NRB Unified Directives for Class A, B and C Licensed Institutions

Directive 19

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C.M. & Associates, Chartered Accountants | Kathmandu, Nepal

SOURCE-GAP REFERENCE - NOT A COMPLETE DIRECTIVE

Circular No. 18 (A/B/C), FY 2082/83: Dormant-account amendment recorded; exact wording not reproduced.

Circular No. 19 (A/B/C), FY 2082/83: National-ID/account-opening amendment recorded; exact wording not reproduced.

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Controlled English translation

Provisions Relating to Anti-Money Laundering and Countering Financing of Terrorism

Preamble

Controlled English translation

As it is necessary to make additional arrangements, beyond those prescribed in the Asset (Money) Laundering Prevention Act, 2064 (“the Act”) and the Asset (Money) Laundering Prevention Regulations, 2073 (“the Regulations”), for banks and financial institutions licensed by this Bank to prevent money laundering, financing of terrorist activities and financial crimes relating to associated predicate offences, this Directive is issued in exercise of the authority conferred by Section 7P of the said Act and Section 79 of the Nepal Rastra Bank Act, 2058. Except where the subject or context requires, provisions already made in the Act and Regulations are not repeated in this Directive.

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1 Policy and Procedures

Controlled English translation

(1) When preparing and implementing policies and procedures pursuant to Section 7T(1) of the Act, the following matters shall, in addition to the matters prescribed in that section, also be included:
(a) internal responsibilities and division of functions;
(b) the basis and methodology of the risk-assessment system;
(c) risk-based customer identification, updating and monitoring procedures;
(d) procedures for identifying unusual and suspicious transactions; and
(e) procedures for completing the functions required under Chapter 6B of the Act and Chapter 6 of the Regulations.

(2) A reporting institution shall, on the basis of changes in prevailing law, risk assessment, changes in business and technology, and changes in methods and trends of committing offences, make necessary amendments at least once each year to its risk-based policies, procedures and work plan and update the same in the Supervisory Information System (SIS).

2 Customer Identification and Verification

Controlled English translation

(1) Customer identification and verification shall be carried out as follows:
(a) the institution shall identify and verify the customer pursuant to Section 7A of the Act and Rules 4 and 5 of the Regulations;
(b) on the basis of access to information contained in the electronic record of the customer's Nepali citizenship certificate or National Identity Card, the institution may identify and verify the customer pursuant to Rule 3 of the Regulations;
(c) electronic means may be used:
(i) after adopting policies and procedures on customer identification and verification, an account may be opened or a business relationship established electronically where customer identity, Geolocation and verification thereof can be assured;
(ii) such procedures shall specify the list of documents and information obtainable electronically, a reliable method/channel for obtaining correct documents and information, and the method for regular verification;
(iii) the bank or financial institution shall adopt adequate measures to remain protected against risks and misuse that may arise in transactions conducted electronically;
(d) from Magh 1, 2081, banks and financial institutions shall, on the basis of access to the electronic record of the National Identity Card, verify the National Identity Card or National Identity Number and mandatorily arrange to open accounts on that basis.
However, where a Nepali citizen residing abroad opens an account online with a licensed institution while remaining abroad, arrangements shall be made to allow opening on the basis of other required documents even without the National Identity Card or National Identity Number. For such an account, the concerned licensed institution shall obtain and update the National Identity Card details within 35 days after the account holder returns to Nepal. A person unable to care for himself/herself, or a helpless or incapacitated citizen, may also open and operate a bank account on the basis of other required documents without the National Identity Card or National Identity Number;
(e) where the Government of Nepal provides social-security or other Government allowances, a bank or financial institution shall open an account on the basis of details provided by the concerned Government body. Before funds are withdrawn from such account, Customer Due Diligence shall be completed under this Directive.

(2) Where customer identification reveals a layered ownership/structural arrangement of a legal person or arrangement and the person exercising control over such person or arrangement is different, the natural person referred to in Rule 6(1), (2) and (3) of the Regulations shall also be identified in addition to the persons at each layer.

(3) Where a customer having no business relationship or account carries out, in one day, one or repeated occasional transactions exceeding NPR 100,000 or the equivalent in foreign currency, identifying information and documents shall be obtained pursuant to Rule 4(4) of the Regulations.

(4) Where, in a transaction of a natural person, there is suspicion that a person other than a family member is the beneficial owner, that person shall also be identified.

(5) Where a person other than the relevant account operator deposits more than NPR 100,000 in cash into any bank account, identification documents of the depositor shall be obtained and the purpose of the cash deposit shall also be disclosed.

(6) In the course of opening an account, the reporting institution shall, on the basis of the risk inherent in the customer, obtain a photograph or Bio-Metric of:
(a) in the case of a natural person, the account holder and, where the account operator is a different person, that person as well; however, in the case of a minor, it shall not be mandatory to obtain more than the account operator's details;
(b) in the case of a legal person or arrangement, the account operator.

(7) For Government of Nepal offices/bodies, bodies established under special Acts, Government-owned organised institutions, banks and financial institutions licensed by Nepal Rastra Bank, insurance companies approved by the Nepal Insurance Authority, the United Nations or its offices/specialised agencies, international organisations and foreign embassies, Customer Due Diligence may be limited to personal details of the account operators. Where a permanent Government employee operates an account on behalf of a Government office, the office identity card may be used.

(8) Documents and information prescribed in Schedule 19.1 shall be obtained. Additional documents/information shall also be obtained where required on the basis of customer risk.

