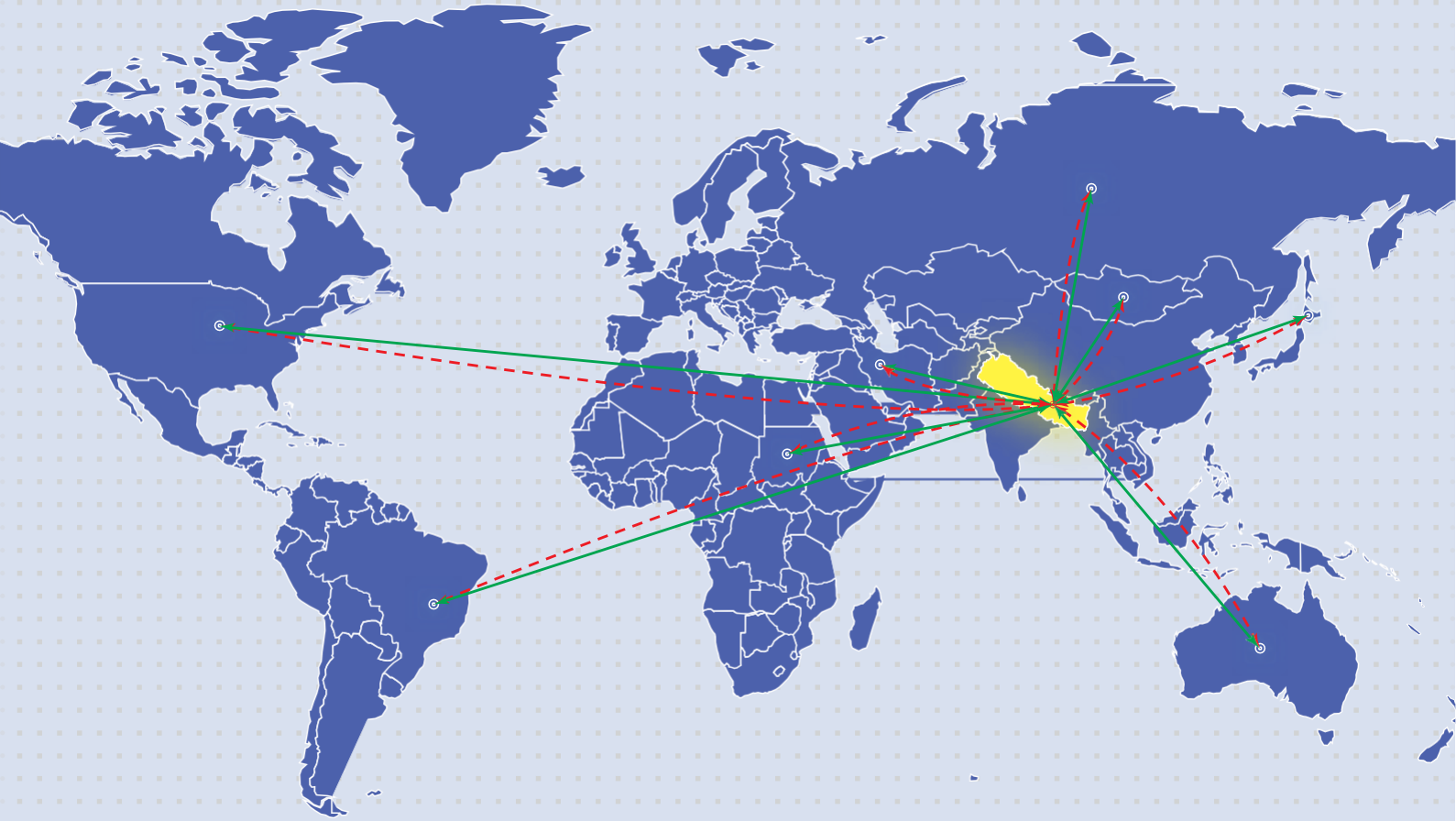
STRATEGIC ANALYSIS REPORT, 2026

HUNDI



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List of Abbreviations

ALPA	Asset (Money) Laundering Prevention Act, 2008
AML	Anti-Money Laundering
APF	Armed police Force
APG	Asia/Pacific Group on Money Laundering
CDD	Customer Due Diligence
CFT	Combating Financing of Terrorism
CIB	Central Investigation Bureau
DMLI	Department of Money Laundering Investigation
DRI	Department of Revenue Investigation
EDD	Enhanced Due Diligence
EUR	EURO
FATF	Financial Action Task Force
FERA	Foreign Exchange (Regulation) Act, 2019
FIU	Financial Intelligence Unit
GDP	Gross Domestic Product
HOSSP	Hawala and other similar service providers
ICRG	International Co-operation Review Group
IFT	Informal Fund Transfer
IMF	International Monetary Fund
INR	Indian Rupees
INTERPOL	International Criminal Police Organization
IPS	Interbank Payment System
IR	Intelligence Report
IRD	Inland revenue Department
KYC	Know your Customer
LEA	Law Enforcement Agency
MER	Mutual Evaluation Report
ML	Money Laundering
MoFA	Ministry of Foreign Affairs
NRA	National Risk Assessment
NRB	Nepal Rastra Bank
MLA	Mutual Legal Assistance
MVTS	Money or Value Transfer Service
PF	Proliferation Financing
PML	Professional Money Launderers
PSO	Payment Service Operators

PSP	Payment Service Providers
REs	Reporting Entities
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TF	Terrorist Financing
TTR	Threshold Transaction Report
USD	United States Dollar
USDT	United States Dollar Tether
VA	Virtual asset

Foreword

Financial Intelligence Units are the backbone of a country's AML/CFT framework. They share the core functions of collection, analysis and dissemination of information on money laundering, associated predicate offences and terrorist financing. As the methods and patterns of financial crimes, money laundering and terrorist financing have become more adaptive and complex, FIUs now prioritize strategic intelligence, along with tactical and operational intelligence in creating analytical value. The strategic intelligence outputs provide insights and enhanced understanding of the ML/TF risk areas, informing policy, supervision and enforcement priorities.

Historically, hundi has been a major part of Nepal's informal economy for the settlement of business and remittance transactions. However, it has been increasingly misused for evading legal provisions and facilitating money laundering. Consequently, hundi has been criminalized through inclusion in the National Criminal Code and has been designated as a predicate offence under the Asset (Money) Laundering Prevention Act, 2008 through the Nepal Gazette notice of 18 Poush, 2081 (2 January 2025).

FIU-Nepal has been receiving Suspicious Transaction/ Activity Reports related to hundi transactions and hundi operators from reporting entities. Since January, 2025, reports have been received with hundi as a separate indicator, which has enhanced our understanding of the trends and typologies on hundi. Besides, the investigation and prosecution cases initiated by Nepal Police has further shed light on the patterns and methods being used by the perpetrators. These include increasing use of digital technology and integration with formal financial system.

This Strategic Analysis Report on hundi has been prepared aiming to develop a comprehensive understanding of ML/TF risks associated with hundi and examine emerging trends, and typologies of hundi in Nepal. As Nepal moves forward in strengthening its AML/CFT framework, this report underscores the need for continued vigilance, enhanced coordination, and capacity building among reporting entities, supervisory agencies, and law enforcement agencies.

I extend my appreciation to Deputy Director Mr. Sachin Raj Piya and Assistant Director Mr. Bikram Budhathoki for their effort in preparing the report. I also appreciate the support from Policy team staff members Mr. Ramin Shrestha, Mr. Kamal Paudel, Ms. Sharada Adhikari, Mr. Bibesh Pokharel and Mr. Bijay Rai in finalizing the draft. I also acknowledge Mr. Keshav Prasad Rimal, Bishnu Prasad Guragain, Mr. Bishnu Prasad Guragain, Mr. Indra Tribricram Pahari and all FIU-Nepal colleagues for their valuable feedback while preparing the report.

Bashu Dev Bhattarai

Director/Head of FIU-Nepal

Executive Summary

FIU-Nepal has prepared this strategic analysis report under FATF Recommendation 29 and Section 10(1)(i) of the Assert (Money) Laundering Prevention Act, 2008 (ALPA). The Report mainly analyzes trend and typologies of hundi in Nepal and provides recommendations to reporting entities (REs), supervisors, law enforcement agencies for taking actions to mitigate hundi-related risks.

Hundi has moved from a traditional trade and remittance practice to a channel for laundering proceeds of crime. It is increasingly digital and relies on the formal financial system, in addition to traditional informal methods. The analysis of information in FIU's database covers from 2nd January 2025, when hundi became a predicate offence under the ALPA, to 16th July 2026. It draws on a random sample of 200 STRs/ SARs from 1,672 hundi-related STRs/SARs filed during this period. It also includes five years of Nepal Police data as well as international studies.

Hundi moves value across borders without moving the money itself. Operators settle their balances through netting, trade mis-invoicing, cash couriers, mule accounts or virtual assets. In Nepal it is driven by diverted migrant remittances, settlement of under-invoiced imports, the long and porous border with India, a large cash economy and demand for banned virtual assets. Hundi is a criminal offence under Section 125A of the National Criminal Code and is prohibited under the Foreign Exchange (Regulation) Act.

Findings from Analysis

i. **Volume:** 10.6% of all STRs/SARs (1,672 of 15,815) related to hundi. Commercial banks filed 89.9% of them.

ii. **Profile:** In the sample, 84% of subjects were male and 65.5% were aged 25–44. Students and housewives appear among subjects, which suggests mule accounts.

iii. **Geography:** 53% of subjects were located or registered in Madhesh Province, mostly in border districts that are major sources of migrant workers.

iv. **Businesses:** Retail traders (43%) and remittance sub-agents (41.5%) made up 84% of the firms reported.

v. **Accounts:** About 40% of reports were filed within a year of account opening.

vi. **Enforcement:** Police investigations rose from 18 (FY 2078/79) to 60 (FY 2081/82). Over five years, Rs 273.62 crore was confiscated. More persons per verdict (from 1.9 to 3.5) points to network-level cases.

Main typologies

The report identifies the following hundi related typologies in Nepal:

i. Use of mule accounts

ii. Structured cash deposits and multiple account transfers

iii. Use of legal persons— front and shell companies

iv. Use of cryptocurrency

v. Physical cash transportation

vi. Digital coordination and traditional settlement

vii. Use of remittance sub-agents

viii. Linkage with gold smuggling

Priority actions

The Report has suggested updated red flag indicators for detection of hundi-related transactions. Likewise, it has recommended priority actions for relevant agencies and stakeholders as follows:

i. **Reporting entities:** Ongoing monitoring; identifying structured cash pooling; codifying the red flag indicators; identifying money mule accounts; implementing enhanced CDD; device and geolocation tracking; timely STR/SAR reporting; improving STR/SAR quality; regular training and public awareness; conducting periodic review.

ii. **Supervisors:** Public awareness campaign; guidance and supervision; encouraging AI-driven transaction monitoring, strict oversight on digital wallets; implementing additional monitoring criteria; channeling resources to high risk areas; cross-border collaboration; holding senior managers accountable; conducting thematic review; monitoring of remittance agents and cooperatives

iii. **LEAs:** Taking risk-based approach; capacity building and specialization; cross-agency knowledge sharing; enhancing investigative tools and techniques; leveraging financial intelligence; focusing on international cooperation; conducting joint investigations; improving case management; targeting broader network and assets; parallel ML investigation.

iv. **Policymakers and coordinating bodies:** Time-bound action plan; review of sanctions; reducing incentives for informal channels; awareness and information collection; trade transparency; border cash control

Way forward

FIU-Nepal plans to add hundi sub-indicators in goAML, give feedback to REs on STR quality, prioritize network-level analysis and track the outcome of each dissemination. It also intends to make more use of information obtained through the Egmont's secured network from key corridors and publish half-yearly trend updates. Hundi is now organized, cross-border and digitally coordinated, and prohibition alone will not likely be effective to mitigate it. Coordinated action by all relevant competent authorities and private sector stakeholders is needed to control hundi-related risks.

Chapter 1: Overview of the Report

1.1 Background

Financial Intelligence Units around the world share the core functions of collection, analysis and dissemination of information regarding money laundering, associated predicate offences and terrorist financing. While creating analytical value, FIUs perform analysis function at three levels: tactical, operational and strategic. The tactical and operational analyses are carried out for individual cases, whereas the strategic analysis is generally related to trends, patterns and typologies. The strategic analysis may involve identification of evolving criminal patterns in a particular group or area, or even emerging patterns of criminality at the national level. As financial crimes and methods of money laundering and terrorist financing have become more adaptive and complex, FIUs have now been focusing on producing strategic intelligence that provide insights and enhanced understanding of the ML/TF risk areas, which inform policy, supervision and enforcement priorities.

FATF Recommendation 29 explicitly requires FIUs to conduct strategic analysis. Likewise, Section 10 (1) (i) of Asset (Money) Laundering Prevention Act 2008 requires FIU-Nepal to submit strategic analysis report to the government. FIU-Nepal has been publishing strategic analysis reports in thematic areas annually. Last year, the Strategic Analysis Report on Virtual Assets was published. The growing number of suspicious transaction reports as well as law enforcement cases related to hundi has led FIU-Nepal to explore the trends and typologies on hundi and develop the relevant strategic intelligence for FIU's own use and the use by broader stakeholder community.

1.2 Scope of the Report

This report is mainly focused on developing the strategic intelligence on hundi by using data and information at FIU's disposal. It provides the overview of hundi and how the channel may be misused by the criminals and perpetrators for money laundering and terrorist financing. Furthermore, the Report includes the analysis of hundi-related STRs/SARs received by FIU-Nepal and the hundi-related cases obtained through other sources to assess the trends and typologies of hundi in Nepal. The report also includes recommendations for the reporting entities, concerned regulators and the law enforcement agencies. The Report, however, doesn't incorporate the macroeconomic effects of hundi or the detailed analysis of hundi's linkage with other financial crimes.

