

Money Laundering Prevention Supervision

Annual Report Of FY 2024/25 (2081/82)



Nepal Rastra Bank
Money Laundering Prevention Supervision Division
Kathmandu, Nepal
2025 August



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Money Laundering Prevention Supervision Annual Report Fiscal Year (FY) 2024/25 is the first annual report published by the Money Laundering Prevention Supervision Division. The report tries to incorporate all the activities conducted not just by the division but before its inception as a unit within Bank Supervision Department since FY 2022/23. The report provides holistic view of scope of AML/CFT Supervision radar of NRB. Selected achievements of the Division have also been incorporated in the report.

All inquiries about this publication should be directed to the Policy Planning Unit & Onsite Inspection Unit, Offsite Supervision Unit and the Director of the Money Laundering Prevention Supervision Division.

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Message from Governor

I extend my sincere congratulations to MLPSD for publishing Nepal Rastra Bank's first-ever AML/CFT Supervision Report. This landmark document is more than a technical milestone; it stands as a testament to our shared pursuit of transparency, accountability, and continuous regulatory refinement. It lays the groundwork for deeper domestic and international engagement, while demonstrating Nepal Rastra Bank's commitment to strengthening financial integrity across all levels of the system.



Nepal's current grey listing by the Financial Action Task Force (FATF) is not unprecedented. The country previously navigated this challenge between 2008 and 2014, ultimately exiting the list after undertaking significant legal and institutional reforms. However, re-listing in February 2025, driven by persistent shortcomings in enforcement, oversight, and inter-agency coordination, signals a pressing need for sustained vigilance. This recurrence must be viewed not merely as a regulatory setback, but as a national call to action—demanding reforms that go beyond technical compliance to truly fortify Nepal's financial ecosystem.

Exiting the grey list within the stipulated timeline is not just a goal but a strategic imperative. Achieving this requires accelerated reforms, risk-sensitive oversight, and unwavering institutional vigilance, guided by an uncompromising commitment to financial integrity. As criminal typologies evolve with unprecedented speed, Nepal must stay ahead of the curve by proactively strengthening supervisory tools and fostering seamless inter-agency collaboration. Only through agile, timely, and coordinated responses can we effectively safeguard against emerging threats and ensure resilience in our fight against financial crime.

This Supervision Report arrives at a pivotal moment in Nepal's financial trajectory. Our re-listing on the Financial Action Task Force (FATF) grey list is a stark reminder of the work that lies ahead. But it is also a call to action—a prompt to accelerate reforms, reinforce oversight, and renew our commitment to financial integrity. This report not only reflects the progress we've made but outlines the path forward, grounded in coordinated vigilance and institutional resolve. Let this be a rallying point for all stakeholders to reaffirm our shared responsibility in fortifying Nepal's financial defences and restoring its global standing.

As Governor, I reaffirm Nepal Rastra Bank's leadership role and its statutory obligation under the NRB Act, 2002, to maintain a sound, stable, and resilient financial system. A strong AML/CFT supervision framework and vigilant oversights are not just a regulatory necessity but also strategic safeguards. Without it, financial institutions risk becoming conduits for laundering illicit proceeds of crime, including corruption, fraud, and organized transnational offenses. Such vulnerabilities not only threaten financial stability and national security, but also erode public trust and invite distrust from the international community, potentially isolating Nepal from global financial networks and investment flows.

I also take this opportunity to reiterate our unwavering commitment to building a resilient AML/CFT supervisory regime that not only meets global expectations but serves as the bedrock of a credible, transparent, and stable financial system. Through sustained vigilance, innovation, and principled leadership, I am confident Nepal will forge a financial system that is inclusive, trusted, future-ready, and aligned with international standards.

At this juncture, I would also like to call upon MLPSD to pursue its mandate with renewed vitality further advancing its supervisory reach, strengthening analytical capacity, and fostering active collaboration with reporting entities, regulatory peers, and global partners. Let this report be not an end, but a springboard for deeper impact and meaningful transformations anchored in effective supervision and rigorous vigilance.



Prof. Dr. Biswo Nath Poudel

Governor

Nepal Rastra Bank

Address by Executive Director

Money laundering, terrorist financing, proliferation financing, and the wide array of predicate offences associated with these crimes represent one of the most perilous scourges to global stability and integrity. These illicit activities exploit legal loopholes, jurisdictional blind spots, and technological complexity—afflictions that rob individuals of their livelihoods, erode public trust, and drain nations of economic resilience. In this context, the AML/CFT Annual Report serves not merely as a document of institutional progress, but also as evidence to our unwavering resolve to confront these challenges with focused intent. Covering the period from fiscal years 2080/81 and 2081/82, the report outlines our strategic interventions prompted from enhanced supervisory practices and targeted risk assessments to strengthened compliance mechanisms. Our AML/CFT strategy is firmly anchored in Nepal's commitment to uphold the FATF Recommendations and adhere to internationally recognized best practices. Our reform efforts are not only limited to global compliance, but also directed to create locally resonant, operationally feasible, and capable of delivering sustainable impact across sectors. Through this calibrated approach, we aim to build a system that is not just reactive to threats, but resilient, forward-looking, and capable of evolving with the complexities of the global financial landscape.



Listing under FATF increased monitoring has brought a challenge to us. We need to approach it with optimism, viewing it as an opportunity to reaffirm our values, strengthen institutional capacity, and demonstrate our commitment to reform. We are fully prepared to invest the necessary effort to exit the grey list, remaining steadfast in our resolve to build on this momentum with clarity and purpose. The journey ahead demands vigilance, creativity, unity. We are ready to move forward with conviction, backed by the needed diligence and unwavering commitment.

Addressing financial threats demands more than fragmented responses. We engage proactively with domestic institutions and international partners, aligning with global best practices while fostering a culture of shared responsibility. This spirit of collaboration is essential to building a resilient, adaptive, and future-ready AML/CFT regime. Our efforts extend beyond compliance; they reflect a strategic commitment to institutional integrity, technological modernization, and continuous capacity-building. By strengthening inter-agency coordination, enhancing data-sharing mechanisms, and investing in human capital, we aim to create a system that not only responds to threats but anticipates and neutralizes them before they take root.

To the dedicated team at MLPSD, I urge you to remain resolute in your ethical stance, unwavering in your pursuit of excellence, steadfast in your commitment to institutional integrity. Let this report not only reflect our past efforts but also chart our future actions. Together, let us forge a financial system that is not only compliant, but credible, inclusive, and unyielding in its defense of integrity.



Dirgha Bahadur Rawal
Executive Director
Bank Supervision Department
Nepal Rastra Bank

Foreword

Financial systems, while central to economic growth and stability, are vulnerable to exploitation by criminal networks and terrorist groups. The misuse of these systems for money laundering and terrorist financing not only undermines governance and transparency but also threatens national security and investor confidence. As financial crimes grow more sophisticated—leveraging digital platforms, cross-border channels, and complex legal arrangements—regulators and supervisors must evolve in tandem to detect, prevent, and disrupt illicit flows.



Recognizing this imperative, Nepal Rastra Bank (NRB) has been conducting AML/CFT supervision since 2014. However, establishment of the Money Laundering Prevention Supervision Division (MLPSD) in 2023 marked a transformational milestone in the evolution of Nepal's financial oversight framework. This strategic move signalled NRB's shift from general supervisory practices to a dedicated, specialized, and risk-sensitive approach to combating financial crime. It also reinforced NRB's commitment to proactive, data-driven regulation, ensuring that emerging threats—such as digital laundering schemes and cross-border financing networks—are met with robust and adaptive responses. In essence, while 2014 laid the foundation, the formation of MLPSD elevated NRB's supervisory capacity to a new level—one that aligns with global standards and reflects the Bank's resolve to protect its financial system with integrity and vigilance through a more structured and risk-sensitive supervisory architecture.

In 2022-2023, Nepal underwent a comprehensive Mutual Evaluation conducted by the Asia/Pacific Group on Money Laundering (APG), assessing its compliance with the Financial Action Task Force (FATF)'s 40 Recommendations. While the evaluation acknowledged progress in legislative and institutional development, it also identified significant deficiencies in effectiveness, measured through Immediate Outcomes (IOs)—particularly in risk understanding and coordination (IO1), international cooperation (IO2), supervision (IO3), and preventive measures (IO4). These findings underscored the need for deeper reforms and more consistent enforcement across the financial sector. As a result, in February 2025, Nepal was placed on the FATF's list of jurisdictions under increased monitoring—commonly referred to as the grey list. This designation reflects the urgency of addressing strategic deficiencies and restoring international confidence in Nepal's financial system.

In response, NRB has reaffirmed its commitment to high-quality, risk-based AML/CFT supervision. The Bank is intensifying its inspection coverage, strengthening compliance enforcement, and enhancing coordination with domestic and international stakeholders. Continuous oversight, data-driven supervision, and sector-specific risk assessments are now central to NRB's supervisory strategy. These efforts are not only aimed at meeting FATF benchmarks but also at safeguarding Nepal's financial integrity and resilience.