(9) For a local consumer committee, where it is registered with the concerned Government body or recommended by the Local Level, the account may be opened/operated after obtaining necessary details of committee office holders and account operators, with the account operators themselves responsible for transactions. Schedule 19.1(d) shall apply.

(10) An updated list of persons whose accounts have been frozen/released by Nepal Rastra Bank or other bodies shall be maintained and used as a basis of the customer-identification system.

(11) The institution shall use risk-based identification measures to ensure that the mobile number provided by the customer belongs to that customer.

3 Identification of Listed Persons

Controlled English translation

(1) An updated system shall be established to regularly determine whether the institution has transactions with any person, group or organisation appearing on the list published under Chapter 6B of the Act or the list made available through various means by the Ministry of Home Affairs pursuant to Rule 69 of the Regulations, or with any person, group or organisation associated therewith.

(2) Where the institution holds an account, locker or any other funds of a listed person, group or organisation or an associated person, such property shall immediately be frozen and the Anti-Money Laundering Supervision Division of this Bank informed within three days in the format of Schedule 10 of the Regulations, with a copy also provided to the Financial Information Unit.

4 Identification of Politically Exposed / High-Ranking Persons

Controlled English translation

(1) For purposes of special identification or verification of Politically Exposed/High-Ranking Persons under Section 7B of the Act, mechanisms shall be established to identify such persons:
(a) when opening an account, carrying out transactions and regularly updating customer information;
(b) immediately when a person becomes or ceases to be a PEP;
(c) to identify family members and associated persons; and
(d) to identify relevant family/association relationships.

(2) Identification shall use:
(a) customer information or self-declaration;
(b) publicly available information;
(c) analysis of social-media information;
(d) commercially available databases;
(e) information from records maintained by competent bodies under law;
(f) lists requested at least annually from the Government of Nepal or specified bodies.

(3) PEPs shall be classified as:
(a) current domestic PEPs;
(b) former domestic PEPs;
(c) foreign PEPs of neighbouring or nearby countries;
(d) other foreign PEPs; and
(e) PEPs of international organisations.

(4) PEP records shall be maintained for at least ten years after the person leaves or is released from office.

(5) The institution shall determine whether a customer is a family member or close associate of a PEP using customer information and the mechanisms established under sub-clause (1).

(6) By Magh 1, 2081, the institution shall update National Identity Card details in all PEP accounts.

5 Beneficial Owner Identification

Controlled English translation

(1) For identification of the beneficial owner under Section 7C of the Act and Rule 6 of the Regulations, mechanisms shall be established to:
(a) identify the beneficial owner;
(b) closely monitor the beneficial owner and transactions associated with that person; and
(c) monitor, on an integrated basis, all transactions relating to the beneficial owner.

(2) Beneficial-owner identification shall use:
(a) details of the beneficial owner of a legal person or arrangement obtained from the customer/institution;
(b) customer information or self-declaration;
(c) publicly available information;
(d) analysis of social-media information;
(e) information from records maintained under prevailing law;
(f) commercially available databases; and
(g) information requested from relevant Government bodies or other competent authorities.

(3) Beneficial-owner records shall be maintained for five years after termination of the business relationship or transaction.

6 Enhanced Customer Due Diligence

Controlled English translation

(1) In addition to the customers referred to in Section 7E(1) of the Act, Enhanced Customer Due Diligence shall also be applied when establishing business relationships or carrying out transactions with:
(a) customers whose electronic transactions are systemically significant, unusual or suspicious;
(b) high-net-worth customers; the bank or financial institution shall itself determine the thresholds/variables for high net worth, customer-profile information and red-flag indicators for suspicious transactions;
(c) customers for whom there are grounds to believe they may be involved in offences relating to money laundering or financing of terrorist activities;
(d) customers from high-risk countries in relation to corruption, tax evasion or other criminal activity, or customers whose current residence, profession or place of business creates high risk. For this purpose, banks and financial institutions shall prepare and regularly update country lists on the basis of information from national/international bodies, FATF “High-Risk Jurisdictions subject to a Call for Action”, “Jurisdictions under Increased Monitoring” and the UN Sanctions List;

(e) customers engaged in cash-intensive businesses or transacting through new financial technologies/instruments;
(f) customers convicted by a court of an offence involving moral turpitude under prevailing law.

(2) When establishing a business relationship or transacting with such customers, in addition to the measures in Rule 8 of the Regulations, ECDD shall include:
(a) identification or verification of the source of the transaction/funds;
(b) information or evidence regarding the purpose of the transaction;
(c) transaction-monitoring limits or other monitoring measures; and
(d) development/use of mechanisms for obtaining information through ECDD in accordance with international practice.

7 Simplified Customer Due Diligence

Controlled English translation

An institution may apply Simplified Customer Due Diligence pursuant to Section 7F of the Act and Rule 9 of the Regulations. The following standards/procedures shall apply:
(1) an appropriate simplified-identification methodology shall be developed;
(2) records of customers subject to SCDD shall be maintained;
(3) separate forms shall be developed for accounts opened under SCDD; and
(4) simplified procedures shall be applied when opening accounts, conducting transactions or updating details of customers classified for simplified due diligence.

