist Financing, 2020 (Assessment Period: 2015-18)
- Mutual Evaluation Report of Nepal, 2011
- Annual Report 2077/78 (2020/21) : FIU-Nepal
- FIU Newsletter (October, 2021)
- Frequently Asked Questions

Annex 7: Case studies from Strategic Analysis Report of FIU-Nepal, 2022

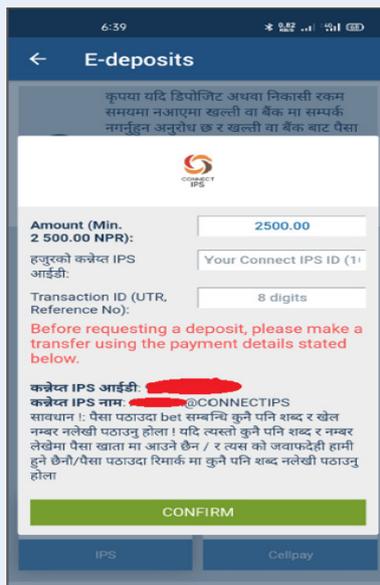
CASE I

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 V

Involvement in Online Hundi Transaction

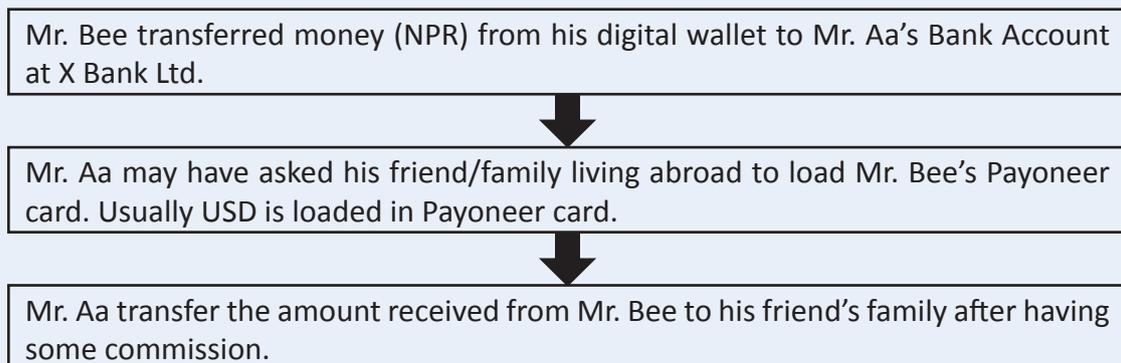
Legal Provisions:

- 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?



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 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 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.

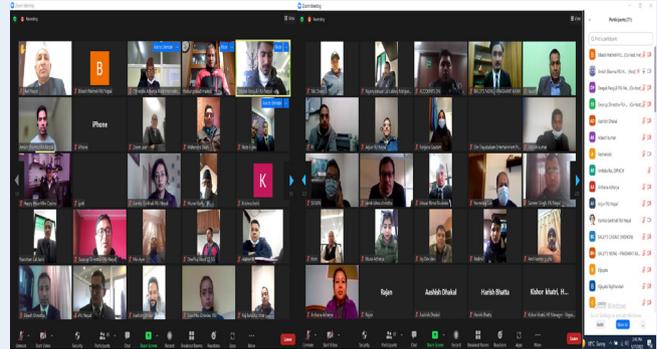
Annex 8: Major highlights from FIU-Nepal's Newsletter, 2022

