

# GOVERNANCE

Issue 87 | Sep 15, 2023

## Nepal's Anti-Money Laundering and Counter-Terrorist Financing Challenges

WEEKLY

Photo by My Republica

Nepal's recent Mutual Evaluation Report (MER) on Anti-Money Laundering (AML) and Counter-Terrorist Financing (CFT) efforts, released by the Asia/Pacific Group on Money Laundering (APG), has raised significant concerns about the country's ability to combat financial crimes effectively.

The comprehensive report highlights several key issues that Nepal needs to address urgently. One of the most pressing concerns is the varying understanding of money laundering and the limited comprehension of terrorist financing risks among competent authorities and the private sector. These knowledge gaps could potentially hamper the country's efforts to mitigate financial crime risks effectively. While Nepal's Financial Intelligence Unit (FIU) within the Nepal Rastra Bank (NRB) is actively working to bolster its AML functions with the aid of anti-money laundering software, doubts linger about the quality of Suspicious Transaction Reports (STRs) submitted by financial institutions (FIs). Furthermore, the report points out that Designated Non-financial Businesses and Professions (DNFBPs) are not consistently reporting suspicious activities, which weakens Nepal's ability to detect and prevent money laundering.

The report also underscores that, despite some progress in investigating money laundering cases, the referrals to the Department of Money Laundering Investigation (DMLI) do not consistently align with Nepal's risk profile. Notably, a majority of convictions in money laundering cases are related to self-laundering in banking offenses, while other high-risk predicate crimes receive less attention. Nepal has made efforts in conducting its National Risk Assessment (NRA) and has established a National Coordination Committee (NCC). However, the report emphasizes that greater commitment, increased resources, prioritization, and cooperation are needed at higher levels to effectively combat money laundering and terrorist financing. The challenges extend to asset confiscation, extradition of suspected criminals, the attractiveness of the real estate sector for illegal income, and the mobilization of corruption proceeds. Institutional fragmentation and a perception of the FIU as ineffective contribute to inefficiencies in AML/CFT efforts, according to the report.

Nepal's struggle to comply with international AML/CTF norms and standards is not only a matter of national responsibility but also requires greater commitment from both the government and political leadership. Failure to address the identified challenges not only jeopardizes the country's financial integrity but also risks continued gray listing, with associated economic consequences. As Nepal faces these significant challenges, stakeholders across the nation are urged to unite and take concerted actions to strengthen the country's defenses against money laundering and terrorist financing activities.

Read more: [My Republica](#)

### Governance Issues of the Week

1. The Department of National Identification and Registration confirms discrepancies, triggering investigations and concerns over electronic fund transfers (EFT) misuse. The government plans to implement EFT across all local bodies this fiscal year to enhance scrutiny and prevent abuse, including addressing issues involving 2,800 individuals receiving multiple state benefits.

Read more: [Naya Patrika](#)

2. The government has introduced a revised [School Education Bill](#) in the House of Representatives, reversing the previous provisions that mandated the conversion of existing private schools into trusts. The bill also imposes stricter regulations on new entrants, requiring them to register as trusts, potentially affecting competition in the private education sector. Education experts have criticized the bill for failing to establish minimum criteria for schools & reintroducing district-level Education Offices.

Read more: [The Kathmandu Post](#)

3. A violent incident pointed towards two doctors at Sancho Hospital in Hetauda Sub-Metropolitan City-2 has surfaced on social media, prompting serious concerns about the safety of medical professionals. The dispute arose following the treatment of a 42-year-old patient, Rajesh Pradhan, who had passed away at Chitwan Medical College a month after being treated at Sancho Hospital.

Read more: [Seto-pati](#)

4. According to the Nepal Demographic and Health Survey 2022, despite a 7% decrease in anemia rates among Nepalese women aged 14 to 49 since 2016, the condition still affects 34% of this demographic. The persistence of anemia is attributed to factors like inadequate nutrition and insufficient balanced diets, posing challenges to government reduction goals by 2030.

Read more: [My Republica](#)

5. Recent clashes and violence in Bhaktapur and Birgunj children's correctional homes, occurring 23 days apart, have brought Nepal's children's correctional facilities under scrutiny. With homes catering to children three times more than they can accommodate, these facilities are increasingly seen as breeding grounds for criminal behavior, exploitation, and violations of children's rights.

Read more: [EKantipur](#)

6. In the annual report presented by CIAA, a significant percentage of local officials, especially in education-related matters, are involved in corrupt practices. Approximately 47% of local officials have questionable ties. The report also highlights issues ranging from budget misallocation to irregularities in land registration and tax assessments, pointing to the need for urgent reforms in local governance.

Read more: [Online Khabar](#)

Nepal Governance Weekly is an analytical update of Nepal's current affairs based on media and real sources mining, to sensitize the communities on hot news on various governance issues from the perspective of accountability.

Presented by



Copyright © 2021 Accountability Lab Nepal, All rights reserved.

Our return e-mailing address is:  
nepal@accountabilitylab.org