7A Customer Identification under the Open Bank Account Campaign, 2076

Controlled English translation

For natural Nepali persons without a bank account under the Open Bank Account Campaign, 2076:
(a) a simplified account-opening form shall be used and the customer shall provide a self-declaration that he/she has no other bank account;
(b) verification may be based on citizenship certificate, passport, photo voter ID, National Identity Card, driving licence, another Government-issued photo ID, or a photo recommendation certified by the concerned Local Level;
(c) the maximum annual transaction limit shall be NPR 100,000; if transactions exceed this limit, CDD under Clause 2 shall be completed;
(d) the bank or financial institution may deposit NPR 100 of its own funds into each such account;
(e) except for remuneration/pension from foreign employment remitted to that account, transfers from foreign deposit/savings accounts, and payments received from Government bodies, no other amount may be deposited or transferred into such account.

7B Remittance Savings Accounts

Controlled English translation

For Nepalis who have obtained labour approval from the competent Government body for foreign employment or who are currently in foreign employment:
(a) a self-declaration shall be obtained that the customer has no remittance savings account with another institution;
(b) SCDD may be applied when opening the account;
(c) the bank or financial institution may deposit NPR 100 of its own funds into each such account;
(d) except for remuneration/pension earned from foreign employment, transfers from foreign deposit/savings accounts and Government payments, no other amount may be deposited or transferred into the account.

8 Periodic Updating of Customer and Beneficial-Owner Identification

Controlled English translation

(1) A licensed bank or financial institution shall maintain customer and beneficial-owner information electronically and keep it updated so that, whenever required, it can be tested/analysed or provided in the prescribed format to the regulator under Section 7G(1) of the Act.

(2) Customer-identification information shall be updated:
(a) for high-risk customers, at least once each year and according to risk classification;
(b) immediately where transactions do not match the customer profile;
(c) immediately where CDD has not been completed;
(d) immediately where the institution doubts the truthfulness or adequacy of customer-identification information/data;
(e) through risk-based mechanisms established by the institution for customer identification and updating.

(3) Information relating to a customer received directly or indirectly, formally or informally, by any officer/employee shall be analysed and used to update CDD.

(4) When updating CDD, only changed/new information and documents, beyond those already held, shall be requested from the customer. Information not requiring the customer's physical presence may be obtained by other appropriate means.

(5) Minimum information required for reporting to the Financial Information Unit shall be obtained during customer identification/updating.

(6) Priority monitoring shall be given to high-risk predicate offences and sectors identified by the National Risk Assessment and Mutual Evaluation Report 2023, including corruption, tax evasion, human trafficking and other high-risk predicate offences, fraud/internet-enabled fraud, cybercrime, precious-metal/goods businesses, real-estate purchase/sale businesses, cooperatives and associated persons/accounts.

(7) A separate list shall be maintained of customers who cannot be contacted despite reasonable efforts during CDD updating.

(8) When an account is first opened, all required information shall be obtained; thereafter, in the case of an institution, the latest audited financial statements and other information shall be requested during CDD updating only on the basis of customer risk.

(9) Risk-based CDD shall be mandatory for customers and beneficial owners. The same method shall not be used uniformly for all customers; identification, updating and requests for additional information shall be based on assessed risk relating to the customer, transaction, location and nature of service.

(10) Customer and beneficial-owner identification/updating shall be included in the institution's principal work plan and regularly monitored.

9 Risk Management

Controlled English translation

(1) A licensed bank or financial institution shall, pursuant to Sections 7G and 35 of the Act, identify and assess institutional AML/CFT risk and, within the first quarter after the end of each fiscal year, submit the assessment to the Anti-Money Laundering Supervision Division and the Financial Information Unit at fiupolicy@nrb.org.np.

In carrying out the risk assessment, the bank or financial institution shall, taking the following matters into account, identify, analyse and assess AML/CFT risks relating to customers, products, Geographic Location and Delivery Channels:
(a) national and sectoral risk-assessment reports of the country;

(b) studies and research reports on AML/CFT prepared by reputable international institutions;
(c) the scope and nature of business relationships and transactions;
(d) maintaining customer-identification information in an integrated electronic form so that risk can be measured and customers and beneficial owners can be identified on an integrated basis;
(e) ensuring whether an integrated customer-identification system has been applied, with arrangements allowing additional information required for customers using different services to be added at the same place.

(2) The reporting institution shall prepare the methodology and objective basis for the risk assessment under sub-clause (1) and submit the risk assessment for the relevant year to the concerned supervision division.

(3) Risk identified under sub-clause (1) shall be classified as high, medium or low. The concerned bank or financial institution may, as necessary, make further classifications on the basis of risk review.

(4) Within the first quarter of each fiscal year, the institution shall analyse AML/CFT risk and, on the basis of the risk-assessment report, make necessary amendments to its policies and procedures and formulate and implement a risk-based annual work plan.

(5) The AML/CFT periodic statement in the format prescribed in Schedule 19.2 shall be submitted within 15 days after the end of the relevant period to the Anti-Money Laundering Supervision Division and the Financial Information Unit at fiupolicy@nrb.org.np.

(6) Internal and external auditors shall monitor whether the AML/CFT system is operating on a risk basis and shall ensure that such monitoring covers targeted financial actions, Politically Exposed Persons, high-risk countries and sectors, and high-risk products, instruments, services and transactions.

(7) Banks and financial institutions shall develop an appropriate information-technology system and related procedures for reporting/information submission so as to ensure timely submission of quality reports.

10 Technology-Based Identification and Information Collection System

Controlled English translation

Basic information and documents relating to customers, beneficial owners and other relevant persons shall be regularly updated, on a risk basis, through electronic technology, and an information-technology portal shall be developed and implemented for that purpose.

