Nepal's National Risk Assessment on Money Laundering, Terrorist/Proliferation Financing 2026

Key Findings

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1. Purpose and Use of this Document

This document sets out the key findings of Nepal's National Risk Assessment on Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF), 2026. It is the public version of the findings. This report is for reporting entities, regulators/supervisors, intelligence agencies, law enforcement agencies, professional bodies, the private sector and the general public. Reporting entities under the Asset (Money) Laundering Prevention Act, 2064 (2008) should take these findings into account in their institutional risk assessments, customer due diligence, transaction monitoring, internal controls and training.

The findings draw on the methodology adopted for the assessment, the sectoral risk assessments prepared by competent authorities.

1.1 How the Assessment Was Carried Out

The assessment applied the World Bank national risk assessment methodology, which Nepal has used for its earlier assessments. The methodology rests on three pillars: threat, vulnerability and consequence. Each regulator, competent authority and law enforcement agency used the World Bank assessment modules to prepare a sectoral risk assessment for its own area, as required by section 35 of the Asset (Money) Laundering Prevention Act. A self-assessment method was used for proliferation financing across all sectors, and in some sectors for money laundering and terrorist financing as well.

Threat was assessed for each offence on a five-point scale, drawing on the frequency of cases, the value of proceeds generated and the sophistication of the methods observed. Sectoral vulnerability was scored across a standard set of inherent risk and control variables and expressed on a 0.0 to 1.0 scale, combining inherent risk with the effectiveness of controls. Sectoral scores were then standardised and aggregated to give the national vulnerability level. Threat and vulnerability were plotted together on the risk matrix to arrive at each risk rating.

The sectoral assessments were consolidated into this national assessment through a series of technical workshops. Preliminary findings were discussed with representatives of the public and private sectors, and were reviewed by the Coordination Committee and the AML/CFT Directives Committee. The assessment drew on case, prosecution and conviction records, suspicious transaction reporting, supervisory findings, international cooperation data, and Nepal's 2023 mutual evaluation report.

1.2 How Ratings Is Assigned

Risk is assessed as the combination of threat and vulnerability. Threat refers to persons, groups or activities with the potential to cause harm, including the generation of criminal proceeds. Vulnerability refers to features of a sector, product, channel or control framework that can be exploited by a threat. The ratings express relative priority, not exemption even rated low.

Rating	Meaning
High (H)	The risk is significant and calls for immediate and sustained priority attention.
Medium-High (MH)	The risk is elevated and calls for enhanced measures and close monitoring.
Medium (M)	The risk is material and calls for standard measures applied consistently.
Medium-Low (ML)	The risk is limited but present, and calls for proportionate measures.
Low (L)	The risk is low. Basic measures and periodic review remain necessary.

2. Key Findings

2.1 Risk Overview

The national ratings are set out below. In cross-border financial transactions, commercial banks face Medium risk in relation to targeted financial sanctions on terrorist financing and Medium-Low risk in relation to proliferation financing.

Table 1: National ML, TF and PF Ratings

Risk area	Threat	Vulnerability	Risk
Money laundering	High	Medium	**Medium-High**
Terrorist financing (domestic, as a crime)	Low	Low	**Low**
Terrorist financing (overall, as a crime)	Medium-Low	Medium-Low	**Medium-Low**
Proliferation financing	Low	Low	**Low**