I am delighted to present the first-ever Annual Report highlighting the essence of AML/CFT supervision conducted previously by the Bank Supervision Department (BSD) as a part of regular supervision, by the then unit dedicated to AML/CFT supervision but still within realm of BSD and the MLPSD that eventually came to exist as a separate division. The report presents a consolidated view of AML/CFT inspection conducted across the financial sector within the purview of NRB, offering insights into supervisory trends and institutional performance.

I would like to extend my sincere appreciation to all those who have contributed to the development of Nepal's AML/CFT regime – NRB's top management at different point of time during this journey, compliance professionals from across Nepalese financial system and all of our institutional partners. I extend my deepest appreciation to all team members—past and present—whose dedication, expertise, and perseverance shaped this landmark report. Special recognition is due to the then Deputy Director Shikha Adhikari and Assistant Director Manish Srivastava, whose foundational work paved the way for this publication. I extend my gratitude to Deputy Directors Manoj Gurung, and Ramesh Parajuli, as well as Assistant Directors Sunil Koirala, Kailash Rajbhandari, Ram Krishna Rai, Pradip Baniya, Sujal Dhungana and Bidhya Adhikari for their valuable inputs and feedback on the report. I also wish to express my heartfelt gratitude to Deputy Director Abhiyan Upadhyay and Assistant Directors Omshila Karki and Amit Shakya whose individual diligence and collective effort in writing, revising, and refining each chapter reflect a deep commitment to both individual and institutional integrity. Rightful acknowledge are also due to those who contributed to the meticulous editing and formatting process, ensuring the report's clarity and professionalism throughout. This document is a testament to your collaboration, expertise, and enduring commitment to a more transparent and secure financial system.

While the path ahead remains challenging for the AML/CFT landscape, we remain steadfast in our commitment to continuous improvement in supervisory practices and rigorous implementation of relevant plans and policies. We recognize that enduring progress will not be possible in isolation—it will be built through strong partnerships and shared responsibility. I am confident that, with the continued support of our stakeholders and collaborative spirit across institutions, we will advance towards a more transparent, secure, and resilient financial ecosystem for Nepal.



Arya Joshi
Director
Money Laundering Prevention Supervision Division
Nepal Rastra Bank



Nepal Rastra Bank, Money Laundering Prevention Supervision Division Team



Director and Deputy Directors of MLPSD

Director	Mrs. Arya Joshi	<i>(in the middle)</i>
The Then Deputy Director	Mrs. Shikha Adhikari (Regmi)	<i>(second from the right side)</i>
Deputy Director	Mr. Manoj Gurung	<i>(second from the left side)</i>
Deputy Director	Mr. Ramesh Prasad Parajuli	<i>(first from the right side)</i>
Deputy Director	Mr. Abhiyan Upadhyay	<i>(first from the left side)</i>

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ACRONYMS

AD	Anno Domini (<i>in relation to date</i>)
AD	Assistant Director
ALPA	Asset (Money) Laundering Prevention Act 2008
AML	Anti-Money Laundering
APG	Asia Pacific Group on Money Laundering
BFI	Banks & Financial Institutions
BS	Bikram Sambat (<i>in relation to date</i>)
BSD	Bank Supervision Department
BTC	Bankers' Training Centre
CEO	Chief Executive Officer
CFT	Combating the Financing of Terrorism
CIAA	Commission for Investigation of Abuse of Authority
CIT	Citizen Investment Trust
CPF	Combating Proliferation Financing
DD	Deputy Director
DMLI	Department of Money Laundering Investigation
ECDD	Enhanced Customer Due Diligence
EPF	Employee Provident Fund
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSRBs	FATF-style Regions Bodies
FXOL	Foreign Exchange Licensing and Reporting System
FY	Fiscal Year
HIDCL	Hydro-electricity Investment and Development Company Ltd.
IMF	International Monetary Fund
LEAs	Law Enforcement Agencies
ML	Money Laundering
ML/TF	Money Laundering/ Terrorist Financing
MLPSD	Money Laundering Prevention Supervision Division
NBFISD	Non-Bank Financial Institutions Supervision Department
NIFRA	Nepal Infrastructure Bank Limited
NRA	National Risk Assessment
NRB	Nepal Rastra Bank
OFG	Office of the Governor
OPMCM	Office of the Prime Minister and Council of Ministers
PEPs	Politically Exposed Persons
PF	Proliferation Financing
PSD	Payment System Department
PSO	Payment System Operator
PSP	Payment Service Provider
RBS	Risk Based Supervision
SAR	Suspicious Activity Reporting
SIS	Supervisory Information System
SSF	Social Security Fund
STR	Suspicious Transaction Reporting
TF	Terrorism Financing
TFS	Targeted Financial Sanctions
TTR	Threshold Transaction Reporting
UNODC	United Nations Office on Drugs and Crime
UNSCRs	United Nations Security Council Resolutions



CHAPTER I

INTRODUCTION TO AML/CFT

1.1 Brief History of AML/CFT

The concept of Anti-Money Laundering (AML) first emerged in the late 1980s, as financial systems around the world faced increasing threats from organized crime, particularly the drug trade. Criminals were using the financial system to clean ("launder") proceeds from illicit activities, prompting the need for international action.

In 1989, the Group of Seven (G7) countries established the Financial Action Task Force (FATF) to lead the global response against money laundering. The term money laundering refers to the process of making illegally gained proceeds appear legal. In 1990, FATF issued its first 40 Recommendations, which set a comprehensive framework for Anti-Money Laundering (AML) efforts. Initially, these standards focused solely on combating the laundering of criminal proceeds.

Over the years, Anti-Money Laundering frameworks have evolved to address emerging threats and new techniques used by criminals. One of the major turning points came after the 9/11 terrorist attacks in 2001, which highlighted how terrorism was being financed through legal and illegal financial channels. In response, FATF expanded its mandate to include Countering the Financing of Terrorism (CFT) and added 8 Special Recommendations on Terrorist Financing (later increased to 9). These were eventually integrated into the revised FATF Recommendations in 2012, which consolidated AML and CFT measures into a unified framework. This marked the transition from AML to AML/CFT, recognizing that the misuse of the financial system could support both criminal enterprises and terrorist activities.

Another significant evolution occurred with the recognition of Proliferation Financing (PF) as a critical threat. Proliferation financing refers to the act of providing funds or financial services for the manufacture, acquisition, possession, development, or transport of nuclear, chemical, or biological weapons in violation of international laws. The international community, particularly through United Nations Security Council Resolutions (UNSCRs) such as those related to North Korea and Iran, highlighted the need to prevent countries and non-state actors from financing Weapons of Mass Destruction. In response, FATF included Recommendation 7 in its revised 2012 Recommendations, requiring countries to implement Targeted Financial Sanctions (TFS) to comply with United Nations measures to prevent PF. This expanded the AML/CFT framework into AML/CFT/CPF, making it a three-pillar regime.

Money Laundering (ML), Terrorism Financing (TF) and Proliferation Financing (PF), are the biggest threats to integrity of the financial system, economic development, and ultimately for the human civilization. It distorts world peace, security, law and order, causing adverse impacts on the entire financial, economic and criminal justice systems. These crimes promote informal financial transactions, encourage production of weapons of mass destruction for terrorist attack, destroy tax regimes, impair transparency and inhibit rule of law. Such types of activities ultimately weaken all developmental activities and financial stability. Therefore, in this realm, the entire global community



has depicted its serious concerns on establishing a sound AML/CFT system to fight against such types of common global problems. The effort is on protecting the ethics, integrity, and stability of the financial system, cutting off the resources available to terrorists, and making it more difficult for those engaged in crime to profit from their criminal activities.

1.2 Globalization of AML/CFT/CPF Standards

The FATF standards have become globally recognized and adopted by over 200 jurisdictions, making them the de facto international benchmark. This widespread adoption is facilitated by:

1. Establishment of FATF-style regional bodies (FSRBs) (e.g., APG, GAFILAT, ESAAMLG),
2. Engagement of international organizations such as the UN, International Monetary Fund (IMF), World Bank, Basel Committee, and Egmont Group,
3. Mandatory compliance for countries engaging in international finance and trade.

Over the past three decades, the AML/CFT regime has evolved from a narrow focus on drug-related financial crime to a broad-based, global framework addressing money laundering, terrorist financing, and proliferation financing. It continues to adapt to emerging threats and technological advances, emphasizing international cooperation, transparency, and financial integrity.

1.3 Evolution of AML/CFT/CPF Regime in Nepal

Nepal, recognizing the global nature of financial crimes, has progressively internalized the Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Countering Proliferation Financing (CPF) regime as a national priority. Since becoming a member of the Asia/Pacific Group on Money Laundering (APG) in 2002, Nepal has made significant commitments to align with international standards, especially those set by the FATF. With Nepal's first mutual evaluation in 2005, Nepal began laying the legal and regulatory groundwork for a formal AML/CFT framework.