1.3 Objectives of the Report

The main objective of this study is to review and analyze emerging trends and typologies of hundi in Nepal in order to provide insights and enhance understanding on the ML/TF risks, as well as, to inform the policy of the relevant stakeholders.

The specific objectives are:

i. To develop a comprehensive understanding of the ML/TF risks associated with hundi.

ii. To analyze emerging trends and patterns related to hundi based on the STRs/SARs received by FIU Nepal and the data available from external sources.

iii. To update guidance on red-flag indicators related to hundi for reporting entities.

iv. To identify the typologies and settlement methods used by hundi networks in Nepal, including their use of the formal financial system.

v. To provide policy recommendations to the concerned stakeholders based on the findings of the study.

1.4 Data Collection for the Report

Both primary and secondary sources of data have been used for the Report.

i. The primary source of the data and information for the Report is the FIU's internal database, the goAML System. The STRs/SARs and the operational analysis information were retrieved from the goAML database for the period of 02 January, 2025 to 16 July, 2026 (Since hundi was designated as a separate predicate offence). Out of the total 1,672 STRs received during the period, 200 STRs were randomly drawn using Simple Random Sampling method and were analyzed in details in sample basis.

ii. Secondary sources of data and information include the statistics obtained from the Nepal police, media sources, as well as the publications by major international bodies like the FATF and the IMF.

1.5 Limitations of the Report

While we believe that the analysis has been carried out as comprehensively as possible, limitations remain. The study depends highly on the STRs/ SARs reported at FIU-Nepal, which means on the patterns and activities detected by the formal financial sector. It does not account for the broader range of hundi-related activities taking place outside the formal financial system or those that remain undetected. Furthermore, the detailed analysis has been carried out on sample basis, by taking around 12% of the total STRs/SARs received in the review period. There is also limited study and published data on hundi in Nepal. The Report also includes only one case example for each of the typology identified. Moreover, the profile of subjects reflects what reporting entities detect and report and the addresses recorded at onboarding; it may therefore differ from the actual population of hundi operators and their locations of operation.

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Chapter 2: Overview of Hundi

2.1 Meaning of Hundi

The word "Hundi" is derived from the Sanskrit word Hundika meaning a bill of Exchange[1]. It is believed to have originated in ancient India and was later adopted in other parts of South Asia, the Middle East and other regions, including the Horn of Africa. Long before the emergence of modern banking, it functioned as a traditional instrument for remittances, credit, and trade financing.

In Nepal, the history of hundi dates back to several centuries. It served as a crucial means for extending credit, settling trade accounts, and transferring money. Newar merchants from the Kathmandu Valley, who travelled long distances for trade, were among the first Nepali groups to use hundi. During the Malla era, hundi facilitated trade between Kathmandu, Bhaktapur and Patan, with Lhasa of Tibet and Varanasi of India[2].

Today, the term "Hundi" is generally used to mean the act or process of transferring funds or making payments through informal channels. Different terms are used to describe informal fund transfer (IFT) systems: fei-ch'ien (China), hui kuan (Hong Kong), hundi (South Asia), hawala (Middle East), padala (Philippines), and phei kwan (Thailand). The FATF uses the term HOSSP (Hawala or Other Similar Service Providers) for those individuals or organizations providing informal fund transfer services. The initial growth of the IFT was primarily rooted in facilitating trade between distant regions at a time when conventional banking instruments were either absent or weak[3].

In an Interpol Report, Jost and Sandhu (2000) [4] acknowledge "Hundi/Hawala is an alternative or parallel remittance system. It exists and operates outside of, or parallel to 'traditional' banking or financial channels. It was developed in India, before the introduction of western banking practices, and is currently a major remittance system used around the world. It is but one of several such systems; another well-known example is the 'chop', 'chit' or 'flying money' system indigenous to China, and also, used around the world."

One often used definition of hundi is that it is "money transfer without money movement", a phrase that is used to emphasize that unlike a regular money transfer or wiring of funds, a hundi transaction can occur without the movement of funds.[5] It is an informal value transfer system in which one person transmits funds to another without using formal money transfer mechanisms such as banking channel. It's a system based on trust in which transmitting funds from one place to another is made possible without the actual movement of cash through a nexus of hundi operators.

Hundi operators or HOSSPs operate outside of, or parallel to, traditional banking, financial

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[1] *See more at https://www.wisdomlib.org/definition/hundika*
[2] *The vicious circle of hundi See more at https://newbusinessage.com/news/46648/the-vicious-circle-of-hundi/*
[3] *https://www.elibrary.imf.org/display/book/9781589062269/9781589062269.xml*
[4] *Jost, P.M. and Sandhu, H.S. (2000) The Hawala Alternative Remittance System and Its Role in Money Laundering. A FinCEN/INTERPOL Report, FinCEN, Vienna, VA*
[5] *Patrick M. Jost & Harijit Singh Sandhu (2000) "The Hawala Alternative Remittance System and its Role in Money Laundering";*

channels and remittance systems. The system requires a minimum of two operators that take care of the "transaction" without the movement of cash or telegraphic transfer. While hundi operators are spread throughout the world, they are primarily located in the Middle East, North Africa, the Horn of Africa and the Indian subcontinent.[6]

Globally, hawala and other similar service providers are largely used to move funds of legitimate origin, including personal and business financial transactions and for the sending of remittances by migrants and refugees to family members. Cultural preferences, convenience, low-threshold accessibility, low processing fees, reliability, and faster value transfer services are some of the reasons for using hundi channel, and customers using the service come from all walks of life. However, the hundi or HOSSPs can also be misused by criminals or professional money launderers (PML) mainly due to anonymity and limited transparency.

Criminal misuse of hundi is a widespread global phenomenon and such misuse is particularly prominent along certain corridors and in specific regions marked by strong remittance flows, dense trade links, longstanding diaspora communities and low levels of formal financial intermediation.[7] Further, money laundering through hundi is no longer exclusively linked with traditional cash-intensive crimes such as drug trafficking or smuggling but increasingly serves as the money laundering infrastructure for proceeds generated from the broader spectrum of crimes, including fraud, corruption, tax evasion, terrorist financing, cyber-enabled crime, illegal gaming and gambling, and transnational organized crime[8].

There is no single global regulatory framework covering the hundi operation. However, the FATF Recommendation 14 requires countries to take measures to regulate the hundi/hawala system through licensing or registering and ensure regular monitoring and compliance. Specific regulations and monitoring regimes vary by country, but FATF recommends countries take a risk-based approach to regulate it.[9] Approaches differ across jurisdictions. Some register or license hawala/HOSSPs (for example, the United Arab Emirates and the United States), while several South Asian countries, including Nepal, prohibit value transfer outside licensed channels. Both approaches can be consistent with Recommendation 14, provided that countries actively identify and sanction persons who provide MVTS without a license or registration.

2.2 Hundi Operation Process

Hundi or HOSSPs mainly operate as informal and decentralized system. The defining characteristic is that the value is transferred without the physical or electronic movement of funds across the border. Instead, the counterpart operators in different countries settle their obligations through internal book-entries and subsequently compensated through trade transactions, bulk cash payment or alternative asset movement[10].

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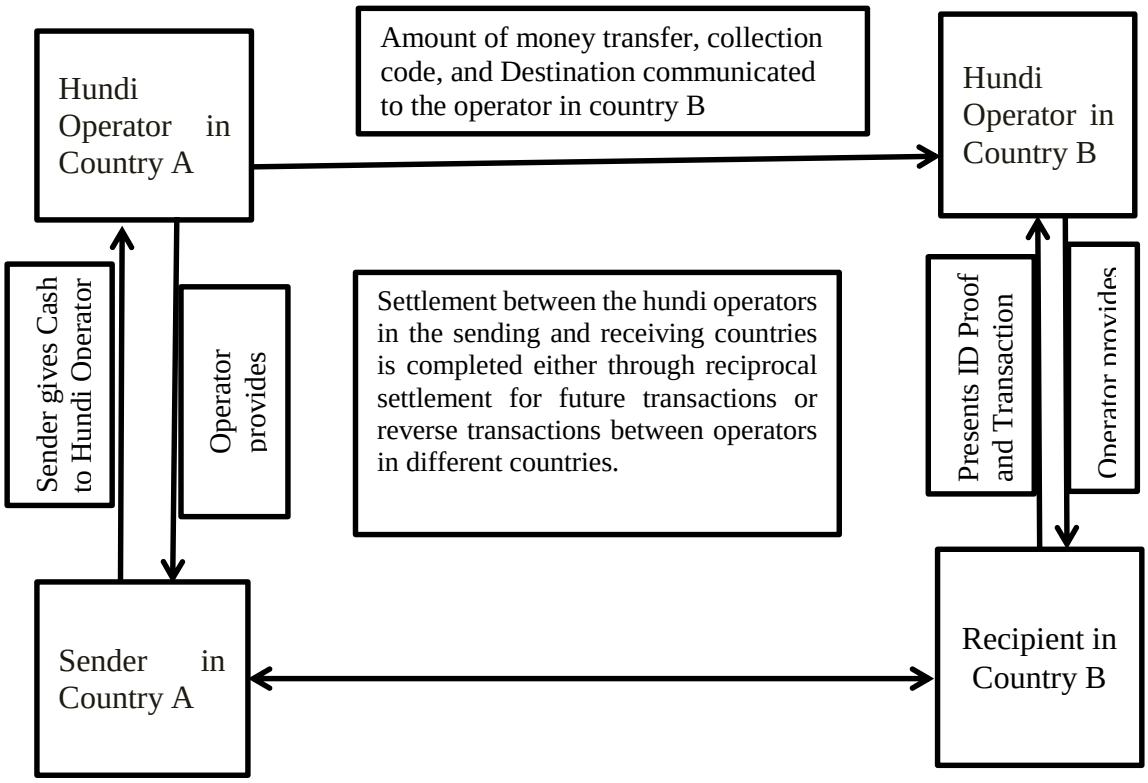
[6] *Sam Vaknin, https://www.academia.edu/6298478/Hawala_Informal_Money_Transfer_Networks_*
[7] *https://www.fatf-gafi.org/en/publications /Methodsandtrends/pml-underground-banking-hawala-hossps*
[8] *Financial Action Task Force. (2026). Investigating professional money laundering through underground banking and hawala/HOSSPs See more at: https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/pml-underground-banking-hawala-fatf-report-2026.pdf*
[9] *https://www.unodc.org/documents/data-and-analysis/AOTP/Hawala_Digital.pdf*
[10] *https://www.fatf-gafi.org/en/publications /Methodsandtrends/pml-underground-banking-hawala-hossps*

Although the modalities can differ across regions and jurisdictions, a typical transaction involves the sender visiting the hundi operator in the sending country (A). Basically, the hundi operator in country A receives money from the sender and advises (through telephone call, fax, e-mail, and so forth) the counterpart hundi operator in the receiving country (B) to disburse the cash to the beneficiary in local currency after proper identification and verifying the remittance code (password) from the beneficiary. Subsequently the transactions need to be settled between



the hundi operators of countries A and B, bilaterally or multilaterally (involving a hundi operator in a third country).

Figure 1: Basic Hundi/Hawala Transaction Modality

Source: IMF (2009) [11]

Basically there are three main participants in the hundi transaction: The Remitter, The Hundi Operators and The Beneficiary.

i. Remitter: Person who wants to transfer funds from one place to another.

ii. Hundi Operator: They are involved in point of origin and the destination to complete the hundi Transaction. They receive the funds from Remitter and make payments to the Beneficiary and then settle the transactions among themselves later. They control cash pools and ledgers and frequently operate from legitimate ancillary businesses like travel agencies, export/import firms.

[11] *International Monetary Fund. (2009). Understanding remittances: Demography, transaction channels, and regulatory aspects. https://www.imf.org/external/np/sta/bop/2008/rcg/pdf/ch2.pdf*

iii. Beneficiary: The intended recipient of the fund in hundi transaction.

The operators usually hold cash pools to ensure immediate payment capacity. These funds may be sourced from legitimate remittance money or criminal proceeds. These operators are mainly paid through commission-based fees. The fee-levels are risk-based,[12] meaning transfers of funds suspected to originate from criminal activities attract higher commission. Furthermore, there is deep integration of hundi operation with formal financial sector. Formal financial services like inter-bank transfers, PSP wallets are widely used as entry and exit points.

2.3 Operational Mechanisms of Hundi System in Nepal

i. **Inbound Remittance Diversion (Labor Corridors):** The primary driver of Hundi is the money sent home by millions of Nepali migrant workers. While historically concentrated in the Gulf countries and Malaysia, these flows have expanded into East Asian Countries like South Korea and Japan, as well as various European destinations. The foreign currency earned abroad does not actually enters Nepal's official banking reserves. The offshore hundi syndicates collect the foreign Currencies abroad and families in Nepal receive their funds through domestic digital wallets and Fund Transfer through ConnectIPS.

ii. **Outbound Flows (Trade Distortion and Capital Flight):** Importers regularly use hundi to settle the balances of under-invoiced imports, allowing them to evade customs duties and taxes at Customs. It is also used to finance illicit gold smuggling operations, cover undeclared medical or educational expenses exceeding central bank regulatory thresholds, and facilitate illicit capital flight for high-net-worth individuals.

iii. **The Nepal-India Corridor (Open-Border Cash Operations):** The 1,751 km open border between Nepal and India facilitate physical flow of currencies across the border via cash couriers, driven by unmonitored cross-border trade, informal laborers, and border-town businesses[13]. This physical cash is frequently used to settle imbalances within regional hundi networks or to pay for goods bypassing formal customs checkpoints.

iv. **Digital Convergence (Online Gambling and Virtual Assets):** With time hundi operators have adapted quickly to the digital age, integrating with banned virtual assets to move funds faster and erase paper trails. The network acts as the financial backbone for illegal online betting and gaming platforms operating in Nepal. Local agents collect player stakes through domestic digital wallets and use hundi rails to send the profits to foreign operators.