- Nepal's AML/CFT legal framework is now broadly sound and continues to be strengthened. The priority for the period ahead is implementation. Supervisory delivery, the outcomes of enforcement, and the use of financial intelligence to trigger action are the areas where the greatest gains are available. Commitment at senior levels has grown during the assessment period, and matching that commitment with resources will be important in both the public and the private sector.
- The enforcement chain is in place and functioning, from preventive measures and supervision through to financial intelligence, investigation, prosecution, adjudication, asset recovery and international cooperation. Individual cases show that the chain can deliver results. The task now is to make those results consistent.
- Enforcement agencies, regulators and other stakeholders have achieved notable results over the past two decades, including recent predicate offence and money laundering related investigation and prosecution of associated single case/s involving confiscation claims of more than one kharba nepali rupees and regulatory penalties imposed. The next step is to make such outcomes routine rather than exceptional.
- Asset recovery, and in particular the management of seized and confiscated property, offers the single largest opportunity for improvement.
- Retaining trained and experienced staff would strengthen results across the whole system, in both the public and the private sector.
- Financial inclusion has continued to expand, and the assessment found no such evidence that AML/CFT measures have excluded anyone from formal financial services. The limited reform needed concerns access to resources rather than the design of inclusion

itself. Periodic review will confirm that inclusion products continue to reach the people they are intended for and are not misused.

- The period since 2020 has changed the risk landscape and has also seen substantial reform. Cyber-enabled financial offences and the misuse of legal vehicles have grown into major ML/predicate offences. Money laundering investigation has been restructured along predicate-offence lines, with wider investigative powers extended to the responsible agencies. Hundi and virtual-asset dealings were criminalised in 2024. New regulatory authorities have been established, including the National Cooperative Regulatory Authority. New financial instruments and delivery channels now reach almost the entire population. Comprehensive targeted financial sanctions measures have been applied. Mutual legal assistance instruments with the People's Republic of China and the Republic of India entered into force in May and June 2026 respectively.

2.2 Nepal's ML/TF/PF Risk Environment

2.2.1 Threat Sector

The national money laundering threat is assessed as High. Terrorist financing is assessed as Medium-Low and proliferation financing as Low. The key findings are as follows.

- The most significant exposures lie in asset recovery, and in the use of legal vehicles to generate, move, conceal and mix the proceeds of offences, both within the financial and economic sectors and across borders.
- Business and personal financial activity often overlap. Identity documents are also, in some cases, forged or used by persons other than the holder. Both make reliable customer due diligence harder across every sector.
- Complaints, prosecutions, convictions and claimed values are all rising across the Office of the Attorney General, the Commission for the Investigation of Abuse of Authority, the Department of Money Laundering Investigation, Nepal Police and other law enforcement agencies. This reflects greater enforcement activity as well as growth in offending. The value involved is concentrated in a small number of very large cases rather than spread evenly across the caseload.
- Offending is shifting from frequent, low-value activity towards organised schemes conducted through legal persons. Recent amendments have gone a long way towards updating the legal framework for both domestic and foreign risks. The threat remains High because similar laundering techniques continue to be used across several serious predicate offences, and because work is still under way on beneficial ownership transparency, the misuse of legal persons, cross-border flows and trade-based value transfer.
- On asset recovery, the proceeds of offences are being identified and secured, and provisional measures, convictions and value-based confiscation orders are being obtained. Integrated management of that property, as assets and in a single database, is the step that would allow national performance to be demonstrated as a whole. In addition, Nepali law allows a confiscation order to be executed only once the judgment is final, so the pace of

confiscation reflects the appeal process as much as enforcement. Court workloads also affect the timing of recovery.

2.2.2 Offences

The table below groups the offences on the basis of proceeds, numbers and volume as follows:

Table 2: Threat Level by Offence

Threat level	Offences
High	Corruption and bribery (including policy-level corruption, loss of public property and disproportionate wealth); Tax, direct or indirect (under-invoicing and over-invoicing); Smuggling, including customs, excise and tax (customs fraud and trade-based money laundering); Money, banking, finance, foreign exchange, negotiable instruments, insurance or cooperatives (cooperative fraud); Fraud (cyber-enabled); Hundi; Virtual currency use; Firms, partnerships, companies or associations and organisations (Abuse of legal vehicles); Participation in organised criminal groups and racketeering (Organized financial crime).
Medium-High	Forgery (including use of forged documents and documents of other persons); Every form of human trafficking and smuggling; Human trafficking/Smuggling; Fraud in foreign employment; Market manipulation or insider trading in the securities or commodities market (including circular trading, cornering and misrepresentation); Money, banking, finance, foreign exchange, negotiable instruments, insurance or cooperatives (misuse of bank loans; insurance offences through abuse of legal persons - emerging); Smuggling, including customs, excise and tax (organised smuggling of gold and precious metals); Lottery, gambling or donations (online betting and gambling); Environment; Forests, national parks and wildlife conservation (including riverbed materials and medicinal herbs).
Medium	Illegal trafficking of narcotic drugs and psychotropic substances; Fraud (general); Money, banking, finance, foreign exchange, negotiable instruments, insurance or cooperatives (insurance in general); Counterfeiting of coins or currency; Criminal extortion; Undue transactions (meter byaj); Theft or robbery; Tax, direct or indirect (routine lower-value evasion); Lottery, gambling or donations (donation-related offences).
Medium-Low	Illegal trafficking in arms and ammunition; Black marketing, consumer protection, competition or supply; Production of counterfeit goods and piracy of products (copyright); Lottery, gambling or donations (physical gambling and lotteries); Kidnapping, illegal detention or restraint, or hostage-taking; Money, banking, finance, foreign exchange, negotiable instruments, insurance or cooperatives (dishonour of cheques); Terrorist financing (cross-border).
Low	All other offences.

- Banking is the common channel at the placement and layering stages, and nearly every case in every agency's portfolio passes through it. This is why the banking channel is rated Medium-High even though banking offences as a predicate offence are rated Medium. Cooperatives account for the largest concentration of value, and real estate is the most frequently used channel at the integration stage. Cooperative fraud reaches across more sectors than any other predicate offence, and is therefore the first priority for cross-sectoral mitigation.
- Digitalization has brought new exposures alongside its benefits: non-face-to-face onboarding, cyber-enabled fraud, mule accounts, identity fraud, rapid product innovation, and use of virtual asset service providers notwithstanding their prohibition. Supervisory technology to detect these is being developed.

- Trade and cross-border flows are exposed to revenue evasion and to trade-based money laundering through mis-invoicing, the use of personal accounts for business flows, the use of outward remittance to settle under-invoiced imports, and third-party or fraudulent documentation. Full operationalisation of the Trade Transparency Unit, and strengthened controls on cash and bearer negotiable instruments, would reduce this exposure.
- There is scope to convert more financial intelligence into investigation. Investigations are largely predicate-led at present, and applying the follow-the-money approach more consistently would strengthen results.
- Sanctions for money laundering are becoming more dissuasive, with recent verdicts showing an upward trend, with scope to make fuller use of the available range of custodial penalties.
- Three areas offer scope for further work: a threshold for money laundering prosecution based on aggravating and mitigating factors; operational indicators for linking predicate offences to the money laundering offence; and the capacity of investigators to trace the proceeds of offences.

2.3 Sectoral Vulnerabilities

- Regulators have issued AML/CFT directives, begun supervision, taken regulatory action and expanded the registration of reporting entities in the goAML system of the Financial Intelligence Unit. Nepal Bar Council, the Nepal Notary Public Council and the Department of Transport Management are remaining to issue AML/CFT directives to their Reporting Entities.
- Preventive measures are in place across reporting entities but remain general in nature and are not yet consistently risk-based, with the position varying from sector to sector. Customer due diligence relies heavily on information supplied by the customer, as digital access to national identity, basic and beneficial ownership, politically exposed person and adverse-information records is still being put in place. Providing that access would improve the quality of due diligence across every sector. Resources are available for capacity building and would have greater effect if directed on the basis of risk.
- Supervision is well established on compliance. The next step is strengthening risk-based supervision focused on effectiveness. Institutional risk profiling of reporting entities is being introduced, and once in place it will allow the frequency, scope and intensity of inspection to follow assessed risk. Off-site supervision is at an earlier stage in several sectors and currently relies on manual analysis. In real estate, trust and company service providers, vehicle dealers, lawyers and notaries, the first inspection cycle is under way or about to begin.
- Individual sectors have shown increasing commitment and action on AML/CFT compliance. Closer coordination among competent authorities, supervisors, law enforcement agencies and the Financial Intelligence Unit would allow that effort to go further.
- Suspicious transaction reporting is well established in the banking sector. Reporting from cooperatives, dealers in precious metals and stones, real estate, casinos and the