11 Electronic TTR/STR/SAR Reporting, Risk-Assessment Reporting Deadlines and Effective AML/CFT Implementation

Controlled English translation

(1) A bank or financial institution shall develop in its Core Banking System or other electronic systems mechanisms for monitoring and analysing customers, customer transactions and financial transactions so that Threshold Transaction Reports and Suspicious Transaction/Activity Reports required to be submitted to the Financial Information Unit are submitted only through electronic means, namely the goAML Production Environment, throughout the year.

(2) For purposes of the Asset (Money) Laundering Prevention Act and directives issued by this Bank, this Bank shall carry out necessary inspection/supervision regarding whether the reporting institution has established risk-based systems and reported to the Financial Information Unit through goAML, and whether directives issued by this Bank on AML/CFT have been effectively implemented.

12 Wire Transfers

Controlled English translation

(1) Licensed banks and financial institutions shall carry out wire transfers in accordance with Section 7H of the Act. Where a wire transfer lacks required information and appears suspicious, the transfer shall be rejected or suspended and the concerned authority informed immediately.

(2) For international wire transfers, the institution shall maintain separate identification of the relevant recipient or sender and prepare details of the person or institution sending funds through the wire transfer. Where the same person or institution repeatedly carries out such activity in a manner inconsistent with the customer-identification profile, the Financial Information Unit shall be informed.

(3) Licensed banks and financial institutions shall, in order to make cross-border correspondent-banking relationships risk-sensitive and continue transactions, also comply with other applicable national and international standards and norms relating to correspondent banking.

13 Cross-Border Correspondent Banking

Controlled English translation

(1) When establishing and conducting a cross-border correspondent-banking relationship, the measures prescribed in Section 7I of the Act shall be applied.

(2) Cross-border correspondent-banking relationships and transactions shall be reviewed periodically. The review shall determine whether the correspondent bank complies with AML/CFT Measures, and where it does not, the relationship with that bank shall be terminated.

14 Ongoing Due Diligence

Controlled English translation

(1) A licensed bank or financial institution shall conduct Ongoing Due Diligence pursuant to Section 7J of the Act.

(2) The institution shall continuously monitor whether an electronic instrument or card issued by it is being used consistently with the information/purpose provided by the customer and whether use of the electronic instrument/card is occurring through the institution’s systems. Where monitoring reveals suspicion, use of the instrument/card shall be stopped and the Financial Information Unit and other relevant authorities informed immediately.

15 Threshold Transaction Reporting

Controlled English translation

(1) Where a person or institution carries out domestic- or foreign-currency transactions above the following thresholds under Section 10A of the Act, a bank or financial institution shall provide the transaction information to the Financial Information Unit within 15 days through goAML Software and submit separate TTRs for:
(a) one or repeated cash deposits totalling NPR 1 million or more in a day into any account, or one or repeated cash withdrawals/expenditures totalling NPR 1 million or more in a day from any account;
(b) one or repeated electronic or other transfers from an account totalling NPR 1 million or more in a day across the border of Nepal;
(c) one or repeated cash foreign-currency exchange transactions by a customer totalling NPR 500,000 or more in a day.

(2) When accepting a deposit of NPR 1 million or more, the licensed bank or financial institution shall require the customer to state the source of funds.

(3) Notwithstanding anything in this Clause, transactions by the following Government offices, institutions and legal persons need not be sent as threshold reports to the Financial Information Unit. However, the exemption does not remove the obligation to identify suspicious transactions and submit information accordingly:
(a) transactions by the Government of Nepal or an office/body under it;
(b) transactions by a body established under a special Act;
(c) transactions carried out institutionally by the institution itself or with another licensed bank/financial institution or Government body;
(d) transactions with Government or semi-Government offices, associations, institutions, companies or bodies, and bodies established under special law;
(e) transactions by insurance companies in the course of reinsurance business;
(f) transactions in which a licensed bank or financial institution provides a customer with credit, advance or facility under prevailing law;
(g) transactions by the United Nations, its offices/specialised agencies and international organisations;
(h) transactions relating to employee service/facility payments by a bank or financial institution;
(i) non-cash transfers in Nepali currency through cheques issued by banks/financial institutions from an account at one bank/financial institution to an account at another;
(j) amounts deposited as service fees by customers/service recipients in accounts of schools, colleges, universities or hospitals;
(k) insurance-premium amounts deposited by insured persons into accounts of insurance companies;
(l) pension-payment transactions of the Nepal Army, Nepal Police and other institutions;
(m) institutional transactions in internal accounts of banks/financial institutions such as Settlement Accounts and Nostro/Vostro Accounts;
(n) institutional transactions by cooperatives and the National Cooperative Bank Ltd.;
(o) transactions relating to opening or payment of a Letter of Credit (LC).

(4) Threshold transaction information shall be classified into TTR-Cash, TTR-Cross Border and TTR-FCY Exchange and submitted accordingly. Classification shall be in accordance with the TTR Guidelines issued by the Financial Information Unit.

16 Suspicious Transactions / Activities

Controlled English translation

(1) A system shall be developed to identify suspicious transactions in relation to the specific transactions referred to in Section 7N(1) of the Act.

(2) Where circumstances under Section 7P of the Act exist, the matter shall be examined as necessary and a Suspicious Transaction/Activity Report (STR/SAR) shall immediately be submitted to the Financial Information Unit through goAML Software. In preparing such report, the institution shall use the ‘STR/SAR Guidelines’ and other guidance issued by the Financial Information Unit and comply with the ‘goAML Operational Guidelines’.