The period from 2008 onwards marked major legal and institutional developments. The enactment of the Asset (Money) Laundering Prevention Act (ALPA), 2008 criminalized money laundering for the first time in Nepal and led to the establishment of the Financial Information Unit (FIU-Nepal, later renamed as Financial Intelligence Unit) and Department of Money Laundering Investigation (DMLI). Further milestones included the adoption of national AML/CFT strategies (2011–2016, 2019–2024, and 2024–2029), completion of national risk assessments in 2016 and 2020, and reforms expanding the scope of predicate offenses and reporting obligations. Nepal has also ratified key international conventions and enhanced coordination through Directive Committee, Coordination Committee and sectorial coordination mechanisms as per national strategy, thus solidifying the operational foundation of the regime.

Despite considerable progress, challenges still remain in the areas of strengthening enforcement, improving legal frameworks, and enhancing public-private coordination.

On February 21, 2025, the FATF officially added Nepal to its list of "Jurisdictions under Increased Monitoring," often referred to as the grey list indicating that Nepal has strategic deficiencies in its AML/CFT/CPF regimes. To secure its place in the international financial system and prevent misuse of its financial sector, Nepal must continue to invest in institutional capacity, legal reforms, and risk-based implementation of AML/CFT/CPF measures. Continued support from stakeholders, the private sector, and international partners remains vital.

Table 1 Key Timeline in Nepal's AML/CFT Framework



Source: MLPSD Staff Working



CHAPTER II

MONEY LAUNDERING PREVENTION SUPERVISION

2.1 Regulatory & Supervisory Framework

Nepal Rastra Bank (NRB), as the central bank of Nepal, is entrusted with the responsibility of regulating and supervising banks and financial institutions (BFIs), payment sector and foreign exchange market to ensure the stability, integrity and sustainability of the financial system. The Nepal Rastra Bank Act, 2002, and Bank and Financial Institutions Act, 2017, Foreign Exchange Regulation Act, 1962, Payment and Settlement Act 2019 provide NRB with the legal authority to carry out these functions. Section 7T of ALPA empowers NRB to act as designated AML/CFT supervisor for all the NRB licensed entities. As per the same provision, NRB is also entrusted as AML/CFT supervisor for large pension funds as per decision of Council of Ministers. In line with these mandates, NRB formulates and enforces various directives, guidelines, and policies that reflect both domestic financial sector dynamics and evolving international best practices related to AML/CFT/CPF.

To safeguard the financial sector from the threats of money laundering and terrorist financing—and to meet technical compliance requirements of the FATF—NRB emphasizes the implementation of a risk-based supervisory approach. This approach enables NRB to determine the scope, frequency, and depth of supervisory activities based on the risk profile of each institution. By assessing the vulnerabilities inherent in the products, services, and internal control mechanisms of all reporting entities under the purview of NRB, it can effectively identify areas for improvement and strengthen the sector's overall resilience against financial crimes.

2.2 Money Laundering Prevention Supervision Division

Within NRB, AML/CFT focused supervision began in 2014, particularly around the period of removal from first Grey Listing. Since then, Bank Supervision Department supervised A Class licensed institutions i.e. Commercial Banks with AML/CFT as a part of the onsite inspection.

Later, establishment of a specialized unit within the Department on 11 February 2020 (28 Magh 2076) with two staff formally provided enhanced priority and initiated allocation of necessary resources for AML/CFT Supervision. Given higher risks present in the commercial banking sector, such specialized unit was formed within the Bank Supervision Department. Other supervision departments also had focal contact points for AML/CFT purposes and had initiated AML/CFT focused inspections (some with AML/CFT as a scope within prudential supervision, some with AML/CFT specific inspections).

A significant institutional reform was introduced in the Fiscal Year (FY) 2022/23 (2079/80) with the expansion of the unit through establishment of a dedicated Money Laundering Prevention Supervision Division (MLPSD) within the Bank Supervision Department. This division became operational from 15 January 2023 (1 Magh 2079) (Decision notice in Annexure 1), following the strategic decision to enhance the effectiveness of AML/CFT/CPF supervision through a specialized structure.

Recognizing the growing importance and scope of AML/CFT/CPF oversight, further organizational restructuring was carried out, and from 16 July 2024 (1Shrawan 2081) (Decision notice in Annexure 2), the MLPSD has been established as an independent division; separate from the Bank Supervision Department. This move reflects NRB's strategic commitment to strengthening its institutional capacity for effectively addressing emerging risks related to money laundering, terrorist financing, and proliferation financing.

MLPSD plays a central role in overseeing the AML/CFT/CPF compliance of all reporting entities under the purview of NRB. This division operates in accordance with the risk-based manual for supervision of banks, remittance companies and Payment Service Providers (PSPs). The manual serves as a practical guide for supervisors, helping them conduct both on-site and off-site inspections/supervisions, and ensuring that institutions adhere to the requirements set forth in ALPA, along with its related rules and directives. Additionally, compliance-based reviews are done for other institutions by the MLPSD.

MLPSD also plays an integral role in the National Risk Assessment (NRA) process by contributing sector-specific insights and analytical support. Additionally, the division maintains close coordination with the FIU, the Office of the Prime Minister and Council of Ministers (OPMCM), the DMLI, and other relevant agencies to ensure a unified and effective national response to financial crimes in line with the international standards.

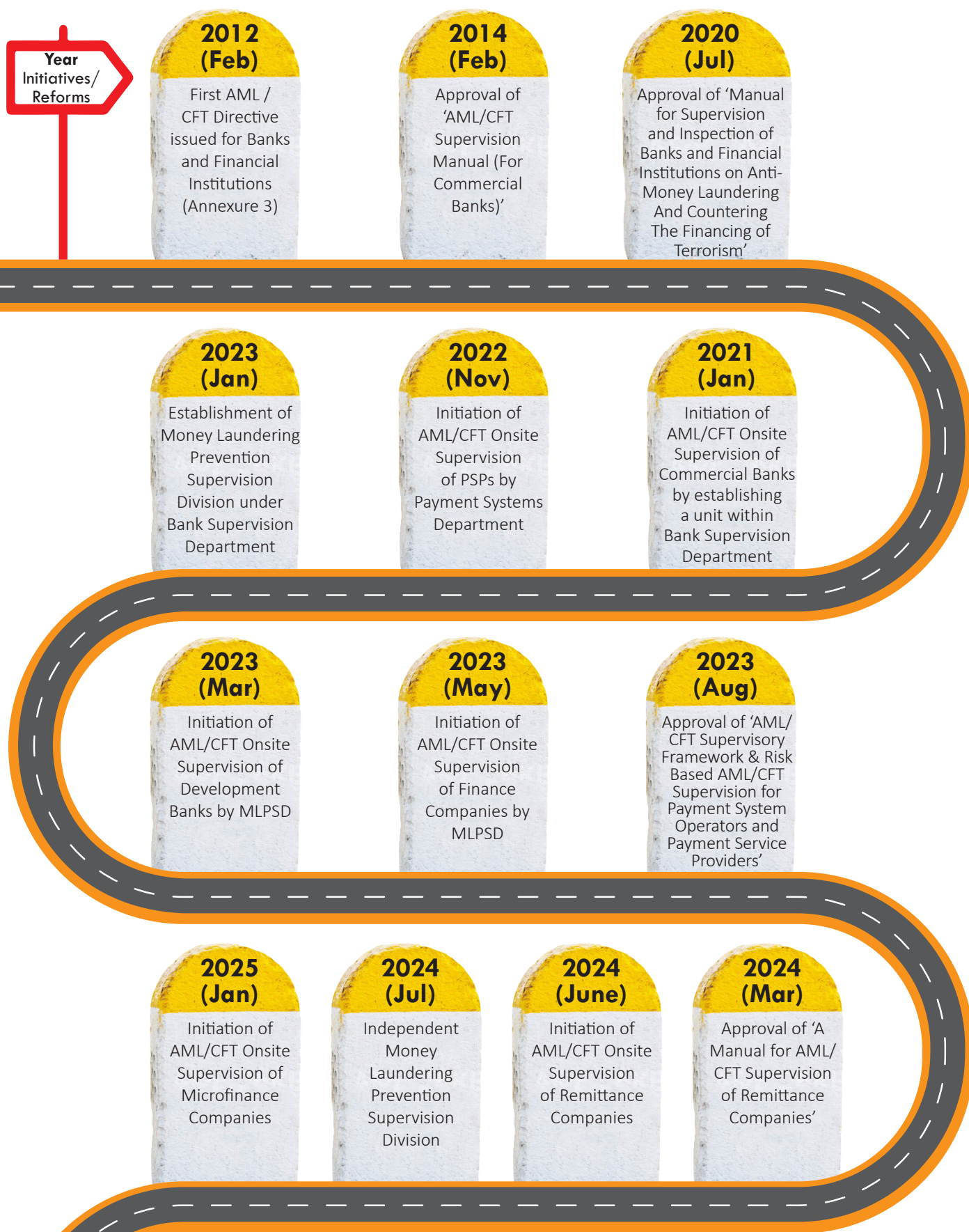
2.3 Division's Objectives

The MLPSD has been established with the following key objectives aimed at enhancing the effectiveness of Nepal's AML/CFT/CPF framework:

1. To develop and operationalize a specialized, risk-based supervision system for conducting AML/CFT/CPF inspections and oversight of reporting entities under NRB purview with a focus on identifying, assessing, and mitigating institutional vulnerabilities.
2. To ensure effective compliance with AML/CFT/CPF regulations and requirements, thereby safeguarding the financial system from abuse and enhancing institutional accountability.
3. To implement the National Strategy on Money Laundering Prevention, ensuring alignment with national priorities and coordinated efforts across stakeholders.
4. To enforce the FATF Recommendations, thereby strengthening Nepal's compliance with internationally recognized standards for combating money laundering, terrorist financing, and proliferation financing.
5. To support the implementation of the NRB's Fourth Strategic Plan, particularly in areas related to financial integrity, risk management, and institutional resilience.