professional sectors is at an earlier stage, and their case records reflect the current level of detection rather than the level of risk. Reporting across all sectors would benefit from greater coverage of the misuse of legal persons, cross-border activity and network relationships.

- Supervisors have so far relied mainly on corrective measures and guidance. The use of proportionate and dissuasive sanctions is increasing, and applying them consistently would strengthen deterrence.

Table 3: Sectoral Risk Ratings

Sector	ML risk	TFS on TF risk	TFS on PF risk
Banking	Medium-High	Medium-Low (Medium for commercial banks)	Low (Medium-Low for commercial banks)
Cooperatives	Medium-High	Low	Low
Securities	Medium-High	Low	Low
Insurance	Medium	Low	Low
FinTech (PSPs and PSOs)	Medium-High	Medium-Low	Low
Remittance and hundi	Medium-High	Medium-Low	Low
Pension funds	Medium (large credit products)	Low	Low
DPMS	High	Low	Low
Real estate	High	Low	Low
Casinos	Medium-High	Medium-Low	Low
Lawyers	Medium	Low	Low
Notaries	Medium-Low	Low	Low
Accountants	Medium	Low	Low
TCSPs	Medium-Low	Low	Low
Vehicle dealers	Medium	Low	Low
Other sectors			
Legal persons	High	Low	Low
Legal arrangements	Low	Low	Low
Non-profit organisations - for TF	-	Medium-Low	Low
Non-profit organisations - for ML	Medium	-	-
Financial inclusion	Medium	Low	Low
Virtual assets and VASPs (prohibited)	High	-	Low

2.4 Terrorist Financing and Proliferation Financing

- The Government of Nepal does not provide political, diplomatic or financial support for international terrorism, and does not permit Nepal to be used as a safe haven for terrorists or terrorist groups. The Asia/Pacific Group on Money Laundering has rated Nepal Largely Compliant with Recommendation 5, concluding that terrorist financing risk is low, and the FATF has confirmed that the technical deficiencies relating to Recommendations 6 and 7 have been addressed.
- The level of domestic terrorist activity is low. Nepal’s open borders, informal economy, recently emerging social and religious sensitivities, and location between India and China nonetheless make cross-border activity a matter for continued attention, including for the

implementation of targeted financial sanctions. Reinsurance, the regulation of non-profit organisations and the potential misuse of cross-border trade were also considered in the assessment.

- The non-profit sector is rated Medium-Low for terrorist financing and Low for proliferation financing. The Ministry of Home Affairs is completing the digital database of non-profit organisations and is considering a review of the laws governing the sector.
- Wider use of the targeted financial sanctions portal, stronger domestic and cross-border intelligence gathering, risk-based supervision and targeted capacity building would further strengthen the regime, with particular attention to commercial banks and their supervision.

2.5 Common Themes

The following themes recur across the sectors assessed and would benefit from attention at national level.

- Continuity of trained staff, including in posts requiring specialised expertise.
- Translating growing senior-level ownership into resources and day-to-day action.
- Balancing organisational structures and resources between conventional responsibilities and AML/CFT functions.
- Wider availability of digital analytical tools capable of handling the volume of files and documents involved in financial investigations.
- Consolidated databases for beneficial owners, politically exposed persons, non-profit organisations, and seized, frozen and confiscated property, with appropriate digital access for competent authorities.
- Coordination of the substantial volume of training being delivered, so that it is structured, tailored, risk-based and accredited.
- Wider use of financial, regulatory and supervisory technology.
- Closer coordination among competent authorities, and stronger cross-border cooperation.
- Broader public–private platforms for exchanging risks, alerts, red flags and typologies.

