

Conference Proceeding Report on

Anti-Money Laundering Annual Conference 2025

Strengthening AML/CFT Enforcement Amid Increased Monitoring (Grey Listing) Challenges

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Abbreviations

AML:	Anti-Money Laundering
APG:	Asia Pacific Group
BO:	Beneficial Ownership
CFT:	Combating the Financing of Terrorism
CTR:	Customer Transaction Report (CTR)
DNFBPs:	Designated Non-Financial Businesses and Professions
ECTS:	Electronic Cargo Tracking System
FATF:	Financial Action Task Force
FIU:	Financial Intelligence Unit
KYC:	Know Your Customer
ML:	Money Laundering
NECAS:	Nepal Customs Automation System
NID:	National Identity Document
NRB:	Nepal Rastra Bank
PEPs:	Politically Exposed Persons
PF:	Proliferation Financing
SAR:	Suspicious Activity Report
SEBON:	Securities Board of Nepal
STR:	Suspicious Transaction Reporting
TBML:	Trade-Based Money Laundering
TF:	Terrorist Financing
TFS:	Targeted Financial Sanctions

Executive Summary

This conference aimed to strengthen Nepal's AML/CFT enforcement amid increased monitoring and grey listing challenges. A key objective was to gain insights from Mongolia's experience in delisting from the FATF grey list, providing valuable lessons for Nepal's regulatory and institutional reforms.

Speakers highlighted Nepal's vulnerabilities, including technical compliance gaps, weaknesses in customer due diligence, suspicious transaction reporting, and supervision of Designated Non-Financial Businesses and Professions. Challenges in trade-based money laundering, insurance, and capital markets were discussed, emphasizing the need for enhanced governance, risk culture, and inter-agency coordination. Reporting entities such as banks, insurers, and real estate agents were identified as the first line of defense in detecting and preventing financial crimes. Moreover, Panel discussions reinforced the importance of a coordinated, technology-driven, and risk-based approach, along with improved legal and supervisory frameworks. Key recommendations included capacity building, risk-based supervision, stricter enforcement, adoption of AML/CFT technology, and strengthened collaboration between regulators, financial institutions, and international partners.

The conference concluded that sustained commitment, policy implementation, and international cooperation are critical for Nepal to enhance financial integrity, address emerging AML/CFT threats, and achieve compliance with FATF standards.

Keywords: *AML/CFT, FATF, Financial Integrity, Grey Listing, Mongolia, Risk-Based Approach*

1. Introduction

The “**Anti Money Laundering Annual Conference 2025**” was held on **20th November 2025**, bringing together key stakeholders from the Ministry of Finance, Nepal Rastra Bank (NRB), Nepal Insurance Authority, Security Board of Nepal, Financial Intelligence Unit (FIU) Nepal as well as Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) experts, including a distinguished guest from Mongolia. The conference, themed “**Strengthening AML/CFT Enforcement amid Increased Monitoring (Greylisting) Challenges**”, provided a platform for comprehensive discussions on Nepal’s AML/CFT landscape, sectoral vulnerabilities, and strategies to enhance compliance and supervision.

A key objective of the conference was to gain insights from Mongolia’s experience in successfully delisting from the Financial Action Task Force (FATF) grey list, enabling Nepal to strengthen its AML/CFT enforcement amid increased monitoring challenges.

The conference objectives also included:

- Enhancing participants’ understanding of AML/CFT obligations and risk-based approaches.
- Highlighting government and regulatory reforms aimed at addressing Money Laundering (ML), Terrorist Financing (TF), and Proliferation Financing (PF) risks.
- Encouraging collaboration between industry and regulators to improve detection, prevention, and supervision mechanisms.
- Sharing institutional practices, implementation challenges, and policy innovations across the financial and insurance sectors.

The presentations and discussions collectively underscored the critical need for a coordinated, technology-driven, and risk-informed approach to strengthening Nepal’s financial integrity and resilience in the face of emerging AML/CFT challenges.

2. Speaker’s Insights

2.1 Dr. Hari Kumar Nepal

AML Cell, Ministry of Finance, Government of Nepal

Setting the Tone: The Whys and Wherefores behind Nepal’s Increased Monitoring (Grey List) – Cause, Consequences & the Way Forward



Dr. Hari Kumar Nepal provided an overview of Nepal’s current position in the FATF process, explaining the findings of the 2021–23 Mutual Evaluation and the risks that led to the country’s placement under increased monitoring. He highlighted weaknesses across technical compliance and effectiveness, particularly in areas such as customer due diligence, Suspicious Transaction Reporting (STR), targeted financial sanctions, supervision of Designated Non-Financial Businesses and Professions (DNFBPs), and Beneficial Ownership (BO) transparency. Dr. Nepal explained how Nepal falls into the “enhanced monitoring” category due to multiple partially compliant ratings and low effectiveness across several

immediate outcomes. He also discussed ongoing legal and institutional reforms, including amendments to AML rules, National Identity Document (NID) access provisions, and broader updates to over 60 laws to strengthen the frameworks for freezing, seizing, and confiscating assets. Emphasizing a whole-of-government approach, he outlined the roles of more than 150 laws, multiple coordination bodies, and over 85,000 reporting entities. Dr. Nepal concluded that Nepal must strengthen preventive measures, supervision, enforcement, and implementation of existing strategies and the grey-list action plan to regain compliance and exit monitoring.