2.4 Settlement mechanisms

The obligations between the hundi operators are usually settled through trade transactions, cash

12 World Bank, "Remittance Prices Worldwide: Making Markets More Transparent," The World Bank Group, last updated August 18, 2025, https://remittanceprices.worldbank.org/.

[13] Asia/Pacific Group on Money Laundering (APG). (2023). Anti-money laundering and counter-terrorist financing measures: Nepal Mutual Evaluation Report. Section on cash-based informality, 50% GDP shadow economy, and cross-border trade under-invoicing risks.

smuggling or deposits made through mule accounts. In recent years, there has been increased settlement through digital channels, including virtual assets. Common mechanisms for the settlement of hundi are[14]:

Table 1: Hundi Settlement Mechanisms

Simple Reverse Transaction (Bilateral Offsetting)	Settlement occurs through direct, bilateral offsetting of obligations between two operators in different jurisdictions. Funds paid by hundi operator in one country is balanced by the fund paid by operator in another country. No physical financial settlement is required.
Triangular/ Network-based settlements	Here the balances between the hundi operators are settled indirectly through third jurisdiction. hundi Operator in Country A may owe Operator in Country B, but the payment to the Operator in Country A may be made through Operator in Country C holding surplus balances.
Settlement through value	Obligations between the hundi operators could be settled through the transfer of equivalent value. This may include use of cash couriers who physically transfer cash across borders, or use of trade-based mechanisms like over- and under-invoicing through import/export front companies.
Formal channel/bank-based settlement	Settlements may also be carried out through formal channels by disguising the settlement fund as legitimate and by using shell companies or money-mule accounts.
Digitally-based settlement	Settlement of obligations between the hundi operators are made through digital-value transfer mechanisms like virtual assets or digital banking platforms

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[14] *https://www.fatf-gafi.org/en/publications/Methodsandtrends/pml-underground-banking-hawalahossps*

Chapter 3: ML/TF Risks associated with Hundi

3.1 Hundi as a ML/TF risk vulnerability

Although operating hundi is an offence in Nepal, a large part of the value moved through hundi globally is of legitimate origin, such as remittances and settlement of business transactions. Individuals and businesses may choose to use hundi channel instead of formal financial system due to not only efficiency and accessibility factors but also due to the cultural significance it holds in some regions. In many regions, there is a history of relying on hundi networks, which are operated by trusted individuals, for sending and receiving money.

However, since it primarily operates outside the formal financial system and avoids regulation and supervision, the hundi channel is prone to misused to evade legal provisions. Hundi may be used for: Sanctions and trade embargo or restriction evasion; Customs, excise and tax evasion; Smuggling; facilitation of illegal capital flows; Money laundering and terrorist financing[15].

Hundi can be misused for money laundering and terrorist financing. Money laundering takes place in three stages: placement, layering, and integration. hundi network can be misused by money launderers at any stage of the money laundering process[16]. The hundi system can facilitate *placement*, as it readily accepts large sums of cash without knowing that those could be illicit proceeds. The same goes for the *layering* stage, where funds are structured and remitted to and from. In the *integration* stage, the funds come back to the launderer after placement and layering, making it very difficult to trace the origin of such proceeds.

Similarly, hundi may also be misused by terrorists and other persons for the purpose of financing the terrorist activities, due to the elements of anonymity and lack of a paper trail that can be traced back to the actual person.

As per an IMF study (2003)[17] the major potential for using an IFT system for money laundering lies in the fact that the proceeds can be moved away from the place where the crime was committed such as drug trafficking, prostitution, corruption, and tax evasion to destinations where the transaction can either appear legitimate or from where it can be later brought back to the country through a variety of legitimate routes for the integration process. As per the study, the anonymous transfer of funds through the IFT systems has also raised concerns about their potential use as a conduit for terrorist funds.

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[15] *El Qorchi, M., Maimbo, S. M., & Wilson, J. F. (2003). Informal Funds Transfer Systems: An Analysis of the Informal Hawala System (Occasional Paper No. 222). Washington, D.C.: International Monetary Fund. Available at https://www.elibrary.imf.org/downloadpdf/book/9781589062269/9781589062269.pdf*

[16] *UAE: AML Compliance Service Provider in UAE https://amluae.com/dissecting-hawala-its-vulnerability-and-misuse-for-financial-crime/*

[17] *El Qorchi, M., Maimbo, S. M., & Wilson, J. F. (2003). Informal Funds Transfer Systems: An Analysis of the Informal Hawala System (Occasional Paper No. 222). Washington, D.C.: International Monetary Fund. Available at https://www.elibrary.imf.org/downloadpdf/book/9781589062269/9781589062269.pdf*

According to the study conducted by Dash, Shibli, and Saha (2024)[18] on the linkage between hundi and money laundering in Bangladesh, they emphasize that historical remittance technique (Hundi) known for its quickness and affordability has become the main method of money laundering, drug trafficking, and corruption. The study points out that unrestricted activity of hundi also poses considerable threats to the stability of the official banking system since it decreases deposits and tax collection by the government. As per the study, it was estimated that approximately 30% of remittances were routed through informal channels in 2021.

3.2 Drivers of Vulnerability

The main drivers of vulnerability regarding the use of hundi channel in money laundering[19] are:

i. **Anonymity and Lack of Transparency:** In hundi, value is transferred without necessarily moving the monies themselves. This facilitates anonymity for customers as well as for the source, destination and purpose of funds. The settlement mechanism limits traceability, obscures transaction flows, and constrains the authorities' ability to reconstruct transfers or identify the origin and ultimate destination of value.

ii. **Speed, Convenience and accessibility:** The hundi networks can settle transactions in multiple jurisdictions and currencies in short timeframes. They have global presence, including in remote areas or regions with limited formal financial infrastructure. This shortens gap between placement and cross-border transfer, enabling swift layering and distribution while bypassing regulated channels.

iii. **Low cost and enhanced profitability:** The hundi channel provides cheaper alternative, making it attractive to professional money launderers seeking to consolidate, convert, and move illicit funds.

iv. **Reliability and Reputation:** In many regions of Asia and Africa, where hundi or similar mechanisms are well established and widely practiced, cultural embeddedness and community-based reputation play a significant role. Hence, even in the absence of formal regulatory oversight, the community solidarity and reputation-based guarantees provide social legitimacy and confidence for the users, including those trying to misuse the system for money laundering.

The other enabling conditions for the misuse of hundi/ HOSSPs as per the study are:

i. **Economic and Social Factors:** The factors such as high volume of remittance transactions and cross-border trade, cash-based economy and large informal sector, lack of access to formal financial system sustains these activities.

ii. **Geographic Factors:** Closeness to high-risk or conflict zones, porous borders and extensive coastlines, and the presence of large diaspora population corridors can enable these activities.

iii. **Legal and Regulatory Factors:** Gaps and weaknesses in legislation, supervision, and law enforcement, restrictions in capital control, economic sanctions, de-risking by

18 Dash, R. K., Shibli, M. J. S., & Saha, M. (2024). Breaking the chain: Strategies against hundi and money laundering in Bangladesh. International Journal of Humanities & Social Science Studies, 10(4), 256–270
19 https://www.fatf-gafi.org/en/publications/Methodsandtrends/pml-underground-banking-hawalahossps

financial institutions etc. are other factors that enable and sustain hundi/ HOSSP activities.

3.3 Structural drivers regarding Hundi in Nepal

i. **Exchange Rate Arbitrage:** A persistent gap between the informal hundi rate and the official bank exchange rate is a massive incentive. Hundi operators consistently offer migrant workers a better rate for their foreign currency than commercial banks do, meaning families back home end up with more purchasing power[20].

ii. **Foreign Exchange Retrenchment:** The central bank enforces strict limits on legal access to foreign currency. When citizens run into low caps or bureaucratic hurdles while trying to pay for international university tuition, medical treatments abroad, or personal travel, they turn to the hundi market to fill the gap.

iii. **Tariff Evasion and Under-Invoicing:** Importers systematically under-invoice the declared value of containers at border customs points to minimize tax liabilities; they then use the *hundi* network to covertly settle the remaining unrecorded balance with foreign manufacturers.

iv. **A Massive Cash Economy:** According to Nepal's Mutual Evaluation Report (MER) by the Asia/Pacific Group on Money Laundering (APG), the country's informal, cash-reliant economy accounts for roughly 50% of its GDP[21]. This huge pool of unmonitored domestic cash gives hundi operators the fluid liquidity they need to pay out inbound remittances without raising any regulatory red flags.

v. **The Porous Indo-Nepal Border:** Because of the 1,751 km open border with India functions without strict passport controls or financial checks, physical cash moves across it seamlessly. Border-town syndicates use cash couriers to shuffle INR back and forth, easily settling trade debts outside the banking system.

vi. **Demographic Migrant Outflow:** Hundreds of thousands of Nepali workers leave the country every year for jobs abroad. Many of these laborers work in sectors with poor access to formal banking or have low financial literacy, making the doorstep, hassle-free service of hundi their default choice for sending money home.

vii. **Prohibition of Digital Assets and Gaming:** Banning virtual assets and online gambling hasn't stopped the domestic demand for them; it has simply pushed the money trail completely underground. Because people in Nepal cannot use local bank accounts or credit cards to buy crypto or fund betting accounts, they rely entirely on hundi brokers to route their funds across borders.

3.4 Offences linked to ML through Hundi

According to the FATF study (2026)[22], the principal offences linked to money laundering

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[20] Jost, P. M., & Sandhu, H. S. (2000). The hawala alternative remittance system and its role in money laundering. Financial Crimes Enforcement Network (FinCEN) & INTERPOL/FOPAC.

[21] Asia/Pacific Group on Money Laundering (APG). (2023). Anti-money laundering and counter-terrorist financing measures: Nepal Mutual Evaluation Report.

22 https://www.fatf-gafi.org/en/publications/Methodsandtrends/pml-underground-banking-hawalahossps

through hundi/ HOSSPs were drug trafficking, fraud, goods smuggling, tax evasion, cybercrime and corruption.

Some examples of money laundering and terrorist financing schemes included in the study are:

Box 1

Drug trafficking: Netherlands

Operation Klaver exposed one of the largest underground banking networks identified in the Netherlands and Europe. Over an eight-month period, the network processed approximately EUR 500 million in criminal proceeds, largely on behalf of drug-trafficking organisations. The network operated as a cashbased informal value-transfer system. Couriers collected large sums of cash from criminal clients, delivered the funds to warehouses for counting and recording, and then redistributed equivalent amounts to other criminal actors. These collection and delivery mechanisms enabled drug-trafficking groups to pool, move, and reallocate proceeds without using the formal financial sector. The scheme also displayed features of PML. Transactions were tracked through internal records and coded references, while commissions, logistics, cash storage, and courier movements were organised in a manner similar to a financial service provider. The network co-ordinated with international money brokers to balance accounts across jurisdictions, allowing value to be transferred to source and transit countries and used to finance further drug shipments.

Box 2

Terrorist Financing: Türkiye

Türkiye identified a 'digital hawala' network used to finance members of the terrorist organisation Islamic State in Iraq and the Levant (ISIL). The scheme relied on hawala-style transfers supported by digital receipts, front businesses, and high-volume transactions inconsistent with the individuals' financial profiles. In 2023, following intelligence on a so-called general administrative officer of ISIL and his affiliates in Türkiye, LEAs searched his premises and seized approximately USD 57 250 in cash, held in USD, euros, and Turkish liras. Special investigative techniques identified six additional persons sharing common base signals with several individuals with terrorist offence records. Further searches led to the seizure of approximately USD 554 000 in cash, also held in USD, euros, and Turkish liras, as well as notebooks containing hawala records and digital materials. Examination of the seized materials revealed numerous digital hawala transfer receipts from various regions and involving different recipients, including some linked to one ISIL's so-called prison camp. A jeweller and two mobile phone shops were identified as fronts for hawala transactions. MASAK analysis further identified suspicious high-volume money transfers among these individuals, many using 'infak' (charity) as the stated transfer reason.

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Chapter 4: Legal and Regulatory Provisions

4.1 FATF Recommendations Applicable To MVTS Providers

The FATF Recommendations require the hundi operators/ HOSSPs to be licensed or registered like formal MVTS providers. HOSSPs are therefore treated by the FATF as a subset of MVTS providers. Under Recommendation 14, countries must ensure that MVTS providers are licensed or registered and monitored for AML/CFT compliance; must take action to identify natural or legal persons who carry out MVTS without a license or registration and apply proportionate and dissuasive sanctions; and must ensure that agents are licensed or registered (or listed) and included in the providers' AML/CFT programs.

Nepal's 2023 Mutual Evaluation rated Recommendation 14 as Largely Compliant. It noted that sanctions for providing MVTS without a license were not fully proportionate and dissuasive, and that limited action had been taken to identify unlicensed providers.

FATF Recommendation 14

"Countries should take measures to ensure that natural or legal persons that provide money or value transfer services (MVTS) are licensed or registered, and subject to effective systems for monitoring and ensuring compliance with the relevant measures called for in the FATF Recommendations. Countries should take action to identify natural or legal persons that carry out MVTS without a license or registration, and to apply appropriate sanctions. "

4.2 Provision regarding Hundi in Nepal

Hundi has been prohibited in Nepal through the National Criminal Code, 2017 (Muluki Aparadh Sanhita, 2074) Section 125A (inserted by the Act Amending Certain Acts relating to Anti-Money Laundering and Promotion of Business Environment, 2080), which prohibits any person from carrying out or causing hundi-related transactions, i.e. transferring, settling or paying any amount or value between Nepal and a foreign country, as a business, through any person, instrument or means other than an institution or payment instrument recognized by law. The offence is punishable with confiscation of the amount involved ("Bigo") and imprisonment of up to one year. Only authorized entities, such as banks and financial institutions licensed by the Nepal Rastra Bank, may conduct foreign exchange transactions. The law clearly mandates that all cross-border financial transactions must be conducted exclusively through authorized banking channels and licensed payment service providers.