Table 2 Key Milestones of NRB in AML/CFT Supervisory Framework



Source: MLPSD Staff Working

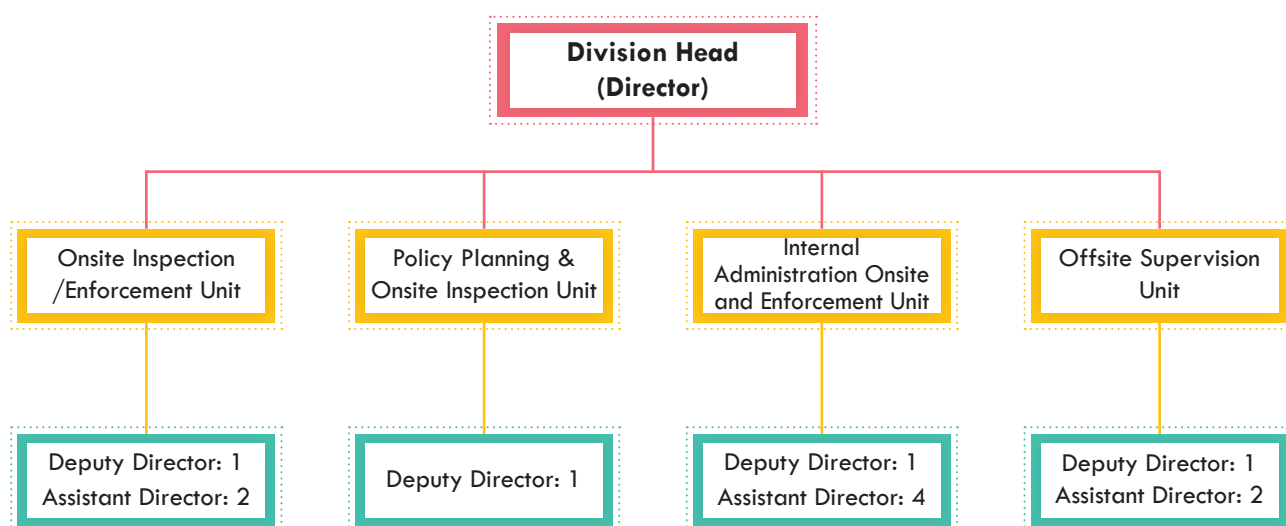
2.4 Organizational Structure and Key Personnel

The AML/CFT Unit was established within Bank Supervision Department (BSD) on 11 February 2020 (28 Magh 2076) with two staff (One DD and One AD). Subsequently, on 17 March 2020 (4 Chaitra 2076), the unit employed six staff (Two DD and Four AD). On 23 July 2020 (8 Shrawan 2077), the unit had total of four staff (Two DD and Two AD). Post Nepal's third Mutual Evaluation onsite visit, the MLPSD was formed since 15 January 2023 (1 Magh 2079) and on 26 February 2023 (14 Falgun 2079), the division under BSD had a total of eight staff (Two DD, Six AD).

Currently, the Division is headed by a Director; supervised by four DDs and assisted by eight ADs. The organizational chart of the division comprises four units, namely:

- 1) Internal Administration and On-site Inspection/ Enforcement Unit;
- 2) Policy Planning and Onsite Inspection Unit;
- 3) Onsite Inspection/ Enforcement Unit and
- 4) Off-site Supervision Unit.

Figure 1 Organogram of MLPSD



2.5 Reporting Entities under NRB

Under Chapter 3A, Section 7T(1) of ALPA, the prudential regulatory agencies overseeing the reporting entities are designated as AML/CFT supervisors. Accordingly, NRB is the AML/CFT supervisor of Banks and Financial Institutions, Remittance Companies, Payment Service Providers, Money Changers and all other entities licensed by the NRB.

Furthermore, exercising the authority granted by Section 7T(2) of ALPA, the Government of Nepal, through the Council of Ministers' decision dated 10 August 2018 (25 Shrawan 2075) (for EPF, CIT & PSB) and by publishing in the Nepal Gazette on 4 October 2024 (18 Ashoj 2081) (for SSF), assigned additional institutions as reporting entities under the supervisory jurisdiction of NRB.

In summary, following financial institutions are supervised by the NRB as on 16 July 2025 (32 Asar 2082), unless specified below, for the purposes of supervision and monitoring of AML/CFT/CPF activities.



Table 3 List of Categories Reporting Entities



*Source: FXOL software (Only Active companies as on 7 July 2025)

Others include :Travel Tour Agency, Hotels, Trekking, Cargo, Airlines, Casinos, etc

** HIDCL : Hydroelectricity Investment and Development Company Ltd.

Note: NRB was designated as AML/CFT supervisor for Postal Saving Banks-PSB (68 branches) before all the branches were merged into Rastriya Banijya Bank (based on Council of Ministers' decision in 27 June 2023 (12 Asar 2080) and agreement between Rastriya Banijya Bank and Department of Postal Service in 9 July 2023 (24 Asar 2080)).

2.6 Supervision Methodology

MLPSD mostly adopts a Risk-Based Supervision (RBS) approach for supervising reporting entities under its radar in the context of AML/CFT. The methodology includes both onsite and offsite supervision, tailored to the risk profile and operational nature of the entities.

For all the institutions, the enforcement function oversees implementation of supervisory directions given for corrective action on issues identified during the on-site inspection process. Necessary directions are given for improvement and actions are taken for non-compliance issues.

2.6.1 For Entities Having Specific RBS Manuals

For BFIs:

RBS of Commercial Banks, Development Banks and Finance Companies is conducted based on risk-based supervision manual, “A manual for supervision and inspection of Banks and Financial Institutions on AML and CFT, 2020 (Updated Dec 2022)” which guides supervisors for risk assessment and profiling and ways to determine scope, frequency and intensity of supervision. Subsequent on-site inspections are planned and conducted in accordance with the risk profile of the entity.

The supervision process involves continuous monitoring of entities with offsite information collected and conducting onsite inspection with assessment of the ML vulnerabilities of their products and services, and rating of their control measures.

Additionally, BFIs are required to submit data on prescribed templates to the offsite unit of MLPSD. Following is the detailed list of the types of offsite reports to be submitted on periodic basis.

Table 4 AML/CFT Reporting Requirements for BFIs

Reporting requirements	Medium	Frequency	Submission Deadline
NRB14	SIS	Semi-Annually	Within 7 days
N0002- Self Assessment Questionnaire	SIS	Every year	Within 7 days
N0003- Institutional Risk Assessment report	SIS	Every year	Within first quarter
A0001- Annual Activity Report	SIS	Every year	Within 2 months
A0002- Quarterly Data	SIS	Every Quarter	Within 15 days

The information submitted is reviewed by MLPSD’s Offsite Supervision Unit to identify trends, potential vulnerabilities, and to support risk-based onsite inspection planning.

For PSPs and PSOs:

Supervision of PSPs and PSOs is carried out in accordance with the “AML/CFT Supervisory Framework and the Risk-Based AML/CFT Supervision Manual for PSPs and PSOs, 2023”. The manual outlines the objectives, scope, and tools for supervising PSPs and PSOs under a Risk-Based Supervision approach.

Both Onsite and Offsite supervision tries to ensure the integrity and reliability of electronic payment systems by preventing their misuse for ML/TF/PF purposes. NRB’s risk-based approach enables the identification and assessment of institutional risks and ensures that supervisory resources are focused where the risks are highest.

**Table 5 AML/CFT Reporting Requirements for PSPs &PSOs**

Reporting requirement	Medium	Frequency	Submission Deadline
Annual Activity Report	Email	Every year	Within 2 months
Institutional Risk Assessment report	Email	Every year	Within first quarter
Self-Assessment Questionnaire	Email	Every year	-

For Remittance companies:

Supervision of remittance companies is carried out in accordance with the “Manual for AML/CFT Supervision of Remittance Companies, 2024.” Remittance companies are supervised with the assessment of adequacy of application of preventive measures.