2.4. Key National Level Recommendations

- Nepal's AML/CFT/CPF legal frameworks are generally adequate and have continued to be strengthened. Across all sectors assessed, the gap between legal framework quality and operational implementation was developing as the defining characteristic of Nepal's AML/CFT risk profile. Supervisory delivery, enforcement outcomes, and financial intelligence conversion are the primary failure points in every sector. Proceeds related asset recovery and management is the most consequential execution gap, despite largely sound confiscation laws. This crux has made Nepal entirely unable to take the benefit of the systems and to demonstrate the results of the initiatives at national level taken across broad sectors ranging from REs to regulators to FIU to enforcement to recovery.
- The meaningful legislative progress has resulted in compliant or largely compliant ratings across the substantial majority of the international standards. TF has been rated largely

compliant. FATF has stated that TFS technical deficiencies have been addressed. One feature that tempers this foundation is that regulatory and criminal sanctions are not consistently applied in a proportionate, dissuasive and effective manner in practice, though this is improving in recent time.

- The offending value is rising exponentially from a broad and intensifying predicate environment whose character is shifting from high-frequency, low-value offending toward systemic, organized, legal person based, cross-border schemes.
- ML threat emanates from two primary sources. Firstly, there are serious and continued levels of offences capable of generating significant levels of illicit proceeds. Secondly, there are structural weaknesses that impact Nepal's ability to detect, disrupt, and recover proceeds of crime whether emanating from domestic or international predicate offences. Recent amendments have gone far towards updating Nepal's legal framework to address domestic and foreign risks. However, the continuity of laundering techniques employed across several serious predicate offences, coupled with weaknesses surrounding beneficial ownership transparency, abuse of legal persons/entities, cross-border illicit money flows, trade-based value transfers, and financial opacity have resulted in the national money laundering threat being maintained at High. Increased use of financial intelligence, expansion of investigation on risk-based approach and integrated database for confiscation related provisional measures, management and recovery are key to the threat sectors.
- The supervisory authorities should promote a risk-based compliance culture across the sectors by encouraging institutions to adopt a systematic approach to integrate ML/TF/PF risk considerations into business, strategic decision-making, product development, customer acceptance, and internal control frameworks, beyond strengthening legal compliance. Supervisory work should increasingly focus on the effectiveness of AML/CFT system rather than solely on technical compliance, including due consideration for the application of timely, proportionate, and dissuasive administrative sanctions.
- Nepali authorities and officials are found to be equipped and overflowing with basic knowledge and skills but distorted by the frequent transfer system. The capacity to trace and identify the tainted properties is legally and operationally sound but the management of such properties is the complete failure. However, specialized, targeted and tailor-made training is lacking.
- Hence, the Government and competent authorities should emphasize translating legislative provisions into measurable operational outcomes. They should continue to demonstrate sustained action-oriented commitment towards strengthening the effectiveness of Nepal's AML/CFT/CPF regime through proper and adequate resource allocation, timely implementation of reforms, and enhanced inter-agency operational coordination with prioritization of AML/CFT/CPF objectives within national governance frameworks.
- In this context, the NRA and SRA findings demand a certain revisit of the existing AML/CFT National Strategies and Action Plans, Grey List Overcoming Action Plans, and sectoral and institutional action plans. However, the majority of strategies and action plans available in those instruments are still valid, important and workable for the current time. Hence, the NRA report first recommends completing those actions as soon as possible, not

only for the exit from the grey list but also for the preparation of the coming mutual evaluation and overall governance reforms.