The Nepal Gazette Notice on 02 January, 2025 listed "Hundi" as a predicate offence for money laundering offence under item 3 of the Schedule to the Asset (Money) Laundering Prevention Act, 2008 (Nepal Gazette, Khanda 74, No. 45, 2081.09.18).

Before the criminalization through inclusion in the National Criminal Code, Hundi was an unregulated informal money transfer system in Nepal and the prohibition was enforced through the Foreign Exchange (Regulation) Act, 2019 BS (1962). The FERA continues to apply alongside the Criminal Code.

The Foreign Exchange (Regulation) Act, 2019 BS (1962) establishes the legal framework for regulating foreign currency, foreign exchange transactions and cross-border movement of monetary instruments in Nepal. The Act requires individuals, firms and institutions to obtain a license from NRB to buy, sell, borrow, lend or transfer foreign exchange, and mandates that

such transactions follow the procedures and exchange rates determined by the Bank.

Foreign Exchange (Regulation) Act, 2019 (1962) Section 3 prohibits the transaction of Foreign Exchange except those which have obtained license from Nepal Rastra Bank.

NRB Foreign Exchange Transaction Licensing and Inspection Bylaws 2077, Section 3 states that the banks, financial institutions or other firms or businesses carrying out foreign exchange transactions should obtain the license from the Bank.

Section 3 of Nepal Rastra Bank Remittance Bylaws, 2079 states that a license must be obtained from NRB in accordance to carry out remittance business.

The Nepal Rastra Bank Act, 2058 (2002) empowers the Nepal Rastra Bank to license, regulate and supervise persons and institutions carrying out foreign exchange transactions. Before hundi was included as a criminal violation in the National Criminal Code, hundi was investigated and prosecuted as the violation of the Foreign Exchange Act and NRB Act. While the FATF allows for licensing and regulating the Hundi/ HOSSP operators, Nepal has taken strict measures against these operators by criminalizing the hundi operation itself, regardless of whether it is used for the transfer of legitimate or criminal funds. This approach is consistent with Recommendation 14, provided that unlicensed providers are actively identified and sanctioned and that formal channels remain accessible and affordable, so that financial inclusion is not undermined.

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Chapter 5: Analysis

5.1 Analysis of Hundi related STR/SARs

Through the Nepal Gazette notice on 02 January, 2025, issued under the Schedule to the ALPA, Nepal classified Hundi as a separate predicate offence. FIU-Nepal then made provision for a separate indicator for hundi and started receiving STRs related to hundi separately. Previously, such STRs were reported within Money/ Banking-related indicator.

FIU-Nepal has received 1,672 STR/SARs on hundi till mid-July, 2026 since hundi was categorized as a separate indicator. Below is the details on hundi-related STRs/SARs.

Table 2: REs and STRs Filed

Reporting Entity	Total STR filed	STR linked to Hundi	% of hundi STR	% of Hundi STR by REs
Commercial Banks	11,197	1,503	13.42	89.89
Development Bank	1,273	120	9.43	7.18
Finance Company	535	28	5.23	1.67
Remittance Companies	231	13	5.63	0.78
PSPs/PSOs	932	8	0.86	0.48
Others(DNFBPS, Insurance, Securities, etc)	1647	0	0.00	
Total	15,815	1,672	10.57	100

Since 02 January 2025 to mid-July 2026, FIU- Nepal received 15,815 STR regarding different predicate offences out of which 10.57 % STRs (i.e. 1,672 STRs) were related to hundi. The hundi-related STRs were filed mostly by Commercial Banks (89.89%). Remaining STRs were filed by the Development Banks, Finance Companies, Remittance Companies and PSO/PSPs.

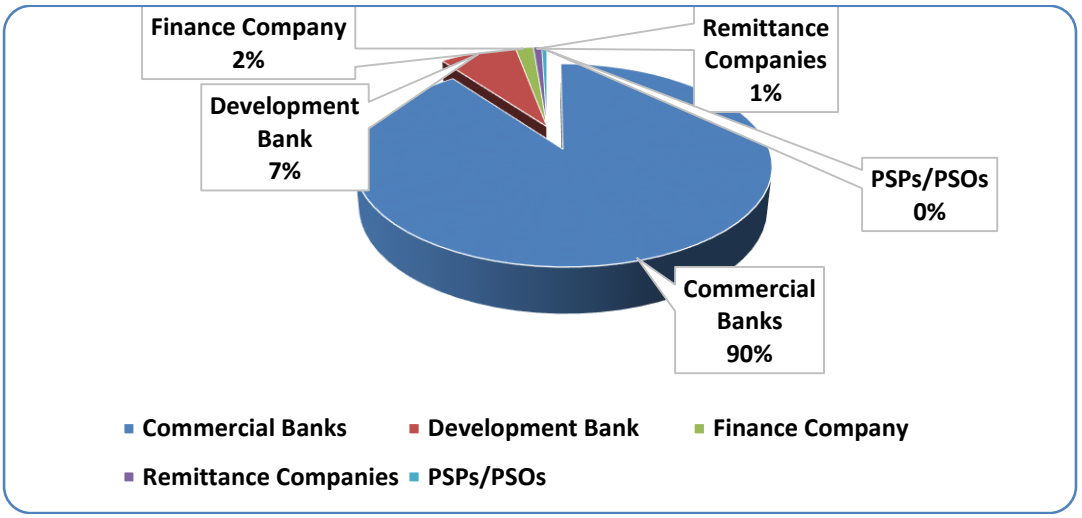

Figure 2: REs reporting Hundi STRs.

Several aspects of hundi have been analyzed in this section by taking the sample size of 200 gathered through the simple random sampling method considering all 1,672 STR regarding Hundi as predicate offence received during the period as Sampling frame. To ensure an unbiased and representative sub-set of data, a Simple Random Sampling approach was utilized

for this study. From the list of 1672 Hundi related STR the samples were drawn randomly. For representing at least 10% of population, a target sample size of 200 records was extracted from the top of the randomized matrix of the Sampling frame.

5.1.1 Characteristics of suspects linked to Hundi

The analysis were conducted based on demographic information available with the bank accounts of Suspects in related STR/SARs. In case of entities as primary suspect of Hundi STR/SAR, the demographic information of the owner/ Proprietor of that entity. The demographic information were analyzed based on Gender, Age, Geographical location, stated occupation and other.

i. **Gender of the suspect linked to Hundi**

The majority of suspects linked to STR with predicate offence as Hundi were male, accounting for 84 percent, while rest 16 percent were females. In case of the reports on entities, the firm's registered owner is considered for the study.

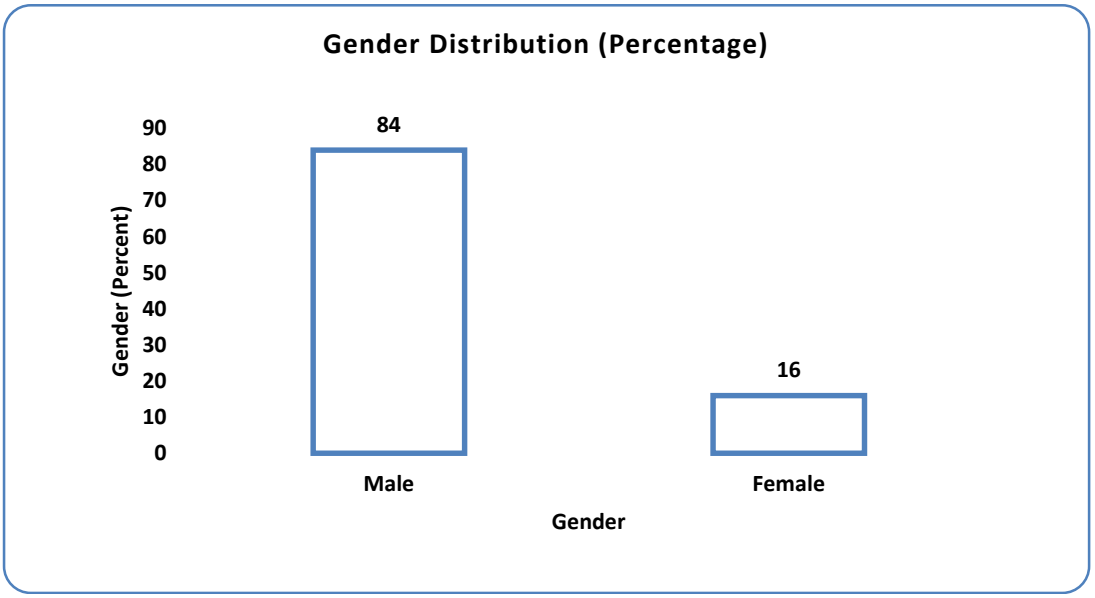

Figure 3: STR/SAR by gender.

ii. **Age Group of the suspects linked to Hundi**

The individuals under different age group is presented in the below figure.

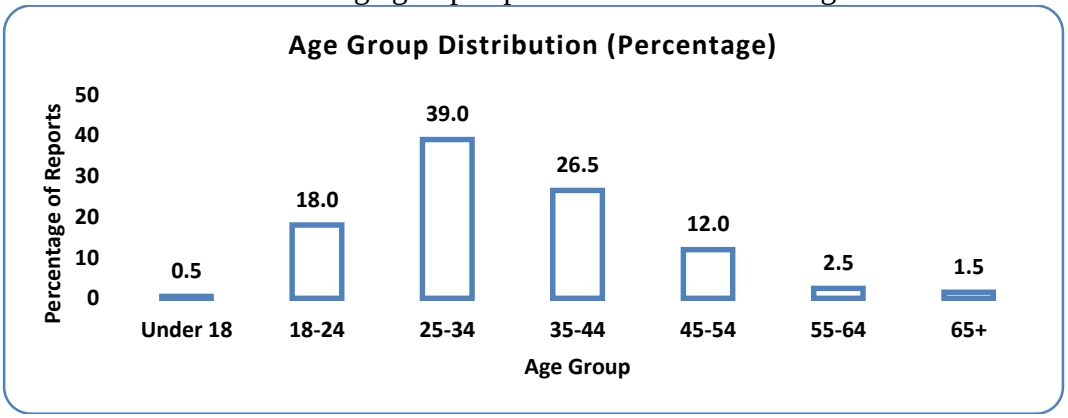

Figure 4. STR/SAR by Age-Group.

The bar chart shows a right-skewed distribution of the age groups of the individuals linked to STR/SARs, revealing that the vast majority of the linked subject are young to middle-aged adults. Subjects from the 25–34 age group are linked to the highest number (39%) of the reports, followed closely by the 35–44 group (26.5%) and the 18–24 group (18%).

iii. Geographical Location of the subjects linked to Hundi

The majority of the registered location or address of the linked entities/individuals were the districts in the Madhesh Province (53%), followed by Koshi Province (16%) and Lumbini Province (12.5%).

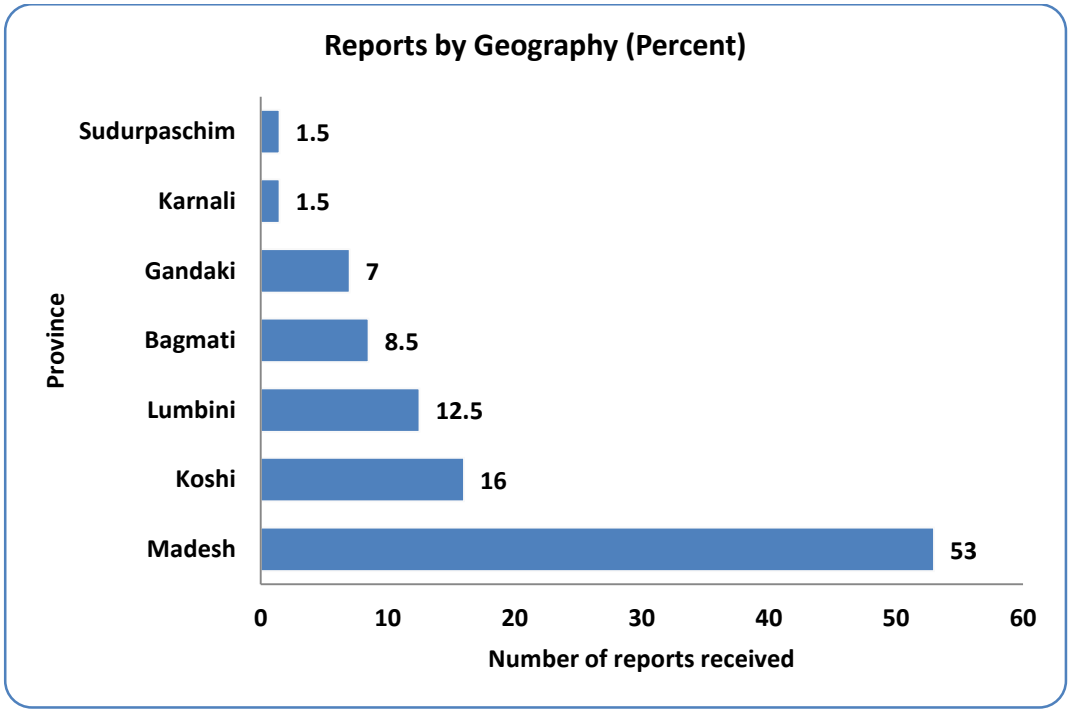

Figure 5. Reports by Geographical Location.