Table 6 AML/CFT Reporting Requirements for Remittance Companies

Reporting requirements	Medium	Frequency	Submission Deadline
Self-Assessment Questionnaire	Email	Every year	Within 15 days
Annual Activity Report	Email	Every year	Within 2 months
Periodic Data (Annexure II-A) <ul style="list-style-type: none"> Details of Sub-agents Details of Action taken against Sub-agents Country-wise Remittance Inflows Company-wise (Foreign Partner-wise) Remittance Inflows Payout Method Provisional Financials 	Email	Monthly/ Quarterly	Varies
Institutional Risk Assessment report	Email	Every year	Within first quarter

2.6.2 Other Reporting Entities

Reporting Entities such as Infrastructure Development Bank, CIT, EPF, SSF, HIDCL, Cooperative Bank, Hire Purchase Loan Providing Companies, Money Changers and other entities do not yet have separate supervision manuals developed. A transitional compliance-based approach is currently applied until specific manuals and methodologies are formalized.

In the absence of formal supervisory manuals, AML/CFT focused Onsite inspections are carried out based on compliance indicators and institutional risk exposures.

Further, entities are required to submit periodic reports using standardized templates. The data received are reviewed by the offsite unit to monitor compliance levels and risk trends. Below is a summary of reporting requirements:

Table 7 AML/CFT Reporting Requirements for Other Reporting Entities

Reporting Entities	Reporting requirements	Medium	Frequency	Submission Deadline
Cooperative bank	Annual Activity Report	Email	Every year	Within 2 months
	Institutional Risk Assessment report	Email	Every year	Within first quarter

Reporting Entities	Reporting requirements	Medium	Frequency	Submission Deadline
EPF, CIT, SSF	Annual Activity Report	Email	Every year	Within 2 months
	Quarterly Data- Annexure 1.2	Email	Every Quarter	Within 15 days
	Institutional Risk Assessment report	Email	Every year	Within first quarter
Hire Purchase Loan Providing Companies	Annual Activity Report	Email	Every year	Within 2 months
	Quarterly Data- Annexure 1	Email	Every Quarter	Within 15 days
	Institutional Risk Assessment report	Email	Every year	Within first quarter
Infrastructure Bank	NRB14	SIS	Every 6 months	Within 7 days
	A0001- Annual Activity Report	SIS	Every year	Within 2 months
	A0002- 17.2 Annexure	SIS	Every Quarter	Within 15 days
	N0003- Institutional Risk Assessment report	SIS	Every year	Within first quarter
Money Changer	Annual Activity Report	Email	Every year	Within 2 months
	Institutional Risk Assessment report	Email	Every year	Within first quarter

2.7 Guiding Documents

Following are the key documents, which guide the NRB's regulatory and supervisory function under AML/CFT/CPF regime:

Assets (Money) Laundering Prevention Act, 2064 BS

Nepal Rastra Bank Act, 2002 AD

Bank and Financial Institutions Act, 2017 AD

Foreign Exchange Regulation Act, 2019 AD

Payment And Settlement Act, 2019 AD

National Risk Assessment Report 2020 AD

Foreign Investment and Technology Transfer Act, 2075 BS

Foreign Exchange Transaction and Licensing Bylaw, 2077 BS

Act Restricting Investment Abroad 2021 BS

Nepal Rastra Bank, Inspection and Supervision Bylaws, 2074 BS

Assets (Money) Laundering Prevention Bylaw, 2081 BS

Bank Account Block/Release By law, 2081 BS

Nepal Rastra Bank (NRB): AML/CFT Directives for A, B & C class BFIs

Nepal Rastra Bank (NRB): AML/CFT Directives for Microfinance FIs

Nepal Rastra Bank (NRB): AML/CFT Directives for Money changers and Remittance companies

Nepal Rastra Bank (NRB): AML/CFT Directives for PSP/PSOs

Nepal Rastra Bank (NRB): AML/CFT Directives for Infrastructure Development Bank

Nepal Rastra Bank (NRB): AML/CFT Directives for EPF, CIT and SSF

Nepal Rastra Bank (NRB): AML/CFT Directives for Hire Purchase loan providing companies

AML/CFT Directives for Cooperatives issued by Department of Cooperatives - for Cooperative Bank



CHAPTER III

KEY ACTIVITIES & ACHIEVEMENTS

3.1 Supervision, Enforcement and Remedial Measures

3.1.1 Routine AML/CFT Onsite Supervision

Before the establishment of MLPSD, the unit had prepared risk-based AML/CFT supervision manual for BFIs. Accordingly, all commercial banks, development banks and finance companies have been supervised on a risk-sensitive basis. Payment Systems Department (PSD) undertook compliance-based AML/CFT onsite inspections in FY 2022/23 (2079/80) until the establishment of MLPSD after which risk-based AML/CFT supervision of PSPs has been initiated after formation of supervision manual. Non-Bank Financial Institutions Supervision Department (NBFISD) and MLPSD coordinated to formulate risk-based AML/CFT supervision for remittance companies and NBFISD completed three inspections in FY 2023/24 (2080/81) before MLPSD undertook the role.

With the gradual growth of size of the MLPSD, the number of supervised institutions has shown a consistent upward trend, reflecting both institutional expansion and the strategic emphasis on strengthening AML/CFT oversight across all entities under NRB remit.

Table 8 Routine AML/CFT Onsite Supervision Data

Reporting Entities	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Total
Commercial Banks	16	22	7	7	12	64
Development Banks	-	-	6	9	8	23
Finance Companies	-	-	2	13	7	22
Microfinance Companies	-	-	-	-	2	2
Infrastructure Bank	-	1	-	-	-	1
EPF	-	-	1	-	1	2
CIT	-	-	1	-	1	2
PSB	-	-	1	-	-	1
SSF	-	-	-	-	-	0
PSP/PSOs	-	-	2*	2	2	6
Remittance Companies	-	-	-	3 [#]	7	10
Total	16	23	20	34	40	133

Source: MLPSD Staff Working

* Onsite AML/CFT Supervision conducted by PSD

Onsite AML/CFT Supervision conducted by NBFISD

3.1.2 Special Inspection

Special inspections are usually reactive in nature and are triggered based on specific requests or directives, as below:

- Referrals or instructions from internal departments of NRB (e.g., BSD, PSD, OFG, etc.)
- Recommendations or directives from internal supervisory committees
- Requests from FIU, LEAs, or other government bodies
- Adverse media reports or other intelligence inputs indicating heightened risk or possible non-compliance
- Cases requiring verification of particular transactions, events, or control breakdowns.

Following AML/CFT focused special inspections have been carried out.

Table 9 Special Inspection Data

FY	No. of Inspection Conducted	Requests from	Entities covered
2022/23	2	FIU and Internal Committees of NRB	1 Commercial Bank 1 Development Bank
2023/24	-		-
2024/25	5	OFG, FIU, PSD, CIAA, internal finding	20 Commercial Bank 4 Development Bank 1 PSP 1 Money transfer
Total	7		

Source: MLPSD Staff Working

3.1.3 Thematic Study

The then AML/CFT unit under BSD completed offsite thematic cash-based transactions exceeding Rs. 700,000 for the period from 16 July 2021 to 14 January 2022 (1 Shrawan 2078 to 30 Poush 2078) of all commercial banks based on the Unit's letter dated 1 February 2022 (18 Magh 2078). The findings of the study were disseminated to senior management of the bank for necessary policy formulation and addition of necessary control measures in cash-based transaction.

MLPSD completed onsite-based TFS implementation status inspection of all commercial banks during 9 July 2024 to 1 August 2024 (25 Asar 2081 to 17 Shrawan 2081). This thematic inspection supported in enhancing the understanding of supervisors in the actual update of UNSCRs by commercial banks, their screening mechanisms and control measures. Additional directions were provided to relevant banks, where deficiencies were identified in the implementation of TFS without delay.

3.1.4 Risk Assessments Conducted

NRB, under its Risk-Based Supervision approach, conducts AML/CFT risk assessments of Reporting Entities to determine their risk profile and to guide supervisory planning and resource allocation.

Currently, a comprehensive Risk Profiling Tool has been developed and implemented for BFIs, Remittance Company and PSPs. This tool enables assessment of inherent risks, control measures,



and calculation of residual risks or vulnerable products/ services of each institution. Based on this, an industry-wide average risk rating is also derived, allowing NRB to benchmark individual institutions against sectorial norms.

For other entities (e.g., money changers, CIT, EPF, SSF, cooperative bank, etc.), a standardized risk profiling tool is yet to be developed. The prerequisite for this is a detailed risk identification exercise for each category, which is currently underway. The development of tailored tools for these entities will follow upon the completion of sector-specific risk mapping and analysis.