- Since this is NRA report, the recommendations presented below are strategic national level recommendations to be followed, reviewed and directed at government level. Sectoral and institutional recommendations will be developed and implemented by the concerned agencies in detail by following the spirit of these recommendations.
- In this regard, the recommendations below focus primarily on national level operational and practical issues along with a few structural reforms. Sectoral and institutional recommendations will be developed and implemented by the agencies in line with the spirit of these recommendations.

2.4.1. Threat Sectors

Adopt intelligence-led money laundering investigation the follow-the-money approach to enhance asset tracking and identification.

- Increase the coverage of REs' reporting through goAML or other means to major risk sectors and risky REs.
- Upgrade FIU analytical capacities including strategic analysis to unearth underlying trends, patterns and networks including cross-border reach and emerging trends and typologies.
- Build secure fast-track communication channels allowing FIU and law enforcement quick, authorized access to property registries such as land, securities, vehicle, tax, trade, PEP, and basic/BO information, etc., including operational checklists to systematically identify corresponding values and indirect properties.
- Strengthen formal inter-agency coordination, establish real-time information-sharing mechanisms, and improve feedback loops on STR outcomes to raise reporting quality over time.

Institutionalize a risk-based ML investigation system including the basis of aggravating/mitigating factors.

- Develop and apply an at-a-glance indicators paper for the LEAs on how to link predicate offence investigations to ML investigations.
- Customize LEAs' information systems to flag the presence of ML elements to their headquarters and maintain an integrated agency database of the cases.
- Apply a case-by-case monitoring system to confirm whether a predicate offence investigation case has been screened for ML.
- Develop aggravating/mitigating indicators governing whether to pursue ML investigation or remain with the predicate investigation alone, based on the guidance of the central or centrally designated experts of the LEAs and OAG.
- Automate information-sharing with DMLI where a predicate investigation leads to ML investigation.
- Develop a review mechanism to follow how intelligence makes its way to enforcement and maintain its integrated records.

Make the DMPC-developed IT platform a national confiscation database and effectively manage the tainted properties and instrumentalities.

- Fulfill the HR and other resources for DMPC to make it fully functional within a month from the date of the approval of the action plans.
- Apply mandatory norms to populate the DMPC IT framework at the very time of seizing, freezing, claiming, confiscation and recovery for all offences.
- Develop a proposal and submit to the government a smart nationwide asset management system for tainted and confiscated properties and instrumentalities.
- Complete the rollout and retrospective population of DMPC's IT systems for at least the last financial year 2024/25.

Enhance the capacity of LEAs, prosecution, adjudication and asset recovery agencies with specialized skills and technology.

- Divert current resources allocated for overflowing general training to specialized, targeted and tailor-made training based on case studies, type, trend and pattern including emerging trends, forensic accounting, digital asset tracing, digital forensics, open-source intelligence, joint investigation, cross-border elements and international cooperation measures.
- Enhance LEAs' capacity to trail the flow of properties by equipping and enhancing the capacity of the digital forensic lab and digital forensic tools for investigation, prosecution and adjudication with digital equipment associated with modern data analysis systems that churn and draw the crux of information, intelligence, documents and evidence, particularly to map out the complex, sophisticated, cross-border economic and financial networks.
- Develop and implement an Integrated Cyber Scams Response Centre and an Online Financial Fraud E-Reporting System in Nepal Police to take operation over scams and funds.
- Adopt specialized blockchain analysis software to trace illicit flows through cryptocurrencies, virtual assets, decentralized finance and darknet networks etc.
- Consider prioritizing prosecutorial decisions and judicial trials by case value and offence complexity.
- Develop a checklist to identify cross-border elements and sustain and deepen inter-agency and international cooperation, building on demonstrated successes in joint investigation and cross-border recovery.
- Expand the coverage of investigation and prosecution to minimize the recurring court observation that case files reach trial on weak or insufficient evidence, with the consequence that there is a low prospect of conviction-based confiscation.

2.4.2. Vulnerability Sectors

Provide REs digital access to the government database.