(3) Where, in the course of an investigation, an investigating authority requests information or details concerning a person or institution and the matter also appears to involve a suspicious transaction, an STR/SAR concerning that customer shall immediately be submitted to the Financial Information Unit. Where new facts or matters relating to that suspicious transaction become known, they shall be retained as additional information in the record.

(4) Identification and reporting of suspicious transactions shall be carried out on the basis of risk assessment, customer identification, transactions and a risk-based system. After preliminary analysis, a bank or financial institution shall classify a suspicious transaction as ‘STR-PEP’ where Politically Exposed Persons are involved; as ‘STR-TBML’ where it relates to Trade Based Money Laundering through import/export trade; and other STRs internally as ‘STR-High’, ‘STR-Medium’ or

‘STR-Low’, and submit the suspicious-transaction report to the Financial Information Unit.

(5) A bank or financial institution shall develop a system to identify attempts by a customer to conduct suspicious transactions and the customer’s suspicious activities. Where a customer only attempts a transaction under Section 7P(2) of the Act, necessary examination shall be carried out and a Suspicious Activity Report (SAR) shall be submitted through goAML Software to the Financial Information Unit within three days.

(6) A licensed bank or financial institution shall prepare, implement and periodically update detailed guidance for identification of suspicious transactions on the basis of national and international risks, its own functions/nature of business and customers.

(7) Where Customer Due Diligence requirements under prevailing law cannot be complied with, an account shall not be opened, a business relationship shall not be established, or an existing relationship shall be terminated. Where considered necessary, the institution shall submit an STR/SAR to the Financial Information Unit.

(8) Where the institution suspects that a customer is involved in money laundering or terrorist activity and proceeding further with Customer Due Diligence would alert the customer to that suspicion, the institution shall not proceed further with the CDD process and shall submit an STR/SAR to the Financial Information Unit.

(9) Where a legal person or legal arrangement receives or makes payment relating to business transactions through a personal savings account other than the account of that legal person/arrangement, or where, except as permitted by prevailing law, a personal savings account is used as a medium for business transactions, the matter shall be reported to the Financial Information Unit as a suspicious transaction.

17 Confidentiality of Information

Controlled English translation

Directors, officers and employees of the institution shall not disclose to a customer or any other person any report, document, record, particulars, information or knowledge prepared or obtained pursuant to the Act, Regulations or this Directive. Where any person is found to have provided such report, document, record, particulars, information or knowledge to a customer or another person, punishment under Section 44A of the Act shall apply except in circumstances protected under Section 37 of the Act.

18 Annual Report

Controlled English translation

A reporting institution shall prepare an annual report reviewing the actions taken throughout the year in relation to anti-money laundering, countering the financing of terrorist activities and preventing financing of the manufacture and proliferation of weapons of mass destruction, and shall submit the report through the Board of Directors within two months after the end of the fiscal year.

For FY 2080/81, such report may be submitted by the end of Mangsir 2081.

19 Internal Control

Controlled English translation

(1) The Board of Directors of a licensed bank or financial institution shall formulate and implement necessary internal policies, procedures or control systems so as to ensure compliance with the Act, Regulations and this Directive.

(2) Pursuant to Section 7T(3) of the Act, a management-level Implementation/Compliance Officer shall be appointed to continuously discharge obligations under the Act, Regulations and this Directive, and the officer’s name, address,

qualification, contact number, email and other details shall be submitted to the Financial Information Unit and the Anti-Money Laundering Supervision Division. Changes in the officer or the officer's details shall also be reported through the goAML Production Environment.

(3) In addition to the functions under Section 7T(4) of the Act, the Implementation Officer shall:
(a) act as the Focal Point for effective implementation of the Act, Regulations and this Directive;
(b) draft and submit policies, procedures and systems for effective implementation;
(c) analyse and examine unusual or suspicious-transaction information received from departments, officers and employees;
(d) obtain specialist assistance from other departments/officers and have unrestricted access at any time to necessary documents, particulars or information for performance of duties;
(e) monitor implementation and submit reports.

(4) A separate AML/CFT department/unit shall be established under a management-level Compliance Officer. In appointing the officer and submitting suspicious-transaction reports:
(a) the institution shall ensure that the Compliance Officer is not a same-household family member or close relative of a relevant regulator's office holder or of senior-management personnel ;
(b) where a suspicious-transaction report concerns a same-household family member or close relative of the institution's Compliance Officer, arrangements shall be made for another officer to submit the report.

(5) Where officers or employees fail to cooperate in providing information, documents, records or particulars requested by the Compliance Officer for implementation of the Act, Regulations or this Directive, the officer shall recommend departmental action and the bank or financial institution shall act on that recommendation. Information on such action shall be provided to the Financial Information Unit.

(6) The institution's AML/CFT Committee shall, in accordance with the functions assigned under Directive No. 6, at least once every three months review actions taken under the Act, Regulations and this Directive and submit to the Board a report including matters requiring improvement; the Board shall review and take appropriate decisions.

(7) To make compliance effective and outcome-oriented, the institution shall ensure institutional capacity development:
(a) Knowledge Sharing programmes for shareholders holding two percent or more of paid-up capital, Board members and senior management concerning the seriousness and effectiveness of AML/CFT;
(b) regular knowledge-development programmes for employees;
(c) appropriate domestic and foreign AML/CFT training for the Implementation Officer and other employees directly and regularly engaged in AML/CFT Unit functions.