Events & Programs: goAML Integration, Guidance & Feedback

1. Compliance Officers' meet with Development Banks regarding AML/CFT and goAML reporting (December 9, 2021)



2. Virtual Interaction Program with Casinos regarding AML/CFT & goAML reporting (January 17, 2022)



3. Knowledge Sharing Program with Life and Non-Life Insurance companies regarding goAML reporting (December 20, 2021)



Session with Life Insurance companies



Session with Non-Life Insurance companies

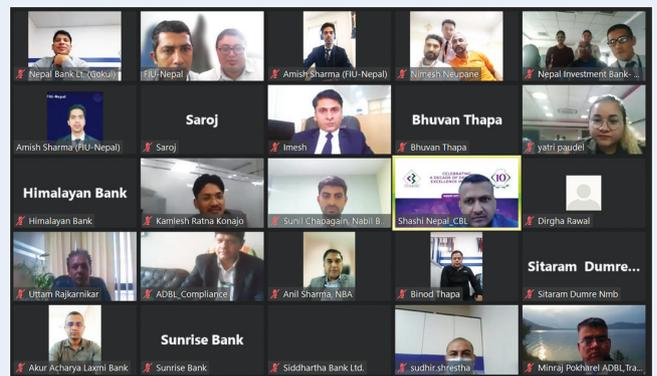
4. Virtual Interaction Program with Nepal Infrastructure Bank (NIFRA) regarding AML/CFT & goAML reporting (February 8, 2022)



5. Interaction Program with DNFBPs regarding AML/CFT & goAML reporting (December 29, 2021)



6. Virtual Interaction Program with Commercial (A-class) Banks regarding Trade Based Money Laundering (TBML) and pilot testing of reporting 'STR-TBML' in goAML (March 31, 2022)



7. Knowledge Sharing Program with Remittance Companies regarding AML/CFT and goAML reporting (May 5, 2022)



8. Interaction Program with Securities Companies (Merchant Bankers, Stock Brokers etc.) regarding AML/CFT and goAML reporting (May 27, 2022)



9. Interaction Program with Payment Service Provider-PSPs & Payment System Operator-PSOs regarding AML/CFT and goAML reporting (June 20, 2022)



10. Memorandum of Understanding (MoU) was signed between FIU-Nepal and National Information Technology Center (NITC) regarding Data Center and Disaster Recovery for goAML Software (February 20, 2022)



11. Physical visit of proposed Disaster Recovery (DR) Site at Hetauda, Makwanpur by FIU Head, goAML Team and Internal Administration Team of FIU-Nepal (May, 2022)



12. Compliance Officers' Meet was organized with Finance Companies and Micro Finance Companies regarding AML/CFT and goAML reporting (March 4, 2022)



13. *Virtual Interaction Program with Cooperatives regarding AML/CFT and goAML reporting (July 22, 2021)*
14. *Interaction Program with Life and Non-Life Insurance companies regarding AML/CFT and goAML reporting (July 25, 2021)*
15. *Interaction program was conducted with Citizen Investment Trust (CIT) regarding goAML reporting (September 3, 2021)*
16. *Meeting with Development Bank Supervision Department regarding goAML reporting and Other Supervision Issues (September 16, 2021)*
17. *Meeting with representatives of Cooperatives regarding goAML implementation in Cooperative sector (September 17, 2021)*
18. *Interaction Program with representatives of Payment Service Provider (PSPs) and Payment Systems Department (PSD) regarding goAML reporting (October 21, 2021)*
19. *Interaction program with representatives of Microfinance Institutions and Microfinance Institutions Supervision Department, Nepal Rastra Bank (NRB) regarding goAML reporting (November 14, 2021)*
20. *Interaction session with Compliance officers and Trade finance experts from Commercial Banks regarding Trade Based Money Laundering (TBML) risks and prospects of STR-TBML reporting in goAML system (December 8, 2021)*
21. *Meeting with representatives of Merchant Banks & Stock Brokers regarding goAML implementation in Securities sector (May 23, 2022)*
22. *Interaction Program with DNFBPs regarding AML/CFT & goAML reporting (September 15, 2022)*

Events & Programs: Domestic Cooperation

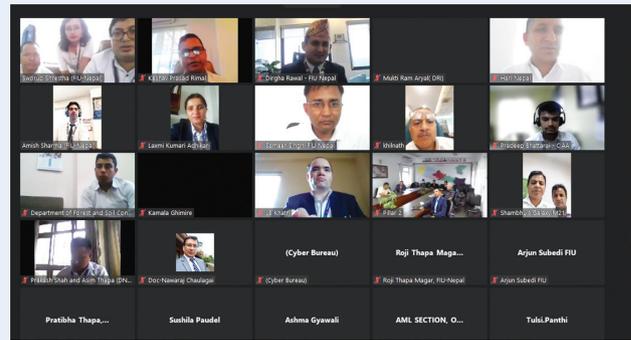
23. *Memorandum of Understanding (MoU) was signed between FIU-Nepal and Department of Revenue Investigation on Information Exchange and Confidentiality (February 24, 2022)*
24. *Discussion session with Nepal Police regarding Dissemination & Feedback (December 14, 2021)*