Analyzing the districts linked with Hundi Suspects, the majority are from the eastern parts of the country. The top 10 districts of the suspects are:

District	No. of Individual	Percent
Siraha	21	10.5 %
Saptari	20	10 %
Sunsari	18	9 %
Dhanusha	16	8 %
Mahottari	15	7.5 %
Bara	11	5.5 %
Rautahat	10	5 %
Morang	10	5 %
Kathmandu	8	4 %
Rupandehi	6	3 %

iv. Occupation of the suspects linked to Hundi

Analyzing the information submitted while opening accounts, the most common stated profession is “business” (51.5%), followed by salaried employee (13%), Agriculture (11%)

student (9%), foreign employment (7%), and housewife (5.5%). The presence of students and housewives among flagged individuals is worth noting — these profiles are commonly associated with "mule" or third-party account use in structuring schemes.

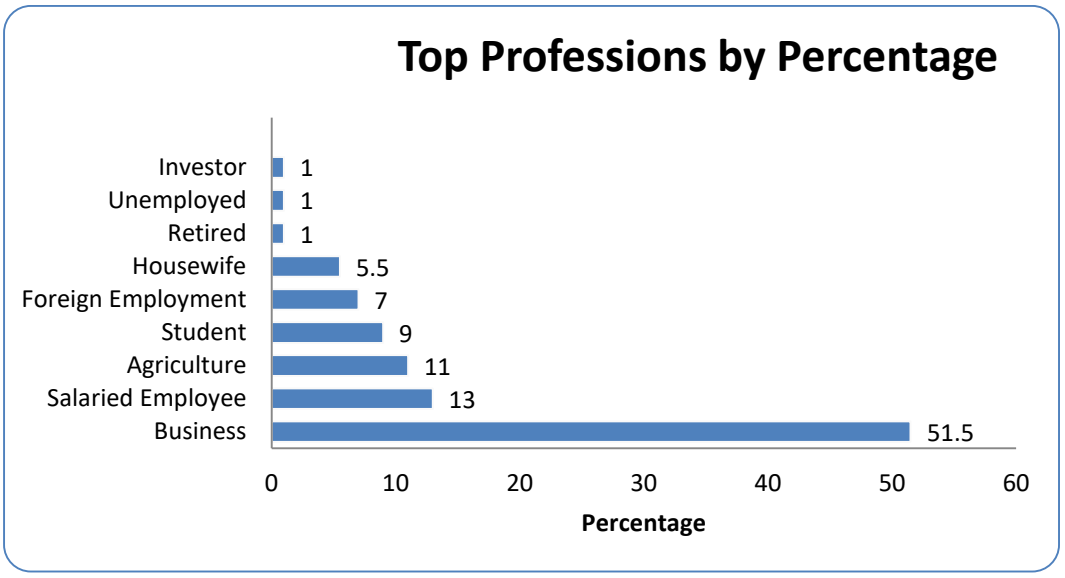

Figure 6. Stated professions among flagged individuals.

5.1.2 Classification of Firms linked to Hundi based on their Nature of Business

Among the firms linked to hundi transactions, two categories dominate: retail trading (43%) and money transfer/ Remittance sub-agent businesses (41.5%), which together account for 84% of all firm reports. This is a notable concentration — money transfer operators in particular are a recognized higher-risk sector for money laundering typologies given their role as a direct cash-in/cash-out channel.

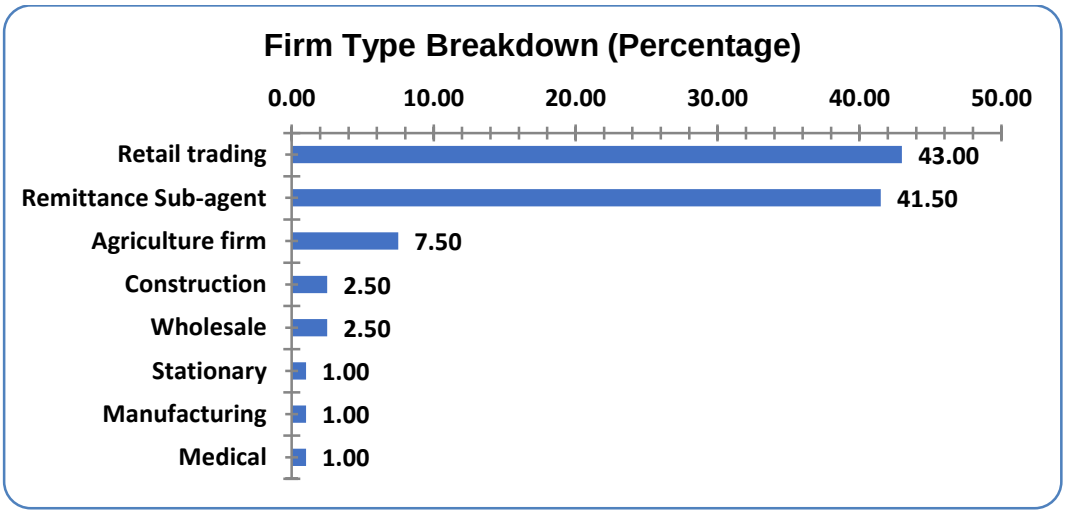

Figure 7: Firm type breakdown (firm reports only).

5.1.3 Time between Account Opening and Report Filing

By analyzing the time elapsed between account opening and reporting to FIU-Nepal with Account Opening dates mentioned in STR, 9.5% were filed within 3 months of account opening, while 17% reports came 5 or more years after account opening. Around 40% of the reports were filed within one year of account opening. This may indicate that a number of these

accounts were opened or acquired specifically for hundi-related activity, for example as mule accounts.

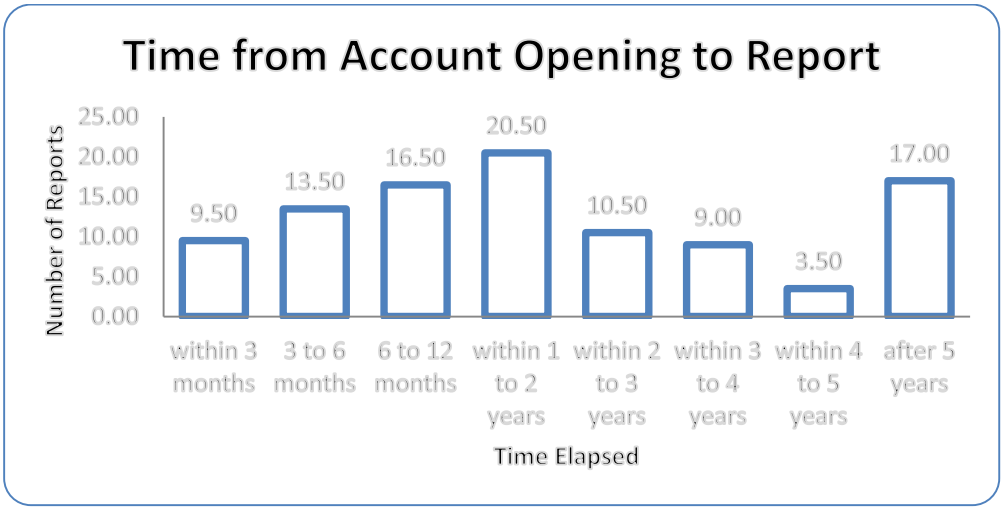

Figure 8: Time elapsed between account opening and report date.

5.2 Investigation Data on Hundi

The data and information presented in this section are obtained from Nepal Police, the primary agency responsible for investigating hundi offences under the National Criminal Code.

5.2.1 Characteristics of the Suspects

i. **Age group:** Most suspects engaged in hundi offences are between 19 and 45 years old — working-age adults rather than minors or the elderly.

ii. **Income group:** Most suspects come from low-income backgrounds, consistent with hundi operation as an accessible, low-capital sideline (couriers, small agents) rather than requiring significant capital.

iii. **Educational qualification:** Suspects are mostly literate with basic reading and writing ability, but without indication of higher formal education.

iv. **Country of origin:** Most offenders are from Nepal, India, and China, pointing to hundi networks that are regional and cross-border rather than confined to Nepali nationals alone.

5.2.2 Hundi cases- Status in last Five Fiscal Years

The Status of hundi-related cases during the investigation by Nepal police Headquarters during last five fiscal years.

Table 3: Number of Investigations and related Data

Category	Total (last 5 FYs)
Investigations opened	197
Cases filed in court	190
Final court verdicts	103
Persons implicated	331

Total amount claimed (Bigo)	Rs. 387.02 crore
Total amount seized	Rs. 386.13 crore
Total amount frozen	Rs. 16.44 crore
Total amount confiscated	Rs. 273.62 crore

New investigations increased rapidly during the last five fiscal years — from 18 cases in 2078/79 to 60 in 2081/82, more than tripling in three years— with the total of 197 investigations during the last five fiscal years. Similarly, most investigated cases were filed with the court, with total 190 court filings in the period. The final hearing in Courts during the period count to 103 cases, which had 331 persons involved resulting in Rs 386.13 Crore of assets seized, Rs 16.44 Crore of assets frozen and Rs 273.62 Crore assets confiscated during the last five years.

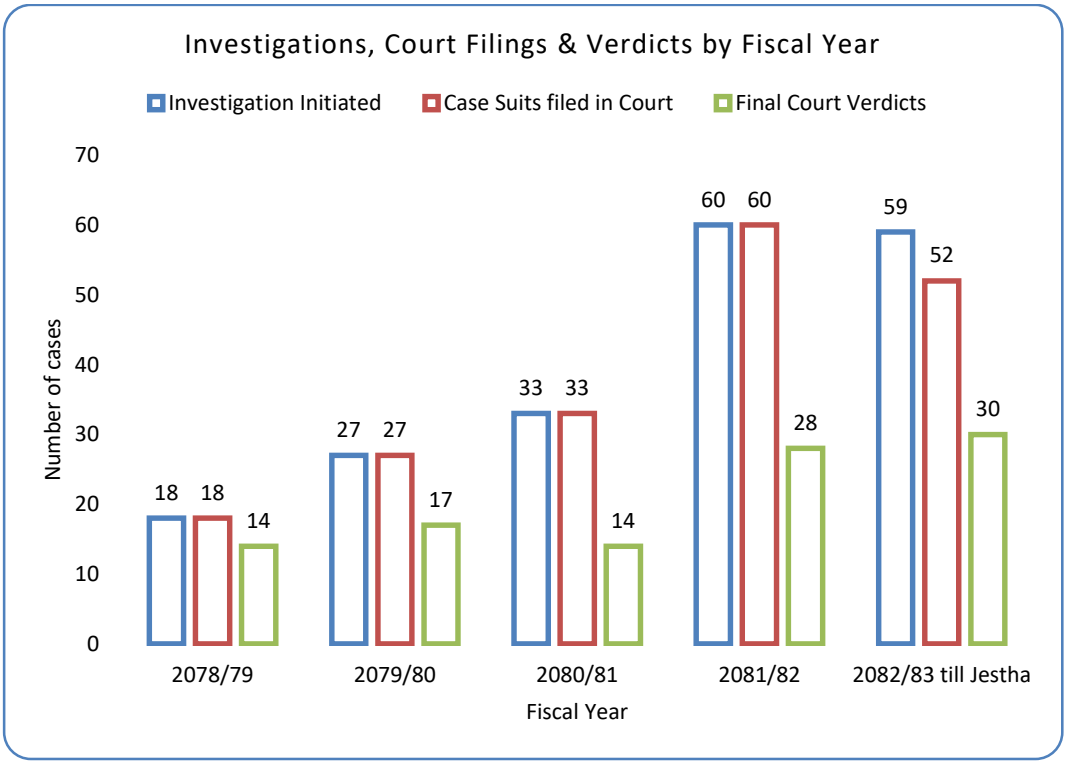

Figure 9: Investigations and related Data in last five years

5.2.3 Persons Involved in Hundi Cases

The number of individuals indicted in hundi cases has increased rapidly in relation to the number of final court verdicts - from 26 people across 14 final verdicts in 2078/79 (about 1.86 per case) to 106 people in the 30 verdicts of FY 2082/83 (till Jestha) (roughly 3.53 per case). This indicates the involvement of networks - multiple operators and couriers.

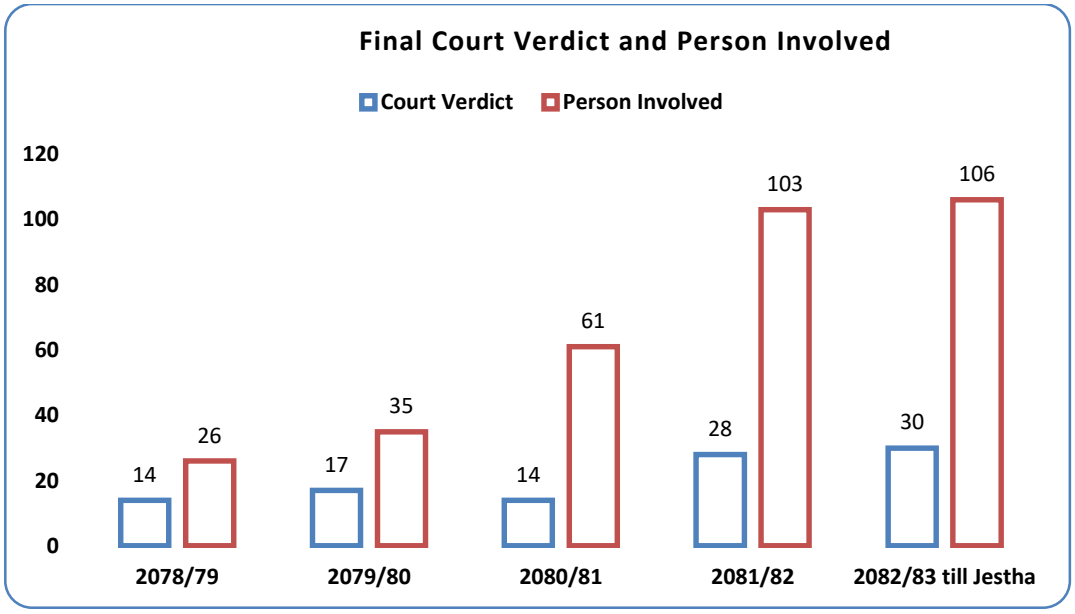

Figure 10: Final Court Verdict and Persons Involved in last five years

5.2.4 Total Amount: claimed, seized, frozen, confiscated

During the last five years, the total claimed amount was around Rs. 387.02 Crore while seized volume amounted to Rs. 386.13 Crore, frozen amount Rs16.44 Crore, and confiscated amount was around Rs. 273.62 Crores.