(8) Policies and procedures shall contain provisions on preventing financing of terrorist activities and manufacture/proliferation of weapons of mass destruction, and the institution shall develop mechanisms for identification, assessment and reporting of related risks.

(9) Policies/procedures under this Directive shall contain separate provisions on terrorist financing and financing of WMD manufacture/proliferation, and the institution shall maintain continuous-monitoring systems so as to comply with Chapter 6B of the Asset (Money) Laundering Prevention Act, 2064.

(10) A Code of Conduct shall be formulated and implemented for the Board of Directors, Chief Executive and employees of the licensed institution.

20 Record Management

Controlled English translation

A licensed institution shall retain for five years the statements, lists, information, reports, records and notices prepared pursuant to Section 7R of the Act and Rule 18 of the Regulations. Such records shall also be maintained electronically so that they can be made available immediately when required, and shall be kept in a form capable of being used as evidence in legal proceedings.

21 Actions and Penalties

Controlled English translation

(1) A licensed bank or financial institution, and its employees and office holders, that fail to effectively implement the Act, Regulations and this Directive shall be subject to action under the Act.

(2) In taking action under sub-clause (1), this Bank may impose the actions set out in the penalty table having regard to the nature of non-compliance, degree of violation, possible systemic effect and seriousness.

(3) Where action under this Clause is considered inadequate, this Bank may take further action against the bank or financial institution under the Nepal Rastra Bank Act, 2058 and the Bank and Financial Institution Act, 2073.

(4) Where a bank or financial institution is subject to action or penalty under this Clause and the penalty is attributable to an act of an office holder or employee, the institution shall take action against that office holder or employee under prevailing law or the institution's regulations. If the reporting institution fails to do so, Nepal Rastra Bank may take action against that office holder or employee and may impose on the directors or concerned office holders of the institution that failed to act, according to the state of compliance, seriousness of the matter and nature of the reporting institution, a fine from NPR 1 million to NPR 50 million, removal from office, or both.

22 Repeal and Saving

Controlled English translation

The following directives issued to banks and financial institutions licensed by this Bank are repealed:
(1) Directive No. 19/081 issued under the provisions relating to anti-money laundering and countering financing of terrorism in the Unified Directives, 2081, and all circulars relating to the same subject issued thereafter up to Magh 2, 2082.
(2) Except in circumstances prohibited by the Act, Regulations or this Directive, all acts and actions done or taken under the directive repealed pursuant to sub-clause (1) shall be deemed to have been done or taken pursuant to this Directive.

Schedules 19.1: Documents and Information to Be Obtained for Customer Identification and Verification

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5. image158.png
6. image159.png
7. image160.png
8. image161.png

Controlled English translation

When opening any customer account, a bank or financial institution shall obtain the following information and documents according to the nature of the customer.

Customer Types

Customer Types 1

Code: क

Controlled English translation

Individual Account (Nepali Citizen)

Fields

No	En
1	Full name and surname
2	Date of birth; gender; nationality
3	Permanent address: district, municipality/rural municipality, ward, locality/village, house number, telephone, mobile, email
4	Current address: district, municipality/rural municipality, ward, locality/village, house number, telephone, mobile, email
5	At least one identification record and verifying document: citizenship; National Identity Card; passport; voter ID; or driving licence, with the corresponding number, issuing authority/place and issue/expiry dates as applicable
6	For a minor: (a) birth-registration certificate or minor identity card — certificate/identity-card number, issuing authority and issue date; and (b) citizenship certificate, National Identity Card, passport, voter identity card or driving licence of the parent or guardian — number, issuing authority, issue date and, where applicable, expiry date.
7	For a Nepali citizen without citizenship, recommendation of the Rural Municipality or Metropolitan/Sub-Metropolitan/Municipality, including recommendation/dispatch number, issuing authority and issue date
8	Permanent Account Number, where available/required
9	Full name of parents, or one of mother/father, and grandfather, where required

No	En
10	Profession/business: institution name, address, contact, position, estimated annual income/remuneration and other details
11	Applicant documents: applicable ID/PAN or employee/teacher/professor identity copy as specified, and a recent passport-size photograph
12	Other information/documents considered necessary by the institution

Clarifications

En
Where house number, telephone, mobile, email or PAN do not exist, they need not be stated; the applicant shall self-declare their non-availability.
For a refugee, a photo identity document issued by the Government of Nepal or another competent authority may be used in place of citizenship.
After a minor attains majority, the adult's documents shall be attached and the adult shall operate the account.

Customer Types 2

Code: ख

Controlled English translation

Partnership or Proprietorship Firm Account

Fields

No	En
1	Firm name
2	Registered-office address: district, municipality/rural municipality, ward number, locality/village, house number, telephone number, fax number, email address and website.
3	Business-office address: district, municipality/rural municipality, ward number, locality/village, house number, telephone number, fax number, email address and website.
4	Registration certificate: registration number, registering office and registration date; licence/permit; and business-operation permit or renewal-certificate number, issue date, validity period and issuing authority.
5	PAN or similar Government tax certificate number
6	Nature of business/transactions
7	Area of operation
8	Number and locations of principal branches/offices
9	Estimated annual turnover
10	Details of the proprietor, partners and account operators: designation, full name, spouse's name, father's or mother's name, grandfather's name, permanent address, current address, telephone number, mobile number and email address.
11	Passport-size photographs and ID copies of proprietor, partners and account operators