- Provide REs digital access to NID, Basic and BO databases to qualify the CDD process for on-boarding and updating existing customers' information in an authentic risk-based approach and for removing the risks of dormant business relationships/customers and third-party abuse of business relationships/transactions, with priority to risky sectors.

- Develop a domestic PEP database and integrate the database with criminal, defaulter and adverse information databases on public private partnership and secure intelligence-sharing frameworks between REs, regulators and LEAs, including flagging emerging risks and typologies and adopting early mitigation measures.
- Complete the BO database by collecting information on the basis of risk.

Enhance supervisory initiatives backed up by independent audit and automation on the risk-based approach.

- Make comprehensive offsite supervision manuals by reviewing or drafting them and apply them to all major reporting entities.
- List/license the AML independent examiner as soon as possible to supplement the initiatives of the REs and regulators and to address the current legal gaps in audit.
- Adopt a supervisory approach that focuses on the availability, operationalization and effectiveness of the AML/CFT systems in the REs, timely update of institutional, sectoral and national risk assessment with its independent review, and materialization of the AML/CFT audit systems as provided in the ALPA to apply a risk-based approach and regular risk assessment.

Develop comprehensive mechanisms for ensuring financial inclusion together with the application of risk-based appropriate AML/CFT measures.

- Consider reviewing AML/CFT measures for low-risk sectors.
- Develop a comprehensive off-site mechanism for periodic review of the financial inclusion sector and their instruments to ensure financial inclusion products are not abused for ML/TF and that financial inclusion is not hampered, with NIA to particularly review the micro-insurance companies' products and services to check their micro insurance objectives.

Apply dissuasive, proportionate and effective sanctions in regulatory and criminal enforcement.

Issue or revisit the regulatory and supervisory instruments.

- Apply fit and proper test measures to the upcoming and existing persons of the REs based on risk, value and volume.
- Apply a risk-based threshold approach prohibiting business or unlimited business-like transactions through personal accounts (A/Cs).
- Issue a guidance note on the basis of recent developments in the vulnerability, threat and related sectors that can support the REs for timely updates.
- Develop supervisory instruments in checklist form to focus on risky sectors, products, services, customers, transactions, etc.
- Continue enhancing the coordinated approach of controlling Hundi/Crypto through the Coordination Committee.

Financial Inclusion

- AML/CFT regulators and supervisors to develop comprehensive off-site mechanisms for periodic review of their respective inclusion sectors to ensure financial inclusion products are not abused for ML/TF. At the same time, AML measures to ensure financial inclusion is not hampered.
- NIA should review the micro-insurance companies' products and services to check their micro insurance objectives.

2.4.3. TF and TFS Sectors

Enhance anti-terror, TF and TFS measures and maintain/sharpen the agencies' readiness that works like a war room against any intelligence and occurrence.

- Expand the intelligence coverage and its depth on the issues of terrorism, TF and TFS through national security policies and with the use of instruments and their advancements particularly available with FIU, NP, APF, NID, Nepal Army, NPO and banking sectors, etc., for both domestic and cross-border potential for radicalization, extremist, terror and TF activities.
- Expand the coverage of the TFS portal and include a TF/TFS chapter in the supervison report of the regulatory agencies and have an integrated national review and reporting mechanism at MoHA.
- Develop and apply the digital portal for NPOs and expand its capacity for off-site monitoring.

2.4.4. Legal, Policy and Institutions

- Develop BO identification, review and sanction procedures.
- Review criminal-procedural measures in line with the nature and modus operandi of financial crime, beyond the traditional one-off-crime approach.
- Develop norms and scope for the business carried out by the locally registered instruments/vehicles and consider applying a risk-based threshold approach.
- Consider adopting fast-track confiscation legal and institutional measures for tainted proceeds by adopting non-conviction-based confiscation or civil measures at first, in the spirit of the global norms and best practices, to lessen the overflow of financial frauds that require time-consuming criminal prosecution for confiscation, and on the basis of the high volume of the proceeds, complexity and gravity of the cases, and to deprive the criminal of the assets on time.
- Consider adopting non-conviction-based confiscation, penalty or civil legal measures for smaller financial crimes with low volume of the proceeds, less complexity and low gravity of the cases, in the spirit of the global norms and best practices, to lessen the overflow of financial frauds that require time-consuming and costly criminal prosecution even for the lower gravity criminal cases.