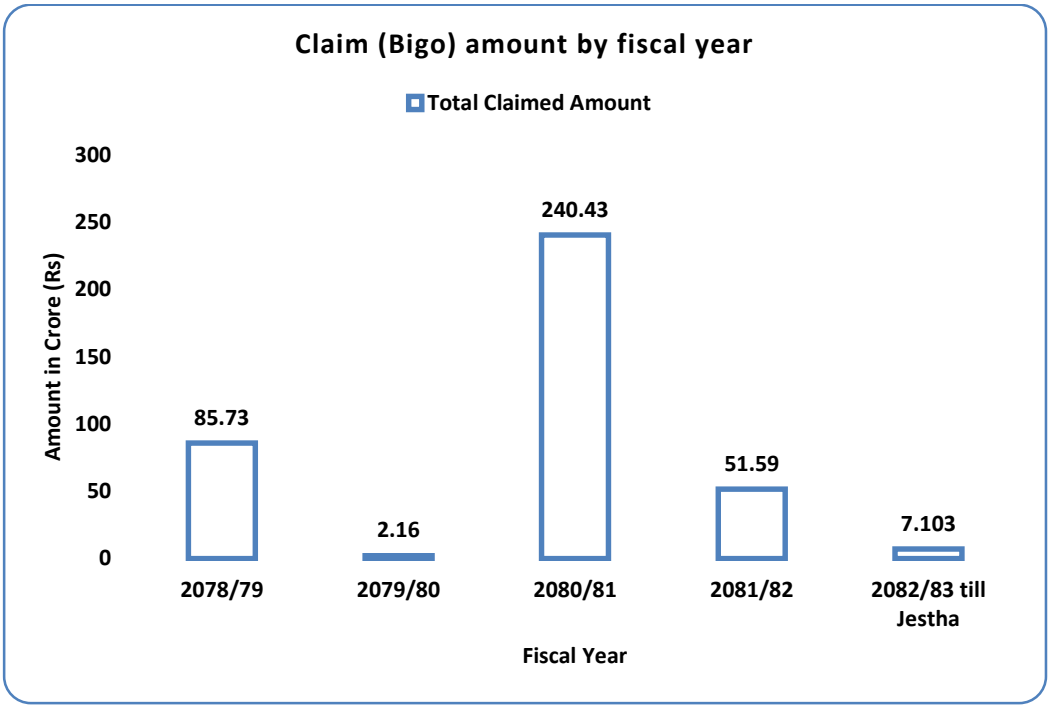

Figure 11: Total Claim Amount in Hundi Cases in last five years

The five-year trend on the amount claimed, seized, frozen and confiscated related to hundi is presented in the table below:

Table 4: Hundi-related Seize, Freeze and Confiscation

*(Amount in Million rupees)*Category	2078/79	2079/80	2080/81	2081/82	2082/83 (till Jestha)	5-Year Total
Total claimed (Bigo) amount, NPR	857.25	21.61	2,404.35	515.93	71.03	3,870.17
Total seized amount, NPR	857.25	21.61	2,404.35	515.93	62.12	3,861.26
Total frozen amount, NPR	0.20	0.00	20.92	18.67	124.56	164.35
Total confiscated amount, NPR	69.52	10.25	2,386.97	99.77	169.66	2,736.17

Source: Nepal Police

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Chapter 6: Typologies related to Hundi in Nepal

6.1 Typologies

In AML/CFT context, typologies are the specific methods, patterns and operational techniques that the criminals and professional money launderers use to move illicit proceeds and launder money. The identified typologies can help investigators know what to look for while investigating cases. They can also help the reporting entities and regulators design detection rules and controls.

Below are the distinct recurring methods/ patterns by which hundi networks have been found to move and settle value in the context of Nepal.

6.1.1 Use of Mule Accounts

The hundi operators use mule accounts to quickly and easily move and layer funds through the banking system. Although cross-border settlement generally occurs outside the formal banking channel, banks and wallets have been found to be used widely for domestic transfer of funds at the end point. It has been observed from different cases that less literate people, as well as young people with unstable income, have been found to be used for mule accounts.

Box 3: Use of Mule Accounts

An individual was arrested by a joint police team led by the **Central Investigation Bureau (CIB)** *for running an illegal hundi network that bypassed official banking channels to move over* **Rs. 1.03 billion**. *Operating under a front company, the ring opened* **52 separate bank accounts** *across major commercial institutions, which served as mule accounts to layer funds. The network was used to channel and informally distribute Rs. 1.04 billion earned abroad by various unrelated individuals, completely bypassing official remittance and banking channels. The network intercepted foreign currency earned by Nepalese laborers abroad and settled the domestic transactions inside Nepal by distributing fragmented amounts to unrelated individuals using digital payment platforms like* **ConnectIPS**.

Source: *https://english.bankingsansar.com/news/39620/*
https://en.setopati.com/social/167267

6.1.2 Structured Cash Deposits and multiple account transfer through IPS

Cash is deposited into several accounts belonging to the same or related parties spread across different bank branches, staying under the threshold transaction reporting (TTR) limit of Rs.1 million per day through single or multiple transactions and likely avoiding drawing attention at any single branch. Third party cash conductors are used to fragment large sum of cash into multiple deposits and transfer them to designated accounts.

Large cash deposits are generally followed by an almost immediate transfer out to multiple bank accounts using the Connect IPS accounts, leaving a low residual balance, a pattern consistent with layering rather than genuine savings or business activity.

Box 4: Structured Cash Deposit and Use of IPS transfer

Twenty STR/SARs were received regarding suspicion of an individual aged 38 years, a resident of Parsa, Madesh Province for involvement in Hundi Activities. It had been reported from 17 different Reporting Entities with the first STR filed on November, 2022 and most of the STRs filed during late 2024 and 2025. The intelligence was forwarded to Nepal Police in July 2025. In most of the bank accounts, the suspect had stated the estimated annual income of Rs 1 Million, with stated profession as Business. The suspect had deposited more than 20 Crore Rupees in bank accounts of more than 89 different Individuals/Firms. These transactions were conducted with 33 different BFIs. While in the bank accounts of the suspect, 190 different conductors had deposited more than Rs 32 Crores in 25 different bank Accounts.

Besides, while analyzing 13 different bank accounts of the subject, there were deposits of more than Rs 81 crores (as of July 2025). Almost all credit transactions were done through cash deposit and the involved amount was between NPR. 0.1M to 0.999M. The source and purpose of transaction mentioned in the transaction details was business income transaction, borrowing, salary, sale of assets, rent income, personal saving, commission from construction etc. The fund was then immediately transferred to different people via IPS by splitting fund into smaller amount. While making inquiry with the recipients, they declared that the fund had been received from from their family and had no relationship with the accused person.

Source: *FIU-Nepal's own database*

6.1.3 Use of legal Persons

Legal persons, including front and shell companies have been used frequently to move funds through hundi channel. These companies are used to make it appear that funds moved are for legitimate business purposes.

Box 5: Use of shell companies for Hundi

The case involves a large-scale illegal hundi and money laundering network operating primarily in Harinagar, Sunsari. The suspect established several shell companies, including to facilitate massive financial transactions without legal authorization. The network used 21 different bank accounts across 17 financial institutions and also used digital platforms to move billions of rupees from unidentified sources, effectively layering illicit funds to hide the criminal origin. Investigation revealed that the primary suspect alone handled transactions totaling over 2.29 billion NPR (Credit) and 2.29 billion NPR (Debit). The network operated by receiving cash from unknown individuals and transferring it to various accounts, including those potentially linked to overseas agents in Malaysia and India, bypassing official banking channels. The illicit proceeds were used to buy various lands in Sunsari District, which have been identified and frozen as part of the ongoing legal proceedings for money laundering and organized crime. The case has been prosecuted at the Sunsari District Court.

Source: *Nepal Police*

6.1.4 Use of Cryptocurrency

There is growing use of settlements of hundi transactions through the technology-enabled models using virtual assets, particularly the stablecoins such as USDT. The hundi operators use VAs to settle balances between themselves, either replacing or complementing the

traditional methods, such as cash or commodity settlement.

Box 6: Hundi and Use of Cryptocurrency

The Central Investigation Bureau (CIB) of the police raided the house of a businessperson and seized ledgers containing the details of the illegal hundi transactions, including details of a large amount of transactions in the ledgers named 'John Robert' and 'Ren Baker'. The details of Rs 1. 985 billion were recorded in the ledger named 'John Robert' alone and transaction details of Rs 27.55 million were found in the ledger named 'Ren Baker'. During the technical examination of the mobile, laptop, computer CPU etc. recovered from his room, it was also seen that he was dealing in cryptocurrency. On November 22, 2022, CIB arrested businessperson on charges of illegal hundi transactions and online gambling and started an investigation. CIB officials reported that during the investigation, they uncovered the country's largest hundi and cryptocurrency trading group.

Source: *https://english.onlinekhabar.com/nearly-2-billion-illegal-hundi-transactions-uncovered-from-businessperson-rupesh-shresthas-house.html*
https://www.myrepublica.nagariknetwork.com/index.php/news/case-filed-against-a-gang-of-17-individuals-in-rs-300-billion-hundi-and-cryptocurrency-transactions

6.1.5 Physical Cash Transportation

While digital methods of settlement are growing in use, cash transportation still remains an important part of hundi operation in Nepal. Due to porous border between Nepal and India, criminals exploit this vulnerability to transport criminal cash through the border and make deposits into bank accounts hiding the illicit origin of the fund.

Box 7: Hundi settlement through cash transportation

A man arrested in Birgunj for allegedly conducting illegal hawala transactions exceeding 2.41 billion Nepali Rupees has been sent to jail pending trial by the Parsa District Court. According to the District Police Office, Parsa, the investigation revealed transactions totaling 2 billion 41 crore 78 lakh 23 thousand 3 hundred Rupees across accused individual's various bank accounts. Police investigation revealed that the individual was bringing Nepali Rupees into Nepal via hawala from Raxaul, India, depositing them into various bank accounts, and then transferring the funds through the accounts of other individuals to conceal illegal assets. It was revealed during the investigations that accused operated a massive illegal financial network, moving money from India via hawala, depositing it into various Nepalese bank accounts, and transferring it to hide assets.

Source: *https://english.ratopati.com/story/48060/gupta-involved-in-241-billion-rupees-hundi-transaction-sent-to-jail-for-trial*

6.1.6 Digital coordination and traditional Settlement

Hundi operators use encrypted messaging applications like Whatsapp and other similar digital tools to coordinate transactions, communicate instructions, and maintain records of transactions. These communications are often short-lived, encrypted and fragmented across jurisdictions and platforms. Although digital method is used for coordination, the settlement is still traditional.

Box 8: Use of Digital channels for Coordination

Nepal's Central Investigation Bureau (CIB), following an extended investigation, uncovered a large-scale illegal hundi (informal/underground money transfer) network operated by members of a single family. The network moved the earnings of Nepali migrant workers employed in Russia through hundi channels spanning Nepal, Russia, and India. The Kathmandu District Government Attorney's Office filed formal charges at the Kathmandu District Court, alleging illegal hundi transactions and foreign exchange misappropriation totaling roughly NPR 1.99 billion, drawn largely from the earnings of Nepali migrant workers in Russia.

Digital coded payments: Currency notes (Indian ₹10/₹20 notes, Nepali ₹500/₹1000 notes) were photographed, and their serial numbers were used as verification codes sent via WhatsApp to authenticate payments between Nepal and India-based agents — without any funds actually crossing borders through formal channels. Bank vouchers were falsely labeled as "loan" or "loan repayment" (saapati) to disguise transactions as legitimate. Business fronts (family-owned firms XYZ1 located in Sauraha, Chitwan, and XYZ2 in Thamel) were used in KYC documents to fabricate fictitious income sources, despite the accused having no real ownership/role in them. Local traders (e.g., a cloth importer, an electrical shop owner) and cooperative societies also funneled cash/checks through accused person's accounts for a commission, bypassing formal banking channels. Illicit profits were laundered into real estate (land/houses in Chitwan and Kathmandu) and share market investments (fixed deposits, demat accounts with 30+ companies' shares).

Source: *https://techpana.com/2026/158639/family-of-three-accused-of-rs-1-99-billion-hundi-transactions-using-digital-payment-platforms*

6.1.7 Use of Remittance Sub-agent

In Nepal, remittance sub-agents operate as local payout partners appointed by licensed remittance companies or banks under the Nepal Rastra Bank Remittance Bylaws, 2079 (2023). They act on behalf of principal remittance companies to disburse inward remittances to beneficiaries in Nepali rupees. However, they have been observed to be misused for settlement of hundi transaction in the guise of payment transactions of formal remittance.

Box 9 : Misuse of Remittance Sub-agent

Atleast Seven STR/SARs were received regarding suspicion of an individual aged 34 years, a resident of Mahottari, Madesh Province and his associated sub-agent firm for involvement in Hundi Activities. It had been reported from 6 different Reporting Entities with the first STR filed on October, 2024 and most of the STRs filed during late 2024 and 2025. The intelligence was forwarded to Nepal Police in August 2025.

More than 28 Crore Rupees were deposited in bank accounts out of which majority of the amount were deposited by different individuals in form of cash. The transaction pattern in the account shows that high value amount had been deposited into the account of the firm by various person stating the purpose of deposit as business payment, business, loan etc. Most of the cash deposits have been done below threshold limit. The amount deposited into the account had been transferred to various accounts of persons/institutions maintained in different BFIs mostly using CIPs.