No	En
12	Latest audited financial statements, or entity-prepared financial statements where audit is not required
13	Latest tax-clearance certificate or tax-filing statement
14	Partnership deed/authorisation
15	For a partnership firm, authority for financial and administrative transactions
16	Other required information/documents

Customer Types 3

Code: ग

Controlled English translation

Company Account

Fields

No	En
1	Company name
2	Registered-office address
3	Business-office address
4	Registration, licence/permit and business-authorisation/renewal particulars
5	PAN or similar Government tax certificate number
6	Nature of business/transactions
7	Area of operation
8	Number and locations of principal branches/offices
9	Estimated annual turnover
10	Personal details of directors, committee office holders, Chief Executive and account operators
11	Personal details of shareholders holding five percent or more
12	Passport-size photographs and ID copies of directors, Chief Executive and account operators
13	Where a legal person holds five percent or more, details of shareholders holding five percent or more in that legal person
14	Latest audited financial statements: mandatory at account opening, thereafter risk-based
15	Latest tax-clearance/tax-filing statement: mandatory at account opening, thereafter risk-based
16	Where a subsidiary of a foreign company, foreign parent's name and address
17	Incorporation/formation documents and Memorandum/Articles
18	Board decision and authority for account opening/operation

No	En
19	Authority granted to Board/Chief Executive/authorised employees for financial transactions
20	Other required information/documents

Controlled English translation

For organised institutions established under a special Act, registration-certificate particulars are not mandatory.

Customer Types 4

Code: घ

Controlled English translation

Club / Non-Government Association or Institution Account

Fields

No	En
1	Name
2	Registered address
3	Changed address, if any
4	Registration, licence/permit and renewal/business-authorisation details
5	PAN or similar tax certificate number
6	Nature of transactions
7	Area of operation
8	Number and locations of branches/offices
9	Estimated annual turnover
10	Personal details of executive head and account operators
11	Personal details of committee members, trustees, controllers or settlors, together with employment and address-verification particulars
12	Passport-size photographs and ID copies of executive head/account operators
13	Latest audited financial statements
14	Copy of registration certificate
15	Constitution/bylaws
16	Committee decision to open account
17	Authority for account operation/financial transactions
18	Other required information/documents

Customer Types 5

Code: ङ

Controlled English translation

Cooperative Institution Account

Fields

No	En
1	Institution name
2	Registered-office address
3	Business-office address
4	Registration/licensing/renewal details
5	PAN or similar tax certificate number
6	Nature of business/transactions
7	Area of operation
8	Number and locations of branches/offices
9	Estimated annual turnover
10	Personal details of directors, Chief Executive and account operators
11	Passport-size photographs and ID copies
12	Latest audited financial statements
13	Latest tax-clearance/tax-filing statement
14	Institution bylaws/regulations
15	Copy of registration certificate
16	Board decision to open account and authority for financial transactions
17	Other required information/documents

Customer Types 6

Code: च

Controlled English translation

Public or Private Guthi / Trust Account

Fields

No	En
1	Name
2	Registered address
3	Changed address, if any
4	Registration/licensing/renewal details
5	PAN or similar tax certificate number
6	Nature of transactions
7	Area of operation
8	Number and locations of branches/offices
9	Estimated annual turnover

No	En
10	Personal details of directors/management-committee members/other office holders, executive head and account operators
11	Passport-size photographs and ID copies of executive head/account operators, and address-verification documents of directors/management committee
12	Latest audited financial statements
13	Latest tax-filing statement
14	Constitution/bylaws
15	Deed/covenant establishing the Guthi
16	Certified copy of Guthi-establishment certificate
17	Governing/management committee decision to open account and authority for financial transactions
18	Other required information/documents

Customer Types 7

Code: छ

Controlled English translation

School or Campus Account

Fields

No	En
1	School/campus name
2	Registered address
3	Changed address, if any
4	Registration certificate: registration number, registering office and registration date.
5	PAN or similar Government tax certificate number
6	Nature of transactions
7	Area of operation
8	Number and locations of branches/offices
9	Estimated annual turnover
10	Personal details of directors/management-committee members/other office holders, executive head and account operators
11	Passport-size photographs and ID copies of executive head/account operators
12	Latest audited financial statements
13	Latest tax-filing statement
14	Memorandum/constitution and bylaws
15	Certified copy of institution approval/registration certificate
16	Decision to open account and authority for financial transactions

No	En
17	Other required information/documents

Customer Types 8

Code: ज

Controlled English translation

International Non-Government Organisation Account

Fields

No	En
1	Institution name
2	Registered address
3	Changed address, if any
4	Registration certificate
5	PAN or similar Government tax certificate number
6	Nature of transactions
7	Area of operation
8	Number and locations of branches/offices
9	Estimated annual turnover
10	Personal details and address-verification documents of directors, executive head, Nepal-appointed representative/chief and account operators
11	Passport-size photographs and ID copies of executive head, Nepal representative/chief and account operators
12	Latest audited financial statements
13	Latest tax-filing statement where tax filing is required
14	Copy of any agreement with the Social Welfare Council
15	Copy of any agreement with Government of Nepal
16	For an INGO not otherwise recognised/approved by a competent Nepal authority, recommendation from the concerned country or embassy
17	Institution constitution
18	Authority to open account and conduct financial transactions
19	Other required information/documents
20	For a Nepal local committee/club of an international club, copy of central-committee decision establishing it and account-operation decision
21	Recommendation letter including account operator’s name for opening/operating account in committee’s name