Risk profile of all remittance companies and PSPs are yet to be completed as onsite inspections of all such entities have not been concluded. Average of risk rating of BFIs as per the risk assessment tool is as follows:

Table 10 Industry Average Risk Rating Score

Reporting Entities	FY 2023/24
Commercial Bank	0.63 (Medium High)
Development Bank	0.61 (Medium High)
Finance Company	0.61 (Medium High)

Source: MLPSD Staff Working

3.1.5 Enforcement Action

As part of its supervisory and enforcement responsibilities, NRB imposes both monetary and non-monetary sanctions on entities having non-compliance with AML/CFT requirements. These actions are essential for promoting accountability, deterring regulatory breaches, and reinforcing the integrity of the financial system.

MLPSD has initiated formal enforcement actions with warning to CEOs and BOD members of various entities including the imposition of financial penalties on BFIs for identified weaknesses and violations. In line with the severity of the violations and institutional failure to meet the basic AML/CFT obligations, license revocations have also been enforced in cases of serious and persistent non-compliance.

The most common grounds for such sanctions include:

- Inadequate systems for monitoring suspicious transactions,
- Failure to identify Beneficial Owner (BO)
- Failure to comply with Enhanced Customer Due Diligence (ECDD) requirements,
- Weak implementation of Customer Due Diligence (CDD) procedures,
- Delayed or inaccurate reporting to the Financial Intelligence Unit (FIU),
- Non-compliance with supervisory directives.

Below is a summary of financial sanctions imposed on various categories of entities:

Table 11 Sanctions to Various Categories of Entities

S. No.	FY	Number and Category of BFIs	Reason for Sanction	Financial Sanction [NPR]	Non-Financial Sanction
1	2019/20	1 Commercial Bank	Weak Beneficial Ownership and Enhanced Customer Due Diligence mechanism as well as weak suspicious transaction monitoring system	30,00,000	
2	2020/21	2 Commercial Banks	Weak Beneficial Ownership and Enhanced Customer Due Diligence mechanism as well as weak suspicious transaction monitoring system	3,00,000	
3	2022/23	7 Commercial Banks	Weak suspicious transaction monitoring system, weak compliance of provisions related to Beneficial Ownership and Enhanced Due Diligence New accounts opened of individuals (or who were Beneficial Owner) whose bank accounts are notified to be blocked by the LEAs	2,30,00,000	Departmental punishment to staff involved, warning to CEOs, warning to institution
		1 Microfinance Institution [#]	Transactions under fictitious names	50,00,000	
		2 Finance Companies [*]	New accounts opened of individuals (or who were Beneficial Owner) whose bank accounts are notified to be blocked by the LEAs	40,00,000	
3	2023/24	1 Commercial Bank	Transactions under fictitious names and weak suspicious transaction monitoring system	70,00,000	
		4 Development Banks	Weak transaction monitoring mechanism, weak Beneficial Owner identification mechanism, weak corporate governance	10,00,000	Warning to Directors, warning to CEOs and warning to institutions
		1 Finance Company	Weak corporate governance	-	Warning to Directors, warning to CEOs
		1 PSP	Ineffective continuous customer monitoring mechanism	-	Warning to institution
4	2024/25	1 Commercial Bank	Weak compliance of bank account block/release related obligation	-	Warning to CEO
		2 Development Banks	Weak ongoing due diligence measures and weak customer due diligence procedures	10,00,000	Warning to CEO
		2 PSPs [^]	Weak suspicious transaction monitoring mechanism	20,00,000	Licenses revoked

Source: MLPSD Staff Working

Note:

^{*} Imposed by Financial Institutions Supervision Department

[#] Imposed by Microfinance Institutions Supervision Department

[^] Imposed by Payment Systems Department

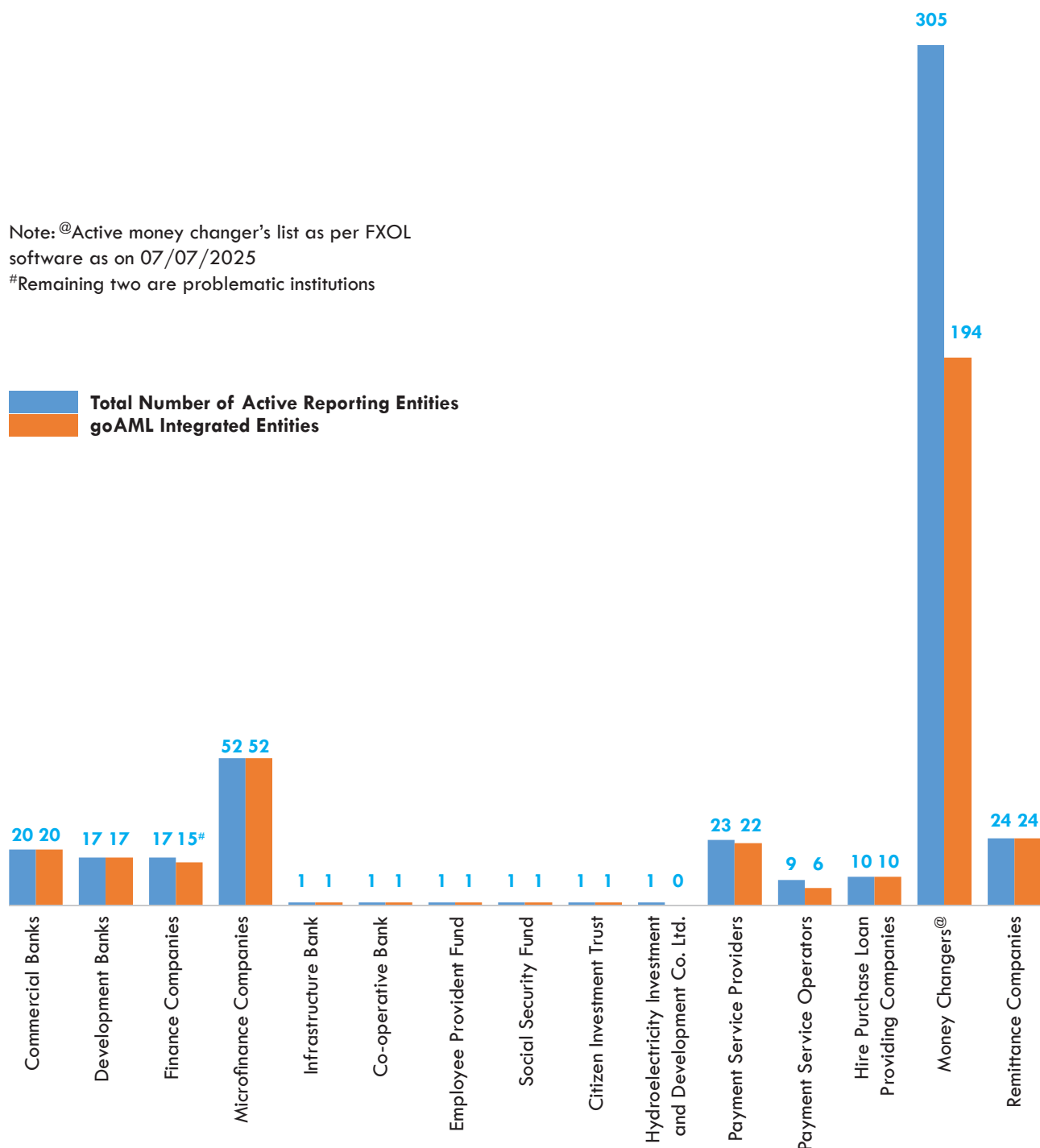
These enforcement actions are published in the NRB website and such actions reflect implementation of proportionate, effective and dissuasive sanctions with NRB's commitment to strengthening the AML/CFT/CPF compliance culture within the financial system, and ensuring that institutions remain vigilant and responsive to ML/TF/PF risks.



3.1.6 goAML integration Status

In order to swiftly and safely report Suspicious Transaction Report (STR), Suspicious Activity Report (SAR) and Threshold Transaction Report (TTR) to the FIU, FIU has provided access to all reporting entities to its web based goAML platform. Accordingly, MLPSD has been monitoring the goAML integration status of the entities and has been instructing the entities that are not yet integrated. Separate strategy has been prepared to incorporate all active entities into the goAML platform.

Table 12 goAML Integration Status



Source: MLPSD Staff Working

3.2 Capacity Building

To enhance the effectiveness of AML/CFT supervision under a Risk-Based Supervision framework, capacity building remains a strategic priority for MLPSD. Strengthening the knowledge, skills, and analytical capabilities of supervisory staff ensures not only compliance with international standards but also promotes a culture of continuous learning and professional excellence.

Capacity building efforts have been carried out through various channels, including domestic and international training programs tailored for staff; knowledge-sharing sessions which promote practical understanding of real –world cases, enforcement practices etc. within the division; and meetings, workshops and seminar programs organized by various stakeholders aimed at fostering open communication, strengthening mutual understanding and encouraging a proactive approach to AML/CFT compliance across financial system.