- Develop policy or legal measures to demarcate or differentiate the business, administrative, regulatory, civil or criminal liability of an action.
- Harmonize the confiscation laws to create possible uniformity among related statutes and in light of recent changes in the global AML/CFT normative measures.
- Review the one-law/one-offence/one-agency model with the objective of consolidating the current predicate-mapped LEAs into five to six agencies mandated for both predicate offences and ML investigation that suits the capacity of the country.
- Provide normative clarity to the business sectors on the coverage of the AML systems that it is business cum AML not business vs. AML, and to the public that property without evidence is the property relating to criminal conviction/confiscation.
- Conduct detailed research on the changing type and scope of the informal economy in the light of financial sector coverage and infrastructure.
- Consider legal and other measures relating to virtual assets and VASPs to bring them into government vigilance.
- Consider developing a permanent or at least committee mechanism of experts in Nepal Bar Council to review the outcomes of legal practices on AML/CFT and provide professional advice to discuss multiplying issues in the legal framework independently.
- Consider drafting laws on the business of precious metals and its business regulation/supervision.
- Consider reviewing cooperatives laws to make them uniform and centrally monitored for those that cross the limit of capital, savings, loan or other pre-determined risk factors.
- Clarify the CIAA's competence for the investigation of the issues of policy corruption.
- Conduct a comprehensive review of the exact situation of corruption/bribery to identify whether it is a misguidance, reality, mixed phenomenon or an overstated matter with high or unreal or extra-legal expectation.

2.4.5. Cross-Cutting National Enablers

- Review resource reallocation of all major AML/CFT agencies and REs by considering the balance between the conventional and AML/CFT functions based on potential risk and outcomes.
- Develop a pool of AML/CFT experts at the center of each agency and maintain their stability with national policy for a long run to coordinate and professionally support the subordinating units from REs to regulators to LEAs to prosecution, etc.
- Adopt structured, accredited, specialized, portfolio-based professional development programs in private sectors, except for internal purposes, including emerging trends and typologies.
- Considering the scope and needs of AML/CFT IT systems for thousands of REs, cost, forex, and use of the IT skills of Nepali experts, the MOF and the regulators should promote, encourage and prioritize the development of Nepali experts on AML/CFT

systems to carry out works in Nepal's legal, institutional, business and operational context, except in exceptional cases.

- Develop a standby public–private professional partnership between public sectors, REs and AML professionals for awareness, operations and joint works including development of red flags and typologies, conduct research and strengthen the regime in entirety.
- Operationalize the Trade Transparency Unit to review cross-border business and financial activities.
- Continue and make faster implementation of the existing NSAP and Grey List Action Plans in a timely manner.
- Address the issues of irregularities (beruju) on government expenditure in a fast-track manner to avoid public perception and level of exact corruption.
- The Government and competent authorities should continue to demonstrate sustained commitment towards strengthening the effectiveness of Nepal's AML/CFT/CPF regime through adequate resource allocation, timely implementation of reforms, enhanced inter-agency coordination, and prioritization of AML/CFT/CPF objectives within national governance frameworks. Emphasis should be placed on translating legislative provisions into measurable operational outcomes. For this, continued high-level functional ownership targeted to effectiveness through regular mandatory reviews of institutionalization, regularization and operationalization of the AML/CFT works is key, in both public and private sectors.

2.4.6. Implementation Framework

- The agencies, institutions and mechanisms available in prevailing laws and NSAP will execute the findings and recommendations of NRAs and SRAs by developing agency wise action plans in line with the national action plans.