The typical function of a sub-agent remittance company is to receive funds from other remittance companies and subsequently transfer those funds to the recipients' accounts. However, no transactions have been recorded where funds were deposited directly by any remittance company. This irregularity further casts doubt on the nature of the transactions. Also,the bank Staff inquired about the purpose of deposits and upon enquiry the conductors couldn't justify the purpose of deposit precisely.

Besides, the person had also other firms with nature of Trading business, co-operative,

investment companies which all had similar nature of transactions in bank accounts. Almost all credit transactions were done through cash deposit and the involved amount was between NPR. 0.1M to 0.999M. The source and purpose of transaction mentioned in the transaction details was business income transaction, borrowing, etc. While making inquiry with the depositors, the conductors couldn't justify the purpose of deposit precisely.

Source: *FIU-Nepal's own database*

6.1.8 Linkage with Gold smuggling

NRB has implemented fixed quota for gold imports. Besides, Nepal has open border with India, which is a major consumer for gold ornaments. Hence, there is likely high demand for illegally smuggled gold. Hence, hundi transactions have also been observed to be linked with gold smuggling as shown by the example below.

Box 10: Hundi related with gold Smuggling

The Paywell Nepal and Sajilo Pay case involves two licensed Payment Service Providers (PSPs) whose operating licenses were permanently revoked by Nepal Rastra Bank (NRB) after police investigations exposed their central role in a massive gold smuggling, hundi (informal remittance), and money laundering network.

Rather than transferring foreign currency earned by Nepali migrant workers in countries like the UAE, Australia, and South Korea back to Nepal, overseas hundi agents retained those funds abroad to pay foreign suppliers for smuggled gold and settle cross-border illicit debts. Meanwhile, inside Nepal, local agents collected massive amounts of physical cash from the domestic sale of smuggled gold and deposited it directly into bank accounts linked to Paywell and Sajilo Pay using unapproved cash vouchers.

Tied to the 60.7 kg brake-pad gold seizure and broader smuggling networks, CIB investigators found over Rs 123–124 billion in total unapproved transactions across the two platforms (roughly Rs 87.17 billion via Paywell and Rs 36.94 billion via Sajilo Pay), with about 90% linked to illegal gold.

In the primary July 2024 charge sheet against 44 defendants (20 arrested and 24 absconding, including Chinese and Indian nationals), authorities sought Rs 266.67 billion in total compensation and recovery claims.

Source: *https://risingnepaldaily.com/news/45180*
https://english.khabarhub.com/2024/01/363435/

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Chapter 7: Findings and Recommendations

7.1 Key Findings

i. Based on the data of STRs/ SARs after hundi was placed as a separate indicator in goAML system (From 02 January 2025 to 16 July 2026)), around 90 percent of hundi-related STRs/SARs were filed by Commercial Banks. Remaining STRs/SARs were filed by Development Banks, Finance Companies, PSPs and Remittance Companies. Besides, out of the total STRs/SARs filed, around 10% were related to hundi.

ii. The number of hundi-related investigations initiated by Nepal Police increased more than threefold between FY 2078/79 and FY 2081/82, resulting in rising number of prosecutions and court verdicts.

iii. Majority of the suspects involved in hundi transactions were male and of younger age. As per the analysis of hundi-linked STRs/SARs, 65.3% of the suspects were between 25 and 44 years. Young males appear over-represented among subjects of hundi-related reports, possibly reflecting a combination of factors such as labor migration patterns, economic pressures, risk taking behaviors, and their rapid adoption of digital technologies.

iv. Most of the firms that were linked to hundi-related transactions were retail trading firms and money transfer agents/businesses, which together accounted for 84% of all the firms reported in STRs/SARs. These businesses could be used as a medium for domestic transfer of funds for the payment of hundi transactions.

v. Majority of the registered location of firms or address of individuals involved in hundi transactions were from the districts in Madhesh Province. The Province alone accounted for 52.76% of the suspects. This could be due to proximity of the Province to the porous border with India and the large population of foreign workers hailing from the Province. The open border also facilitates cash transportation to support hundi settlements.

vi. Most of the accounts involved in hundi transactions were recently opened. More than three-fourth of the STRs/SARs were on accounts opened from 2022 onwards. Many accounts could be used as mule accounts and opened solely for the purpose of facilitating hundi transactions.

vii. While the cross-border movement of value is mainly made through informal channels (i.e. without wire transfers through formal banking channel), the formal channels like bank accounts and wallets are frequently used for domestic transfer of funds at the end point.

viii. Structured cash deposit into different accounts across the financial institutions and immediate transfer thereafter to multiple bank accounts is a major method used by hundi operators for disbursing money to final recipients.

ix. Front companies and shell companies are widely used to facilitate the movement of funds that is associated with hundi transactions. This method helps to hide the real purpose of the transfer of funds.

x. There is rising use of digital mediums to support hundi transactions. Encrypted messaging applications like Whatsapp are used to coordinate transactions and communicate instructions. Virtual assets like cryptocurrencies are increasingly used to facilitate the settlement of hundi transactions.

xi. Enforcement outcomes are improving. Over the last five fiscal years, the amount confiscated in hundi cases (Rs. 273.62 crore) is equivalent to about 71% of the total claimed amount, and the average number of persons per final verdict rose from about 1.9 to 3.5, indicating a shift toward network-level cases. However, the link between FIU disseminations and these outcomes, and the use of ML charges in hundi cases, need to be tracked systematically.

7.2 Future Priorities of FIU-Nepal regarding Hundi

FIU-Nepal plans to take the following key actions regarding hundi:

i. **Guidance and goAML Sub-indicators:** Issue updated red-flag indicators for detection of hundi-related transactions to REs and introduce sub-indicators in goAML (e.g., inbound remittance substitution, outbound/trade settlement, VA settlement, cash couriers, mule networks) to improve data quality for future analysis.

ii. **Feedback to REs:** Provide structured feedback on the quality and timeliness of hundi-related STRs/SARs, with priority to commercial banks, remittance companies, PSPs and cooperatives, and share sanitized cases through outreach programs.

iii. **Network-level Analysis and Outcome Tracking:** Prioritize network-level cases involving multiple REs, many conductors and high values, and systematically track the outcome of each dissemination with Nepal Police, DMLI and DRI.

iv. **International Cooperation:** Make proactive use of the Egmont Secure Web with FIUs in key corridors (India, the Gulf countries, Malaysia, the Republic of Korea, Japan and emerging corridors such as Russia)

v. **Periodic Trend Updates:** Produce periodic (e.g., half-yearly) hundi trend updates to inform the NRA, supervisors, LEAs and other relevant stakeholders.

vi. **Broader Information Source:** Make use of broader information sources such as information obtained from Ministry of Foreign Affairs, Cash Declaration Reports and adverse media for enhanced case development related to hundi.

7.3 Red flags/ Indicators for Detection

The Transactions patterns that are often associated with hundi can be identified through effective CDD and transaction monitoring mechanisms. Such suspicious transaction patterns or indicators include:

i. Funds are regularly deposited into the account of an individual or a firm followed by immediate cash withdrawals or transfers of near-identical amount, with no economic justification.

ii. Account activity dominated by cash deposits or withdrawals inconsistent with the customer's declared occupation, income or business type (For example, a student, housewife or salaried individual handling large cash volumes).

iii. Repeated cash deposits or withdrawals just below reporting threshold across multiple branches, accounts or days to avoid triggering the threshold transaction reporting.

iv. Remittance receiver acknowledges receipt of funds purportedly sent from foreign countries; however, inquiries reveal that the originating cash deposit for these funds occurred domestically.

v. Accounts are opened in the name of cash-intensive businesses and they are used as front or shell companies to send multiple transfers to unrelated parties.

vi. The same beneficiary receives frequent low-value remittances from different senders in short intervals (structuring/smurfing), particularly in rural or border areas.

vii. Numerous unrelated individuals depositing into a single account, or one account sending funds to many unrelated beneficiaries, consistent with a "collection and distribution hub".

viii. A single customer maintaining numerous accounts across different institutions with frequent inter-account transfers, often to obscure audit trails and split transaction volumes.

ix. There is unexplained geographic mismatch regarding the account through which funds are being transferred and the accounts receiving the funds.

x. Transactions consistently in suspiciously neat or repeating sums, which can indicate standardized hundi settlement values rather than genuine commercial pricing.

xi. Accounts that were inactive or recently opened displaying abrupt, high-velocity transaction activity inconsistent with the financial history or stated purpose, frequently used as "mule" or "pass through account".

xii. Activity connected to sectors or locations prone to value transfer abuse (example, remittance agents, dealers in precious metals and stones), particularly where documentation is weak or inconsistent.

xiii. Family members of migrant workers receive frequent domestic cash deposits or IPS/wallet transfers from unrelated third parties, instead of inward remittances through banks or licensed remittance companies.

xiv. Mobile or internet banking of an account belonging to a customer known to be working abroad is accessed from devices or IP addresses in Nepal, or several such accounts are accessed from the same device.

xv. High-volume third-party cash deposits repeatedly described as “loan”, “loan return”, “borrowing return”, “saapati” or “family support”, without supporting documentation.

xvi. Import payments to foreign suppliers at prices materially below market value for comparable goods, or import payments made by unrelated third parties, indicating that the balance may be settled through hundi.

xvii. Remittance agents, money changers, jewellers or cooperatives whose account turnover is disproportionate to their declared business, or who receive large cash deposits followed by transfers to many individuals in different districts.

7.4 Recommendations

a) Recommendations to Reporting Entities:

The reporting entities (REs) should have robust detection mechanism and immediately report suspicious transactions or activities to FIU-Nepal. The key recommendations for REs in Nepal regarding hundi include:

i. **Ongoing Monitoring:** REs should continually monitor transactions and behavior of customers for any deviations from their normal activity or expected patterns. Timely KYC update is crucial.

ii. **Identifying Structured Cash Pooling:** Monitor accounts that show a sudden spike in frequent, low-value cash deposits or mobile transfers from multiple unrelated individuals across different locations, followed by immediate withdrawal or multiple debit transactions.

iii. **Codifying the Red Flag Indicators:** Codify the indicators into automated rules (rapid in- and-out flows, multiple third-party deposits, offsetting transactions, round-figure amounts). Consider AI/ML tools for pattern recognition and alert prioritization, with human review for context.

iv. **Conducting CDD of legal persons and beneficiary owners:** REs should adequately conduct customer due diligence of the customers that are legal persons and their beneficiary owners. They should monitor the transactions to assess whether such firms or companies are used as shell or front companies.

v. **Identifying money mule accounts:** Money mules are often used by hundi operators while using the formal financial system for portion of their overall transactions. REs should detect mule accounts through network signals like use of shared phone numbers or physical addresses or behavioral patterns like rapid inbound from unrelated sources and quick outbound to one or more destinations.

vi. **Implementation of Enhanced Customer Due Diligence (EDD):** REs should thoroughly verify identification and address of customers, investigate the origin of funds and identify the ultimate beneficial owners of funds possibly linked with hundi. Apply stricter scrutiny during the onboarding and periodic review of the entities likely to be misused by hundi operators, such as gold/ jewelry traders, remittance agents, cross-border transport agencies, and wholesale import-export firms located in border economic hubs.

vii. **Device and Geolocation Tracking:** Digital wallet operators (PSPs/PSOs) should utilize device and geolocation tracking which helps identify multiple accounts being accessed from the same device or IP address, a common sign of a localized hundi distribution agent.

viii. **Timely Reporting of STR/SARs:** STR/SARs should be reported immediately after RE's assessment, through the goAML system. Any delay or tipping-off need to be avoided. REs to ensure STR/SARs include comprehensive details including the nature of the suspicious activity/transaction, identities of all involved parties

(individuals and entities), connected transactions, transaction details (amounts, dates, methods, originator and beneficiary information). Do not "de-risk" by simply closing accounts without reporting when it's warranted.

ix. **Improve STR/SAR Quality:** Shift from defensive STR/SAR for compliance purposes to providing high-quality, actionable intelligence. Ensure that reports sent to FIU-Nepal include specific contextual details, such as linked mobile numbers, device IDs, counterparty account patterns, and communication trails.

x. **Regular training and public awareness:** REs to ensure that all relevant staffs, especially front-line employees, compliance officers, and management receive regular training on emerging hundi-related typologies, identification of red flags and proper procedures for filing STRs/SARs. Educating the general public through notices and campaigns is important for awareness to reduce involvement as money mules.

xi. **Conduct Periodic Review:** Conduct periodic independent testing and internal audits for the monitoring program and adjust to new red flags as they emerge. Consider keeping track of new reports on typologies published by major international bodies like the FATF and APG.

b) Recommendation to law enforcement agencies

The key recommendations to law enforcement agencies, particularly Nepal Police, which is responsible for hundi-related investigations in Nepal are:

i. **Taking risk-based approach:** Although all hundi transactions are prohibited in Nepal, not all funds that are moved through hundi channel are from illegitimate sources. While continuing to enforce the prohibition, investigations should prioritize materially significant hundi operators and networks, particularly those involved in moving proceeds of serious crimes such as drug trafficking, gold smuggling, fraud, tax evasion and online gambling, rather than individual senders or recipients.

ii. **Capacity Building and Specialization:** LEAs should enhance investigators' skills through foundational and advanced training to strengthen investigation effectiveness. LEAs should specially develop skills in the investigation into emerging digital methods that are being used by hundi operators.

iii. **Cross-Agency Knowledge Sharing and interaction:** Regular workshops, interaction programs and information exchange among LEAs and investigative agencies are essential to share expertise, emerging trends, and successful investigative strategies. All LEAs and investigative agencies should institutionalize and regularly facilitate such collaborative programs.

iv. **Enhancement of Investigative Tools and Techniques:** LEAs should not treat physical cash seizures as the end of an investigation. When a courier is caught with illicit Nepalese or foreign currency, investigators should immediately carry out digital forensics on seized mobile devices to map out the underlying communication network and identify the offshore settlement hubs. Likewise, blockchain analytics

tools should be used to trace virtual assets flows where hundi schemes intersect with VAs.