“The way forward is stronger supervision, stricter enforcement, and full execution of the grey-list action plan.”

2.2 Mr. Ganmet Davaakhuu, Director

Policy, Cooperation and Implementation Division, FIU, Bank of Mongolia

Turning the Tide - From Increased Monitoring (Grey List) to Delisting – Global Impacts; Success Story & Lessons on Strategic Compliance from Mongolia



Mr. Davaakhuu highlighted Mongolia’s rapid and strategic progress in strengthening its AML/CFT framework, moving from the FATF Grey List in October 2019 to being delisted within a year. Mongolia faced significant risks during grey listing, including reduced correspondent banking relationships, higher transaction costs, and complexity in USD transactions.

However, the country responded with strong political commitment and early preparation. The government implemented urgent legislative reforms, strengthened supervision of DNFBPs,

increased resources for law enforcement, and enhanced coordination through a high-level task force. A series of coordinated actions followed, including revision of key AML/CFT Laws, the establishment of the National Counter Terrorism Council, expansion of supervisory capacity, and development of risk-based supervision tools. Mongolia also focused on demonstrating effectiveness, not only technical compliance, through risk-based supervision, targeted financial investigations, and improved reporting mechanisms. Mongolia successfully addressed all six FATF action items through collaboration among government agencies, private institutions, and international partners. With support from international partners and multiple reviews by Asia Pacific Group (APG) and FATF, Mongolia not only met all action plan requirements but also hosted an on-site assessment in 2020, presenting its progress in combating money laundering and terrorist financing. The FATF acknowledged Mongolia's reforms and removed it from the grey list in October 2020. Mr. Davaakhuu emphasized that grey listing is not just a compliance challenge but an opportunity to strengthen the national AML/CFT architecture and enhance global financial credibility. He concluded that grey listing is only a phase in a country's AML journey, and continuous improvement is essential to keep pace with evolving FATF standards.

"Grey listing is only one phase in a country's AML journey; The real challenge is sustaining progress."

2.3 Mr. Nirmal Dhakal

Deputy Director General, Department of Money Laundering Investigation (DMLI)

Expectations of Law Enforcement Agency from the Reporting Entities - With Concentration on Bank & Financial Institutions; Insurance; Real Estate Agents; New Technologies; Casinos; Foreign Companies etc.



Mr. Nirmal Dhakal emphasized the pivotal role of reporting entities, especially banks, insurers, real estate agents, casinos, and businesses using new technologies in strengthening Nepal's AML/CFT regime. He explained how reporting entities act as the first line of defense by detecting suspicious activities, conducting proper Know Your Customer (KYC), and submitting timely reports that form the basis for financial intelligence and criminal investigation. Highlighting Nepal's vulnerabilities, such as corruption, tax evasion, hundi, and banking offences, he stressed that gaps in customer identification, BO verification, and account-opening documentation continue to weaken the system. He provided a detailed overview of legal obligations, including risk assessments, enhanced due diligence for high-risk customers and Politically Exposed Persons (PEPs), confidentiality rules, ongoing monitoring, STR and Customer

Transaction Report (CTR) reporting timelines, and annual AML compliance audits. He noted frequent deficiencies such as non-functional KYC, poor justification for suspicion, and weak determination of BO. Mr. Dhakal closed by underscoring that effective AML/CFT requires high-level commitment, adequate resources, prioritization at the operational level, and stronger cooperation among all stakeholders.

“Compliance is not just drafting rules - it is about enforcing them consistently.”

2.4 Mr. Pradip Baniya

Assistant Director, Money Laundering Prevention & Supervision Division (MLPSD)

Trade Based Money Laundering – Highlighting Practices of Financial Institutions & Customs



Mr. Pradip Baniya highlighted that trade-based money laundering poses one of the most complex and least-detected ML threats globally, with only 1–3% of illicit flows intercepted. Citing global estimates, he explained how mis-invoicing, shell structures, hidden BO, and weak oversight contribute to an annual Trade-Based Money Laundering (TBML) value reaching up to US\$2 trillion. He emphasized that Nepalese financial institutions must strengthen governance, internal controls, and risk culture through stricter KYC, BO verification, sanctions screening, and continuous transaction monitoring. Mr. Baniya outlined practical TBML controls used by banks, such as vessel and port due diligence, price-checking mechanisms, counterparty verification, business credibility checks, and enhanced supervision of trade documents. He stressed the importance of inter-agency cooperation with customs, regulators, and law enforcement to detect irregularities, freeze assets, and share intelligence. He also discussed customs-side practices like the use of Nepal Customs Automation System (NECAS), Electronic Cargo Tracking System (ECTS), container inspections, declaration monitoring, and detection of cash couriers. Despite progress, he underlined persistent gaps such as regulatory arbitrage, limited information sharing, secrecy laws, weak prosecution, and the challenge that “banks deal with documents, not goods,” which continues to hinder effective TBML control.