25. Interaction Program with Regulators/ Supervisors regarding AML/CFT & domestic cooperation (March 28, 2022)



26. Virtual Interaction program with Law Enforcement Agencies (LEAs) regarding AML/CFT (July 4, 2022)



27. Meeting with Payment System Department (PSD) regarding AML/CFT directive for Payment Service Provider (PSPs) & Payment System Operator (PSOs) (August 8, 2021)
28. Interaction program with Nepal Police to discuss on areas of coordination and cooperation (August 2, 2021)
29. A one day "Compliance Officers' Meet" organized with AML/CFT Heads and Compliance Heads of 27 Commercial banks (October 4, 2021)
30. Interaction and FIU visit program of Nepal Police (March 10, 2022)
31. Meeting among Governor, Deputy-Governors, Executive Directors (Regulatory/Supervisory departments) and FIU-Nepal head was conducted for information sharing and domestic cooperation (August 1, 2022)
32. Meeting with Social Welfare Council (SWC) regarding domestic cooperation and goAML integration (August 8, 2022)
33. Meeting with representatives of Commercial Banks regarding AML/CFT related Information sharing and confidentiality (August 15, 2022)
34. Meeting with Custom department regarding AML/CFT, domestic cooperation and goAML integration (August 17, 2022)
35. Meeting among Chairperson of National Coordination Committee (NCC), Regulators/ Supervisors, Law Enforcement Agencies (LEAs), member secretary of Mutual Evaluation Committee & FIU regarding domestic cooperation and information exchange (August 24, 2022)

Events & Programs: International Cooperation

36. FIU-Nepal attended 28th Annual Egmont Group Plenary organized by FIU-Latvia on Riga, Latvia (10-15 July, 2022)



FIU-Nepal team with Current chair of Egmont Group Xolisile Khanyile and former chair Hennie Verbeek-Kusters

37. FIU-Nepal along with other agencies attended APG Annual Meeting and Technical Assistance & Training Forum at Kuala Lumpur, Malaysia (24-28 July 2022)



38. FIU-Nepal attended Pre-Mutual Evaluation Technical Assistance Workshop organized for Nepal Delegation by BFIU (27-30 June, 2022)



39. FIU-Nepal attended meeting organized by ADB Team on Singapore regarding Trade based money laundering (TBML) (September 6, 2022)



40. FIU staffs Participated in Asian Development (ADB)'s virtual interaction program regarding "Trade relevant Data in STR" (December 14, 2021).

41. FIU-Nepal participated as supporting agency on Article 14-Measures to prevent money laundering and Article 56-Special Cooperation where as FIU-Nepal participated as lead agency on Article 58-Financial Intelligence Unit, during the visit of the Governmental Experts from El Salvador and Lebanon for the review of the United Nations Convention Against Corruption Nepal's Implementation of Chapters II (Preventive Measures) and V (Asset Recovery).

42. FIU-Nepal participated in Virtual Webinar conducted by ADB on the topic "Understanding TBML: Principles and Practices" (April 7, 2022).

43. goAML team of FIU-Nepal have participated on Virtual Webinar conducted by ADB on the topic "Identifying Red flags in TBML" (April 21, 2022).

44. goAML team of FIU-Nepal have participated on Virtual Webinar conducted by ADB on the topic " Fighting and Disrupting TBML" (19 May, 2022).

Events & Programs: Capacity Enhancement

45. In-house Knowledge Sharing Program was organized among FIU-Nepal staffs to share different contemporary issues of Cryptocurrency & CBDC (February 20, 2022)



46. In-house training program for FIU-Nepal staffs regarding Roles of FIU, best international practices, trend & typologies and goAML analysis (June 18, 2022)