v. **Leveraging Financial Intelligence:** LEAs should actively utilize financial intelligence disseminated by FIU-Nepal and maintain close coordination with FIU-Nepal for ongoing intelligence sharing, analysis and exchanging feedback.

vi. **Develop Proactive Intelligence-led Investigations:** LEAs should shift from reactive casework to targeted operations informed by typologies, geographic risk and other sources. They should also coordinate with tax, customs and regulatory bodies to identify linked violations (use of trade-based money laundering method, possible tax evasion).

vii. **Focus on International Cooperation:** Effective exchange of financial intelligence and other relevant information with foreign counterparts is vital for supporting investigations and evidence development. LEAs should rely on informal exchange like those through INTERPOL or the Egmont Group (through FIU) in the early stage of investigation. In the latter stage, LEAs should seek evidence from foreign countries through formal channel like mutual legal assistance (MLA).

viii. **Conducting Joint Investigation:** Hundi transactions may involve and overlap with other financial crimes such as narcotics trafficking, environmental crimes and trade-based money laundering. Investigations can be more effective if investigation officers from various relevant law enforcement agencies get involved and collaborate.

ix. **Improving Case Management and Prosecution Readiness:** LEAs should involve prosecutors early to shape evidence collection around the legal elements of the crime. They should also ensure that the evidence meets evidentiary standards (For example, authentication of digital records).

x. **Targeting the Broader Network and Assets:** LEAs should pursue not just the frontline individuals but also network leaders, financiers and ultimate beneficiaries. They should use the asset freezing, seizure and confiscation tools to remove the profit motive.

xi. **Parallel ML Investigation and Use of New Legal Tools:** In every significant hundi case, LEAs should conduct a parallel financial investigation so that hundi is pursued as a predicate offence under the ALPA and not only as a standalone offence. LEAs should also make use of the domestic cash holding and carrying limits under section 44C of the ALPA against hundi couriers.

c) Recommendations to Regulators/Supervisors:

The key recommendations for regulators /supervisors in Nepal regarding Hundi are:

i. **Public Awareness Campaigns on Risks and Legality:** Regulators and supervisors should conduct nationwide awareness campaigns to inform the public about the impacts and the associated risks with hundi such as frauds, capital flight and money laundering, and should promote the use of formal remittance channels.

ii. **Guidance and supervision:** Regulators and supervisors should issue clear guidance to financial institutions and other REs on identifying red flags and monitoring for hundi related transactions. All financial institutions and other REs should be mandated to actively monitor and report any attempted or suspected hundi related transactions.

iii. **Encouraging AI-Driven Transaction Monitoring:** NRB should encourage commercial banks and licensed remittance companies to utilize advanced transaction monitoring systems to detect mule accounts, especially regarding multiple unrelated individuals deposit funds into a single account that are immediately transferred out.

iv. **Enforcing Strict Oversight on Digital Wallets (PSPs/PSOs):** Regulators should update supervisory guidelines for digital payment providers as well as inspect these platforms to ensure they can detect digital "smurfing" where a central hundi agent distributes large lump sums across hundreds of individual digital wallets in rural areas within a short timeframe.

v. **Implement additional monitoring criteria:** Implement additional monitoring criteria for the identification and discouragement of hundi. Also, obtain information regularly according to the criteria, and conduct monitoring as required.

vi. **Channeling Supervisory resources toward High-Risk Sectors:** Increase the frequency of targeted, risk-based AML onsite inspections for high-cash-turnover entities like money changers, gold/ jewelry dealers, and import-export houses operating near border customs points. Also, increase supervision in remittance companies and their agents, which could be widely used for the settlement of hundi-related transactions.

vii. **Cross-Border Collaboration**: Regulators and supervisors should collaborate with foreign counterparts, build and maintain channels for international cooperation and information exchange on illicit financial flows.

viii. **Enforcement and Accountability**: Supervisors should apply proportionate but credible sanctions for non-compliance (warnings, fines, restrictions). They should hold the senior management and board accountable for AML/CFT program effectiveness.

ix. **Conducting Thematic Review:** Supervisor should conduct thematic review of the MVTS (formal remittance and hundi) sector. It should identify the high-risk hubs (cities, border areas), sectors (gold/ jewelry dealers, import-export firms, remittance agents) and corridors, and reorient supervisory priorities accordingly.

x. **Supervision of Remittance Agents and Cooperatives:** NRB should monitor agent-level payout patterns and push for sanction against agents found facilitating hundi. Supervisors of the cooperative sector should include hundi-related risks in its AML/CFT supervision of savings and credit cooperatives. Major Supervisory findings should be shared with FIU-Nepal.

d) Recommendations to other Policy Makers and Coordinating bodies

The key recommendations for policy makers and coordinating bodies are:

i. **Time-bound Action Plan:** The multi-agency bodies working to control hundi should adopt a time-bound hundi action plan with lead agencies, indicators and outcome measures, aligned with the National Strategy and Action Plan 2081/82–2085/86.

ii. **Review of Sanctions:** Review the sanctions under section 125A of the National Criminal Code and the Foreign Exchange (Regulation) Act to ensure they are proportionate and dissuasive, including for legal persons and repeat offenders.

iii. **Reducing Incentives for Informal Channels:** Continue to make formal remittance cheaper, faster and more accessible (competitive exchange rates, digital remittance options, incentives).

iv. **Awareness and information collection:** Conduct regular awareness and information-collection programs on hundi and possible enforcement actions through Nepali missions abroad, based on risk.

v. **Trade Transparency:** Strengthen the Trade Transparency Unit and data matching between customs, banks and IRD to detect under- and over-invoicing settled through hundi. Develop internal indicators to identify and discourage hundi transactions through trade– Import and Export–channels.

vi. **Border Cash Controls:** Enforce cash declaration provisions and the domestic cash holding and carrying limits under section 44C of the ALPA at border points and transit routes, in coordination with APF, Customs and the Indian authorities.

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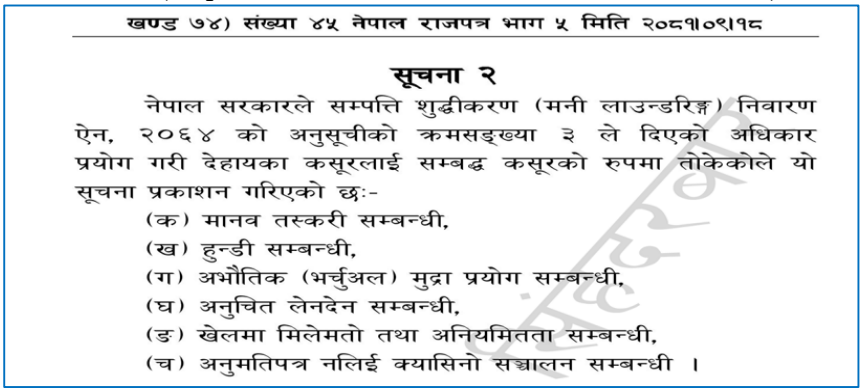
Annexture1: Legal Provisions on Hundi in Nepal

a) The Nepal Gazette Notice on 02 January, 2025 listed "Hundi" as a predicate offence for money laundering offence under item 3 of the Schedule to the Asset (Money) Laundering Prevention Act, 2008 (Nepal Gazette, Khanda 74, No. 45, 2081.09.18).



खण्ड ७४) संख्या ४५ नेपाल राजपत्र भाग ५ मिति २०८१।०९।१८

सूचना २

नेपाल सरकारले सम्पत्ति शुद्धीकरण (मनी लाउन्डरिङ्ग) निवारण ऐन, २०६४ को अनुसूचीको क्रमसङ्ख्या ३ ले दिएको अधिकार प्रयोग गरी देहायका कसूरलाई सम्बद्ध कसूरको रुपमा तोकेकोले यो सूचना प्रकाशन गरिएको छः-

(क) मानव तस्करी सम्बन्धी,
(ख) हुन्डी सम्बन्धी,
(ग) अभौतिक (भर्चुअल) मुद्रा प्रयोग सम्बन्धी,
(घ) अनुचित लेनदेन सम्बन्धी,
(ङ) खेलमा मिलेमतो तथा अनियमितता सम्बन्धी,
(च) अनुमतिपत्र नलिई क्यासिनो सञ्चालन सम्बन्धी ।

b) Foreign Exchange (Regulation) Act, 2019 (1962) Section 3 prohibits the transaction of Foreign Exchange except those which have obtained license from Nepal Rastra Bank.

३. विदेशी विनिमय कारोबार गर्न इजाजतपत्र लिनु पर्ने : (१) विदेशी विनिमय कारोबार गर्न चाहने व्यक्ति, फर्म, कम्पनी वा संस्थाले बैङ्कबाट इजाजतपत्र लिनु पर्नेछ ।

(२) विदेशी विनिमय कारोबार गर्न चाहने व्यक्ति, फर्म, कम्पनी वा संस्थाले इजाजतपत्र लिनको लागि बैङ्कले तोकिदिएको विवरण सहित बैङ्क समक्ष दरखास्त दिनु पर्नेछ ।

(३) उपदफा (२) बमोजिम दरखास्त पर्न आएमा निर्धारित मापदण्डको आधारमा बैङ्कले आवश्यक जाँचबुझ गरी उपयुक्त देखेमा सम्बन्धित व्यक्ति, फर्म, कम्पनी वा संस्थालाई विदेशी विनिमयको कारोबार गर्न इजाजतपत्र दिन सक्नेछ । यसरी बैङ्कले इजाजतपत्र दिँदा कारोबार गर्ने विदेशी विनिमयको किसिम, हद, कारोबार गर्न पाउने अवधि र अन्य आवश्यक शर्तहरु समेत तोकिदिन सक्नेछ ।

४. विदेशी विनिमय कारोबार गर्ने प्रक्रिया : (१) कसैले पनि बैङ्कको स्वीकृति नलिई इजाजतपत्र प्राप्त व्यक्तिसँग बाहेक अरु व्यक्तिसँग विदेशी विनिमय कारोबार गर्न हुँदैन ।

(२) इजाजतपत्र प्राप्त व्यक्ति वा अरु जुनसुकै व्यक्तिले बैङ्कले तोकिदिएको सटही दरमा फरक पारी नेपाली मुद्रा दिई विदेशी मुद्रा लिन र विदेशी मुद्रा दिई नेपाली मुद्रा लिने गरी विदेशी विनिमयको कारोबार गर्न हुँदैन ।

५. केही मुद्रा र बुलियन निकासी वा पैठारी गर्नमा प्रतिबन्ध: (१) कुनै व्यक्ति, फर्म, कम्पनी वा संस्थाले बैङ्कबाट इजाजतपत्र नलिई कुनै खास किसिमको नेपाली मुद्रा वा विदेशी मुद्रा नेपाल ..... को सबै वा कुनै खास इलाकाभित्र ल्याउन वा पठाउन नपाउने गरी नेपाल सरकारले नेपाल राजपत्रमा सूचना प्रकाशन गरी आदेश जारी गर्न सक्नेछ। त्यस्तो आदेश जारी गर्दा नेपाल सरकारले कुनै व्यक्ति, फर्म, कम्पनी वा संस्थाका सम्बन्धमा वा कुनै खास किसिमको नेपाली मुद्रा वा विदेशी मुद्राको सम्बन्धमा त्यस्तो प्रतिबन्ध नलाग्ने गरी त्यस्तो आदेशमा तोकिदिन सक्नेछ।

७. विदेशी विनिमय प्राप्त गर्न सक्ने भएका व्यक्तिहरूको कर्तव्य: (१) नेपाल ..... बाहिरबाट विदेशी विनिमय प्राप्त गर्ने वा नेपाली मुद्रामा भुक्तानी पाउने हक भएका कुनै व्यक्तिले बैङ्कको ..... अनुमति नलिई त्यस्तो विदेशी विनिमय वा नेपाली मुद्रा सबै वा केही अंशमा भुक्तानी पाउन ढिलाई हुने वा भुक्तानी नहुने गर्न कुनै काम गर्न हुँदैन ।

[α]९ग. भुक्तानी दिन वा प्राप्त गर्नमा प्रतिबन्ध : बैङ्कले तोकिदिएको व्यवस्था बमोजिम बाहेक नेपालमा बसोबास गर्ने कुनै पनि व्यक्तिले प्रत्यक्ष वा अप्रत्यक्ष रुपले देहायको कुनै काम गर्नु गराउनु हुँदैन :-

(क) नेपाल बाहिर बसोबास गर्ने कुनै व्यक्तिलाई कुनै तरिकाले कुनै किसिमको भुक्तानी दिन,

(ख) नेपाल बाहिर बसोबास गर्ने कुनै व्यक्तिको पक्षमा भुक्तानी पाउने अधिकार सिर्जना हुने वा हस्तान्तरण हुने गरी कुनै विनिमयपत्र वा प्रतिज्ञापत्र खिच्न, स्वीकार गर्न वा नेगोसियट गर्न वा कुनै ऋण स्वीकार गर्न,

(ग) नेपाल बाहिर बसोबास गर्ने कुनै व्यक्तिको आदेशले वा निजको तर्फबाट कुनै व्यक्तिलाई कुनै किसिमको भुक्तानी दिन ।

c) NRB Foreign Exchange Transaction Licensing and Inspection Bylaws 2077, Section 3 states that the banks, financial institutions or other firms or businesses carrying out foreign exchange transactions should obtain the license from the Bank.

३. **इजाजतपत्र लिनुपर्ने** : विदेशी विनिमयको कारोबार गर्ने बैंक वा वित्तीय संस्था, फर्म, कम्पनी वा संस्था र क्यासिनोले यस विनियमावली बमोजिम इजाजतपत्र लिनु पर्नेछ ।

End of the Report



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