Customer Types 9

Code: झ

Controlled English translation

Foreign Individual Account

Fields

No	En
1	Full name and surname
2	Nationality
3	Foreign address (permanent and temporary/current)
4	Address in Nepal
5	Family-member details
6	Passport/visa
7	Passport number, issuing country/place, issue date, expiry date and visa period
8	Certified copy of valid visa
9	Embassy representative details
10	If employed, employer name/address/contact and recommendation letter
11	For an Indian citizen without passport, proof of Indian citizenship with number/date/issuing authority/place; embassy confirmation may be sought if necessary
12	For a refugee, ID number, issue/expiry dates and place of issue from relevant Government/international body
13	Other required information/documents

Customer Types 10

Code: ञ

Controlled English translation

Foreign Company Account

Fields

No	En
1	Company name
2	Full foreign registered-office address
3	Foreign business-office address
4	Full address of Nepal office
5	Type of Nepal office: branch, liaison/contact, project or other
6	Foreign registration/licensing/renewal particulars
7	Nepal registration details/documents, if registered
8	Nature of business/transactions

No	En
9	Area of operation
10	Number/locations of branches/offices
11	Estimated annual turnover
12	Memorandum and Articles/bylaws
13	Authority from foreign company to open account/conduct transactions
14	Personal details of foreign-company directors and Chief Executive
15	Personal details of Nepal representative and account operators
16	Passport-size photographs, ID copies and address-verification documents of two principal foreign-company office holders, Nepal representative and account operators
17	Latest audited financial statements
18	Latest tax-filing statement
19	Other required information/documents

Customer Types 11

Code: ट

Controlled English translation

Diplomatic Mission / Embassy Account

Fields

No	En
1	Letter of mission/embassy
2	Authority for account operation
3	Name/address/photo/address-verification of account operator
4	Other required information/documents

Customer Types 12

Code: ठ

Controlled English translation

Non-Resident Nepali Citizen Account

Fields

No	En
1	Full name and surname
2	Nationality, date of birth and gender
3	Full foreign permanent/current residence or employer address and immediate contact details
4	Full Nepal address/contact place

No	En
5	Parents or one parent and grandfather's full name
6	For married persons other than single women/men, spouse's full name
7	Source-of-income documents
8	Copy of NRN identity card issued by competent Nepal authority
9	Certified passport copy
10	Other required information/documents

Customer Types 13

Code: ङ

Controlled English translation

Consumer Committee Account

Fields

No	En
1	Copy of decision forming Consumer Committee and account-operation decision
2	Local-Level recommendation letter, including account operator's name
3	Nature of transactions
4	Estimated transaction amount
5	Passport-size photographs and ID copies of account operators
6	Registration-certificate copy if committee is registered
7	Personal details of account operator(s)
8	Self-declaration that account will be used only for purpose for which committee was formed

Controlled English translation

Where an account must be opened within the statutory period for audit completion/tax filing after fiscal year-end, it may be opened using the audited financial statements and tax filing of the preceding fiscal year.

Borrower Additional Information

Controlled English translation

Additional Information to Be Obtained for Credit Applicants/Borrowers

Controlled English translation

Where a person, firm, company or organised institution applies to a licensed institution for credit/facilities, the following customer/borrower information shall be obtained for credit analysis:

Items

Code	En
क	For an individual borrower/guarantor: citizenship or National ID, passport for foreign citizen, permanent/current addresses, three-generation particulars and same-household family details.
ख	For a proprietorship/partnership: details of proprietor/partners as in (a), plus authorised person’s name/address, authority copy and decision.
ग	For a private company: details as in (a) of directors and shareholders holding 10% or more, plus authorised transacting person’s name/address and decision.
घ	For a public company: details as in (a) of directors and shareholders holding 10% or more, plus authorised transacting person’s name/address and decision.
ङ	Name/address of collateral valuer and, where amount exceeds NPR 1 million, the applicable licence.

Schedules 19.2: Quarterly AML/CFT Statement

Source Page: 242

Source Image: image162.png

Controlled English translation

1. S.N.

2. Particulars

3. Number

4. Remarks

Rows

Rows 1

Controlled English translation

Total customers

No: 1

Rows 2

Controlled English translation

Customers whose identification could not be updated

No: 2

Rows 3

Controlled English translation

Customers whose relationship was terminated because identification remained incomplete

No: 3

Rows 4

Controlled English translation

High-risk customers

No: 4

Rows 5

Controlled English translation

Medium-risk customers

No: 5

Rows 6

Controlled English translation

Low-risk customers

No: 6

Rows 7

Controlled English translation

Customers subject to enhanced identification

No: 7

Rows 8

Controlled English translation

Politically Exposed/High-Ranking Persons

No: 8

Rows 9

Controlled English translation

Customers for whom beneficial owner identified

No: 9

Rows 10

Controlled English translation

goAML Reporting

No: 10

Children

Code	En
क	Number of TTRs
ख	Number of STRs
ग	Number of SARs

Rows 11

Controlled English translation

Capacity-development details

No: 11

Children

Code	En
क	Office holders
ख	Employees

Rows 12

Controlled English translation

Number of Board AML-CFT discussions

No: 12

Rows 13

Controlled English translation

Number of AML/CFT Committee meetings

No: 13

Controlled English translation

(Implementation Officer)

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