3.2.1 Domestic and International Trainings

Engagement of MLPSD staff in various domestic trainings as well as participation in various programs has enhanced supervisory capabilities. Following are the list of domestic and international trainings participated by MLPSD staff during FY 2023/24 and FY 2024/25.

Table 13 List of Domestic Trainings/ participation

S. No.	Trainings	Organizer	Participants
FY 2023/24			
1	SIS Technical Training	BTC, NRB	DD - 1 AD - 1
2	AML/CFT Regime	BTC, NRB	DD - 1
3	Risk Based Supervision	BTC, NRB	DD - 1
4	Financial Stability and Systematic Risk	Toronto Centre (Virtual)	DD - 1
5	Empirical Methods for Financial Market Research	BTC, NRB	DD - 1
6	Training of Trainers- Management Development	National Administrative Staff College	DD - 1
7	Management Development Program	BTC, NRB	DD - 1
8	Climate Finance	IFC (Virtual)	AD - 1
FY 2024/25			
1	AML CFT Regime and Supervisory Aspects	BTC, NRB	DD - 1 AD - 4
2	Training on Arbitration	BTC, NRB	DD - 1
3	Workshop on Income Tax of Staff and TDS Calculation in NRB	BTC, NRB	AD - 1
4	Financial Stability and Macro Prudential Policies	BTC, NRB	DD - 2
5	Risk Based Internal Audit	BTC, NRB	AD - 1
6	Central Banking Training for Officers	BTC, NRB	AD - 1
7	Monetary Management Theories and Practices	BTC, NRB	DD - 1
8	Payment and Settlement System of Nepal	BTC, NRB	AD - 1
9	Research Methodology and Report Writing	BTC, NRB	DD - 1



S. No.	Trainings	Organizer	Participants
10	Training on Core Banking Software of BFIs	BTC, NRB	DD - 2 AD - 3
11	Macroeconomic Management in Nepal	BTC, NRB	DD - 1
12	Risk Based Supervision	BTC, NRB	AD - 2
13	Supervision of LC Transactions	BTC, NRB	DD - 4 AD - 5
14	Management Development Program	BTC, NRB	DD - 1
15	Central Bank's Law and Application in Department Level Decision Making	BTC, NRB	AD - 1
16	Financial Inclusion and Financial Literacy	BTC, NRB	AD - 1
17	Fintelekt AML Leadership Conclave Nepal 2025	Fintelekt	AD - 2
18	Consumer Protection and Market Conduct Supervision	BTC, NRB	AD - 2
19	Correspondent Banking ASA Regional Conference	Association of Southeast Asian Nations	AD - 1
20	Macroeconomic Modeling and Forecasting	BTC, NRB	AD - 2
21	HM Treasury UK Technical Assistance	OPMCM	AD - 2
22	Regulations and Supervision of Non-Bank Financial Institutions	BTC, NRB	AD - 1

Source: MLPSD Staff Working and Banker's Training Center (BTC)

Table 14 List of International Trainings/ Participation

S. No.	Training Name	No. of Days	Organizer	Country	Participant
FY 2023/24					
1	RBI- Supervisory Evaluation of Business Strategies & Models – Integrating to RAF & Capital Allocation Program	2	College of Supervisors (CoS), Reserve Bank of India	India	AD - 1
2	UNODC – AMLO Southern and Southeast Asia Senior Officials Regional Meeting to Discuss the Evolving of Money Laundering Schemes Related to High-Tech Financial Crimes	3	UNODC – Anti Money Laundering Office	Thailand	AD - 1
3	Early Warning Mechanism: Smelling distress in Advance	3	Reserve Bank of India	India	DD - 1
4	Pre-Onsite Visit for Mutual Evaluation of Maldives	3	Asia/Pacific Group on Money Laundering	Maldives	DD - 1
FY 2024/25					
1	Risk Based Supervision and the supervisory Review Process	4	South East Asian Central Banks	Vietnam	DD – 1
2	Central Banking Study Program on Financial Stability	4	Bank of Korea	Korea	DD – 1

S. No.	Training Name	No. of Days	Organizer	Country	Participant
3	Virtual Asset Service Providers Risk Based Supervision	3	Egmont Group	Malta	DD – 1
4	Onsite Visit for Mutual Evaluation of Maldives	12	Asia/Pacific Group on Money Laundering	Maldives	DD – 1
5	Activate Course on Leader in Me	4	SEACEN	Laos	Director -1

Source: MLPSD Staff Working and Human Resource Management Department

3.2.2 Knowledge Sharing within MLPSD

The Knowledge Sharing Program is conducted to improve knowledge and the skill levels of the staff members within the unit. The objective of this project is to simplify current operations and increase overall efficiency. In the case of the MLPSD, the program also focuses on strengthening the supervisory capabilities of its supervisors. These activities are performed in accordance with the approved annual work plan of the Division for each FY.

Following are the detail of those programs conducted during FY 2024/25 (after separate functioning of MLPSD).

Table 15 Knowledge Sharing within MLPSD

S. No.	Date	Topic
1.	24 July 2024 (9 Shrawan 2081)	Technical Knowledge of Trust AML Software
2.	10 January 2025 26 Poush 2081)	Technical Knowledge of Customer Profiling and Fraud Detection System Software
3.	5 March 2025 (21 Falgun 2081)	Procedure of Mutual Evaluation
4.	30 April 2025 (17 Baisakh 2082)	Asset (Money) Laundering Prevention Supervision Bylaws
5.	4 July 2025 (20 Asar 2082)	Discussion on AML/CFT directives issued by Foreign Exchange Management Department, Banks and Financial Institution Regulation Department and Payment Systems Department

Source: MLPSD Staff Working

3.2.3 Interaction Programs with entities

The Division organized various interaction programs independently, aimed at sectorial strengthening and outreach to Reporting Entities. These include:

Table 16 Interaction Programs Organized by MLPSD/ Unit

Date	Participants	Mode	Name of Program
12 January 2022 (28 Poush 2078)	Interaction Program with Compliance Officers of Commercial Banks, NIFRA and NRB staff	Virtual	Key observations made during targeted supervision of commercial banks related to AML/CFT



10 June 2024 (28 Jeth 2081)	Interaction Program with Compliance Officers of Commercial Banks, Development Banks and NIFRA	In-Person	Prevention of ML/TF activities
12 December 2024 (27 Mangsir 2081)	Interaction Program with Compliance Officers of Bank and Financial Institutions	In-Person	Prevention of ML/TF activities
27 January 2025 (14 Magh 2081)	Interaction Program with CEOs of BFIs and their AML/CFT committees' Chairperson	In-Person	Interaction Program on Asset Laundering Prevention
28 May 2025 (14 Jeth 2082)	Interaction Program with CEOs of PSPs, PSOs and Remittance companies regarding compliance of AML/CFT Directive	In-Person	Key observations made during supervision of PSPs, PSOs and Remittance companies related to AML/CFT/CPF.

Source: MLPSD Staff Working

3.3 Issuance of Guidelines

In order to strengthening AML/CFT preventive measures, entities are provided with necessary guidelines. MLPSD coordinated with respective regulation departments and the FIU to issue necessary guidelines.

Table 17 List of Guidelines Issued

S. No.	Name of Guideline	Date
1.	ML/TF Risk Assessment Guideline for BFIs, 2022	4 December 2022 (18 Mangsir 2079)
2.	Guideline on Targeted Financial Sanctions for Financial Institutions, 2025	13 January 2025 (29 Poush 2081)

Source: MLPSD Staff Working

3.4 Other Significant Tasks being Undertaken

MLPSD actively engages with all relevant stakeholders for strengthening AML/CFT regime. Engagement with reporting entities under the purview of NRB, other regulatory bodies, LEAs, FIU, various Ministries and other agencies has broadly supported improved understanding of AML/CFT obligations and enhanced national coordination.

- Active participation until and after the adoption of Nepal's third Mutual Evaluation Report 2023 was undertaken with deployment of a dedicated staff at the OPMCM
- Annual reporting of AML/CFT activities undertaken by NRB has been regularly reported to the OPMCM through the dedicated OPMCM portal
- Regular periodic reporting is being done to the OPMCM regarding specific activities of NRB with respect to National Strategy and Action Plan on AML/CFT (2024/25-2028/29) as well as on the activities prepared by Directive Committee of ALPA in order to be removed from grey list.
- Created the division specific section in the NRB website and regularly update the website on AML/CFT related issues like- AML/CFT directives issued to entities, guidelines issued, enforcement actions taken against entities, events and programs organized, sanction lists to be reviewed and others.
- Participate in the Regulatory Coordination Mechanism (formed as per National Strategy and Action Plan- 2024/25-2028/29) chaired by the Governor and support the mechanism through its sub-committee, chaired by the head of the MLPSD.
- Utilize goAML message board to interact and communicate with the FIU.