47. Knowledge Sharing Program conducted among FIU staffs on various topics of soft skills (October 5, 2021)

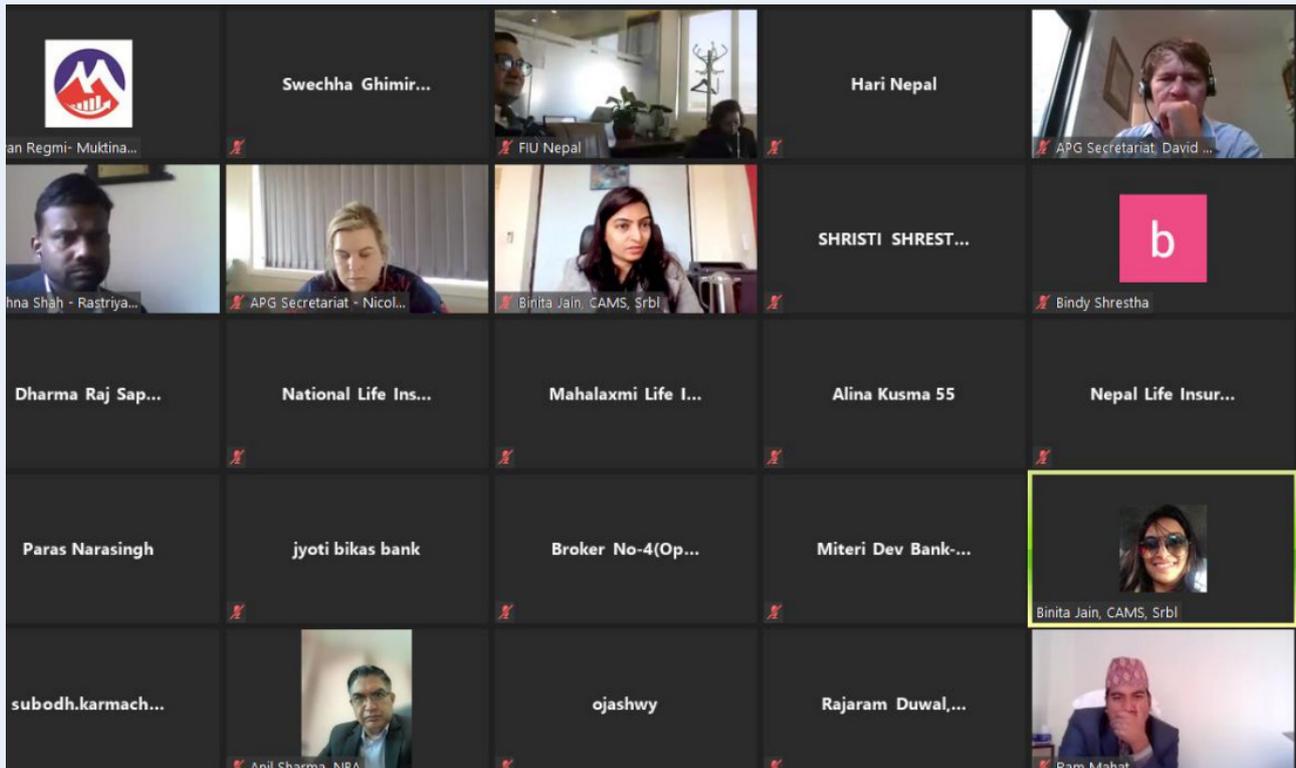
48. Knowledge Sharing program with FIU-staffs regarding APG Assessor Training (December 6, 2021)

49. Knowledge Sharing Program for FIU-Nepal staffs was organized within the Unit where presentation was made by representative of Department of Money Laundering Investigation (DMLI) on the topic of "A Critical Analysis on Asset Laundering Prevention Act, 2008". (May 19, 2022)

50. Knowledge Sharing program organized by FIU on 'Trade Based Money Laundering (TBML)' session delivered by an expert from Fintelekt Academy, India (May 26, 2022)

Events & Programs: ME (Mutual Evaluation) Preparation

51. APG Pre-Mutual Evaluation Assistance to Nepal, Virtual Workshop for private-sector Reporting Entities regarding preparation of Mutual Evaluation (December 14, 2021)



52. APG Pre-Mutual Evaluation Assistance to Nepal, Virtual Workshop for Nepal's lead authorities/agencies regarding preparation of Mutual Evaluation (September 15, 2021)

53. Interaction program with Regulatory/Supervisory departments of Nepal Rastra Bank regarding APG Third Round Mutual evaluation of Nepal (April 15, 2022 & September 27, 2022)





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