“Without access to government data systems and timely suspicious transaction and activity information from customs, our efforts remain incomplete.”

2.5 Mr. Hreedayaswor Pandit

Deputy Director, Regulation Department, Nepal Insurance Authority (NIA)

Initiative of Regulator to Prevent ML/TF/PF in Insurance Industry



Mr. Hreedayaswor Pandit highlighted that Nepal's insurance sector, now managing premiums of NRs. 227 billion and large investment portfolios is increasingly exposed to ML/TF/PF risks, especially through endowment and single-premium life insurance products. He noted that the sector's overall ML vulnerability is assessed as medium, but the effectiveness of AML controls remains medium-low.

Key weaknesses include cash-based transactions, reliance on intermediaries, weak BO verification, poor record keeping, limited STR/Suspicious Activity Report (SAR) reporting, and early-stage risk-based supervision. To address these gaps, the Nepal Insurance Authority has introduced revised AML/CFT directives, Targeted Financial Sanctions (TFS) guidelines, institutional risk assessment reviews, AML-specific inspections, capacity-building programs, and has initiated the establishment of an Insurance Information Centre. He emphasized the need for insurers to strengthen due diligence, implement risk-based processes, enhance staff capacity, and adopt AML/CFT software to reduce vulnerability.

"AML controls in the insurance sector remain at a medium-low level."

2.6 Ms. Ritambhara Basnet

Director, Securities Board of Nepal (SEBON)

Initiatives for Effective Supervision and Sanction: Capital Market Perspective



Ms. Ritambhara Basnet explained SEBON's ongoing efforts to strengthen AML/CFT supervision across Nepal's rapidly expanding capital market, which includes stock exchanges, brokers, merchant bankers, mutual fund managers, and other intermediaries. She highlighted key supervisory challenges like limited technological capacity, inconsistent customer identification, lack of risk-based monitoring, and insufficient detection of suspicious activity. APG has also noted gaps in human resources, BO

verification, TFS monitoring, and coordination. To address these issues, SEBON has been updating its legal and supervisory framework, shifting towards risk-based supervision, standardizing reporting formats, enhancing inter-regulatory coordination, and intensifying investigations into market manipulation and insider trading. She emphasized that sanctions are tools for ensuring compliance, not punitive desires, and presented recent enforcement actions taken against brokers, rating agencies, merchant bankers, and listed companies. Finally, she underscored SEBON's expectations for strong compliance culture, ongoing monitoring of trading activities, improved reporting of suspicious transactions, and greater investment in technology, internal controls, and capacity building.

"Being together, we can; divided we fall."

3. Panel Discussion

The panel discussion, moderated by banking expert **Mr. Bhuvan Kumar Dahal**, was centered on the theme *"Risk Assessment and Risk-Based Approach - Zooming in on Initiatives of the Government of Nepal."* The discussion focused on Nepal's progress in strengthening AML/CFT frameworks, improving national risk assessment strategies, and aligning with international benchmarks. The panelists emphasized the importance of institutional coordination, prioritization of high-risk sectors, and the need for a more structured and data-driven risk-based approach to address emerging threats in the financial system.



Panelists:

1. Ms. Arya Joshi, Director, Money Laundering Prevention Supervision Division, NRB
2. Mr. Bashu Dev Bhattarai, Director, FIU, NRB

3. Mr. Ganmet Davaakhuu, Director, Policy, Cooperation and Implementation Division, FIU, Bank of Mongolia.
4. Mr. Ram Kumar Tiwari, Managing Director & Chief Executive Officer, Nepal SBI Bank Ltd.

Ms. Arya Joshi:

- Emphasized the importance of building strong compliance culture in financial institutions.
- Highlighted the increasing role of technology in preventing financial crimes and improving monitoring.
- Pointed out the need for enhanced collaboration between regulators and banks.

Mr. Bashu Dev Bhattarai:

- Discussed the regulatory challenges and gaps that still exist in the AML/CFT framework.
- Stressed on capacity building and consistent enforcement of guidelines.
- Called for a unified reporting and supervision approach.

Mr. Ganmet Davaakhuu:

- Shared regional and international perspectives on AML practices.
- Highlighted the importance of cross-border information exchange.
- Emphasized the role of innovation and learning from global best practices.

Mr. Ram Kumar Tiwari:

- Explained the challenges faced by banks at the operational level.
- Focused on a risk-based approach and the need for stronger customer due diligence.
- Stressed on improving coordination between banks, FIUs, and regulatory bodies.

4. Way Forward

The conference concluded that Nepal's AML/CFT system must move toward a more coordinated, technology-enabled, and risk-based framework. Strengthening the national risk assessment process, improving legal and supervisory mechanisms, and ensuring better coordination among the Ministry of Finance, NRB, FIU-Nepal, and the private sector were identified as priority areas. Capacity building and technology adoption remain essential to address cross-border risks, emerging typologies, and compliance gaps. A collaborative approach, supported by stronger policy implementation, information sharing, and international cooperation, will be crucial in building a more resilient and effective AML/CFT environment in Nepal.

5. Annexure

Photo Gallery