CHAPTER IV

CHALLENGES AND WAY FORWARD

4.1 Challenges

Ensuring implementation of robust transaction monitoring mechanism, adequate coverage of red flags/alerts to trigger suspicious transactions and its surveillance, maintaining consolidated database of Politically Exposed Persons (PEPs), strengthening identification mechanism of Beneficial Ownership, enhancing knowledge of staffs on ML/TF/PF issues, timely as well as qualitative STR/SAR reporting, managing risks from digital mode of transactions pose significant challenges across all entities.

Some of the issues are cross-cutting in nature with requirement of significant reliance on other competent agencies. As an example, issues of Beneficial Ownership database and integrated access to reporting entities remains a challenge where MLPSD only has a much smaller role. With registration of legal persons across all three levels of government, not only is there a challenge to obtain timely, adequate and accurate Beneficial Ownership details but also Legal Ownership information for verification. Meaningful access of National Identification Database to all reporting entities is also an issue that can only be resolved by coordinated efforts among competent agencies.

Overall, maturity of implementation of preventive measures varies within and across various types of entities. Despite this, MLPSD has been emphasizing the need for foundational building blocks in each entity as there is some level of ML/TF vulnerability in each category of entity.

Resource constraints within the Division also impact the scalability of implementation of AML/CFT supervision across broad range of entities. However, gradual improvements are currently underway with addition of a few human resources and capacity building processes that improves efficiency.

4.2 Way Forward

With Nepal currently under 'Countries under Increased Monitoring', it is imminent that resources be enhanced not only within MLPSD but also by all competent entities. Broad ranges of activities are expected to be completed within short span of time for demonstrating effective AML/CFT supervisory regime by NRB. Further, enhanced coordination with domestic competent agencies is also critical to create a robust AML/CFT regime.

Accordingly, coordination with Ministry of Home Affairs to operationalize TFS portal is essential. In order to maintain uniform approach to define and understand expectations of directives as well as to provide relevant reporting to international agencies, appropriate coordination among NRB is essential to complete accurate and timely English translations.



Coordination with all competent agencies to complete National Risk Assessment process, particularly Vulnerability Sector Risk Assessment, led by the Head of the Division, will be a priority. Adequate access to National Identification Database as well as relevant records of legal persons incorporated within Nepal is also essential. In order to strengthen fit and propriety requirements, access to criminal records maintained by LEAs is also equally necessary. In the future, more coordination will be done with competent agencies to gradually resolve important issues in order to maintain financial integrity and strengthen overall AML/CFT controls in the financial sector.

Annexure 1 Notice Regarding Establishment of MLPSD



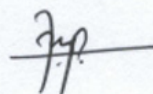
नेपाल राष्ट्र बैंक

संस्थागत योजना तथा जोखिम व्यवस्थापन विभाग
दरबारमार्ग, काठमाडौं

सम्पत्ति शुद्धीकरण निवारण सुपरिवेक्षण महाशाखा स्थापना सम्बन्धी

सूचना

सम्पत्ति शुद्धीकरण तथा आतङ्कवादी कृत्याकलापमा वित्तीय लगानी निवारण सम्बन्धी निरीक्षण तथा सुपरिवेक्षण गर्न मिति २०७९/१०/१ देखि कार्यारम्भ गर्ने गरी यस बैंकभित्र अलग्गै विशिष्टीकृत सुपरिवेक्षणीय संरचनाको रूपमा सम्पत्ति शुद्धीकरण निवारण सुपरिवेक्षण महाशाखा (Money Laundering Prevention Supervision Division) स्थापना गर्ने निर्णय भएको व्यहोरा सम्बन्धित सबैको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।



कार्यकारी निर्देशक



Annexure 2 Functioning of MLPSD as an Independent Division



नेपाल राष्ट्र बैंक
संस्थागत योजना तथा जोखिम व्यवस्थापन विभाग
दरबारमार्ग, काठमाडौं

सम्पत्ति शुद्धीकरण निवारण सुपरिवेक्षण महाशाखालाई अलग्गै महाशाखाको रूपमा सञ्चालन गर्ने सम्बन्धी

सूचना

सम्पत्ति शुद्धीकरण तथा आतङ्कवादी कृत्याकलापमा वित्तीय लगानी निवारण सम्बन्धी निरीक्षण तथा सुपरिवेक्षण गर्न हाल बैंक सुपरिवेक्षण विभागअन्तर्गत रहेको सम्पत्ति शुद्धीकरण निवारण सुपरिवेक्षण महाशाखा (Money Laundering Prevention Supervision Division) लाई मिति २०८१/४/१ देखि अलग्गै महाशाखाको रूपमा सञ्चालन गर्ने निर्णय भएको व्यहोरा सम्बन्धित सबैको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ ।

कार्यकारी निर्देशक

Annexure 3 Notice of First Issuance of AML/CFT Directive by NRB



नेपाल राष्ट्र बैंक

बैंक तथा वित्तीय संस्था नियमन विभाग

पत्र संख्या : बैं.वि.नि.वि./नीति/परिपत्र/२४/०६८/६९

केन्द्रीय कार्यालय
बालुवाटार, काठमाडौं
फोन : ४४११४०७
फ्याक्स : ४४१४५५२
E-mail : <nrbfbirdppd@nrb.org.np>
Web Site : www.nrb.org.np
पोस्ट बक्स : ७३

मिति: २०६८/११/१५

सम्पूर्ण इजाजतपत्रप्राप्त बैंक तथा वित्तीय संस्थाहरु,

महाशय,

यस बैंकबाट इजाजतपत्रप्राप्त बैंक तथा वित्तीय संस्थाहरुले आफ्नो ग्राहकको पहिचान गर्ने सम्बन्धी स्पष्ट कार्यविधि अवलम्बन गर्न र सम्पत्ति शुद्धीकरण तथा आतंकवादी कृत्याकलापमा लगानी गर्ने कार्य निवारण गर्ने सम्बन्धमा सम्पत्ति शुद्धीकरण निवारण ऐन, २०६४ को दफा ४४ख को प्रयोजनका लागि समेत यस बैंकबाट जारी एकीकृत निर्देशन, २०६८ को इ.प्रा. निर्देशन नं. १९।०६८ ग्राहक पहिचान सम्बन्धी विद्यमान व्यवस्थालाई संशोधन गरी यसै साथ संलग्न संशोधित इ.प्रा. निर्देशन नं. १९।०६८ सम्पत्ति शुद्धीकरण तथा आतंकवादी कार्यमा वित्तीय लगानी निवारण सम्बन्धी व्यवस्था लागू गरिएको हुँदा नेपाल राष्ट्र बैंक ऐन, २०५८ को दफा ७९ ले दिएको अधिकार प्रयोग गरी यो निर्देशन जारी गरिएको छ।

भवदीय,



(भाष्करमणि ज्ञवाली)

कार्यकारी निर्देशक

बोधार्थ :

१. श्री नेपाल राष्ट्र बैंक, गभर्नरको कार्यालय।
२. श्री नेपाल राष्ट्र बैंक, डेपुटी गभर्नरको कार्यालय।
३. नेपाल सरकार, अर्थ मन्त्रालय, आ.का.वि. तथा नी.वि. महाशाखा, सिंहदरबार, काठमाडौं।
४. श्री नेपाल राष्ट्र बैंक, बैंक सुपरिवेक्षण विभाग।
५. श्री नेपाल राष्ट्र बैंक, विकास बैंक सुपरिवेक्षण विभाग।
६. श्री नेपाल राष्ट्र बैंक, वित्त कम्पनी सुपरिवेक्षण विभाग।
७. श्री नेपाल राष्ट्र बैंक, लघुवित्त प्रवर्द्धन तथा सुपरिवेक्षण विभाग।
८. श्री नेपाल राष्ट्र बैंक, विदेशी विनिमय व्यवस्थापन विभाग।
९. श्री नेपाल राष्ट्र बैंक, अनुसन्धान विभाग।
१०. श्री नेपाल राष्ट्र बैंक, कानून महाशाखा।
११. श्री नेपाल बैंकर्स संघ, हेरिटेजप्लाजा, काठमाडौं।
१२. श्री डेभलपमेण्ट बैंकर्स एसोसिएसन, अनामनगर, काठमाडौं।
१३. श्री नेपाल वित्तीय संस्था संघ, जमल, काठमाडौं।
१४. श्री नेपाल लघुवित्त बैंकर्स संघ, कुलेश्वर, काठमाडौं।



Assistant Directors of MLPSD

Assistant Director	Sunil Koirala	<i>(third from right side in first row)</i>
Assistant Director	Kailash Rajbhandari	<i>(first from right side in first row)</i>
Assistant Director	Ram Krishna Rai	<i>(second from left side in first row)</i>
Assistant Director	Pradip Baniya	<i>(third from left side in first row)</i>
Assistant Director	Sujal Dhungana	<i>(first from left side in first row)</i>
Assistant Director	Bidhya Adhikari	<i>(first from left side in second row)</i>
Assistant Director	Omshila Karki	<i>(first from right side in second row)</i>
Assistant Director	Amit Shakya	<i>(second from right side in first row)</i>