



2nd Follow-Up Report

# Mutual Evaluation of Nepal

June 2025





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Asia/Pacific Group  
on Money Laundering

NEPAL JUNE 2025 FUR

# NEPAL

## *2<sup>ND</sup> ENHANCED (EXPEDITED) FOLLOW-UP REPORT 2025*

### I. PURPOSE

1. In accordance with the APG Global Fourth Round Transitional Follow-Up Procedures, this report presents the APG review team's analysis of Nepal's second follow-up report (FUR).

#### **Key findings**

- Nepal has requested re-ratings of eight Recommendations and made some progress in addressing the technical compliance deficiencies identified in its 2023 Mutual Evaluation Report (MER). However, this progress remains insufficient to warrant re-ratings of the Recommendations under review, including R.6, R.7, R.24, R.25, R.26, R.28, R.34, and R.40.

#### **Recommendations for members**

It is recommended that:

- Nepal report as part of the APG's follow-up process in accordance with the APG Global Fourth Round Transitional Follow-Up Procedures

### II. INTRODUCTION

2. The mutual evaluation report (MER) of Nepal was adopted in September 2023.
3. This FUR analyses the progress of Nepal in addressing the technical compliance requirements of the recommendations being re-rated.
4. This report does not analyse any progress Nepal has made to improve its effectiveness.
5. The assessment of Nepal's request for technical compliance re-ratings and the preparation of this report was undertaken by the following experts:

- *Minerva A. Sobreviga-Retanal, The National Bureau of Investigation, the Philippines*
- *Robert Milnes, Department of Internal Affairs, New Zealand*
- *Jeff Napp, Financial Markets Authority, New Zealand*
- *Ran Sun, AML Division of the Peoples Bank of China Beijing Branch, China*
- *Katie Andrews, the Australian Federal Police, Australia*

6. The preparation of the report was supported by Sylvia Deutsch, Alex Neville and Caroline Bicheno of the APG Secretariat, with additional support from other Secretariat members.

7. Section IV of this report summarises the progress made to improve technical compliance. Section V contains the conclusion and a table illustrating Nepal’s current technical compliance ratings.

### III. FINDINGS OF THE MUTUAL EVALUATION REPORT

8. Nepal’s current ratings <sup>1</sup> are as follows:

| IO.1 | IO.2 | IO.3 | IO.4 | IO.5 | IO.6 | IO.7 | IO.8 | IO.9 | IO.10 | IO.11 |
|------|------|------|------|------|------|------|------|------|-------|-------|
| Mod  | Mod  | Low  | Low  | Low  | Mod  | Mod  | Low  | Low  | Low   | Low   |

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<sup>1</sup> There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). Effectiveness ratings for the 11 Immediate Outcomes are: Low, Moderate (Mod), Substantial or High.

| <b>R.</b> | <b>Rating</b>                  | <b>R.</b> | <b>Rating</b>                  |
|-----------|--------------------------------|-----------|--------------------------------|
| 1         | PC (2023 MER, 2024 FUR)        | 21        | C (2023 MER)                   |
| 2         | PC (2023 MER), ↑ LC (2024 FUR) | 22        | PC (2023 MER), ↑ LC (2024 FUR) |
| 3         | LC (2023 MER)                  | 23        | PC (2023 MER), ↑ LC (2024 FUR) |
| 4         | LC (2023 MER)                  | 24        | PC (2023 MER, 2024 FUR)        |
| 5         | LC (2023 MER)                  | 25        | PC (2023 MER, 2024 FUR)        |
| 6         | PC (2023 MER, 2024 FUR)        | 26        | PC (2023 MER, 2024 FUR)        |
| 7         | NC (2023 MER), ↑ PC (2024 FUR) | 27        | C (2023 MER)                   |
| 8         | NC (2023 MER, 2024 FUR)        | 28        | PC (2023 MER, 2024 FUR)        |
| 9         | LC (2023 MER)                  | 29        | C (2023 MER)                   |
| 10        | PC (2023 MER), ↑ LC (2024 FUR) | 30        | LC (2023 MER)                  |
| 11        | C (2023 MER)                   | 31        | PC (2023 MER), ↑ LC (2024 FUR) |
| 12        | LC (2023 MER)                  | 32        | LC (2023 MER)                  |
| 13        | LC (2023 MER)                  | 33        | LC (2023 MER)                  |
| 14        | LC (2023 MER)                  | 34        | PC (2023 MER, 2024 FUR)        |
| 15        | NC (2023 MER), ↑ PC (2024 FUR) | 35        | LC (2023 MER)                  |
| 16        | LC (2023 MER)                  | 36        | LC (2023 MER)                  |
| 17        | LC (2023 MER)                  | 37        | LC (2023 MER)                  |
| 18        | LC (2023 MER)                  | 38        | PC (2023 MER), ↑ LC (2024 FUR) |
| 19        | PC (2023 MER), ↑ LC (2024 FUR) | 39        | PC (2023 MER)                  |
| 20        | C (2023 MER)                   | 40        | PC (2023 MER)                  |

9. Given these results and the effectiveness ratings, Nepal is on enhanced (expedited) follow-up.<sup>2</sup>

#### **IV. PROGRESS TO IMPROVE TECHNICAL COMPLIANCE**

10. In keeping with the APG ME Procedures, this FUR considers progress made up until 1 June 2025 and considers progress to address the deficiencies identified in the MER and the entirety (all criteria) of each Recommendation under review. This report does not address the progress Nepal has made to improve its effectiveness.

11. This section summarises the progress made by Nepal to improve its technical compliance by implementing requirements in place at the time of the MER.

##### **Progress to address technical compliance deficiencies identified in the MER/FUR.**

12. Nepal requested re-ratings of R.6, R.7, R.24, R.25, R.26, R.28, R.34 and R.40 (which were rated PC since its 2024 FUR).

13. The APG acknowledges the steps undertaken by Nepal to enhance its technical compliance with R.6, R.7, R.24, R.25, R.26, R.28, R.34 and R.40. However, the review team has concluded that, while these developments are noted, the progress achieved by the reporting deadline of 1 June 2025 remains insufficient to warrant re-ratings for these Recommendations.

##### ***Recommendation 6 [R.6] (Originally rated partially compliant)***

14. Nepal was rated PC for R.1 in its 2023 MER. In its 2024 FUR, it was noted that amendments made to the Money Laundering Prevention Act (ALPA) did not affect the legal framework or procedures for implementing targeted financial sanctions (TFS) pursuant to United Nations Security Council Resolutions (UNSCRs) 1267, 1988, and 1373. The deficiencies identified in the MER—particularly concerning the timely issuance of freezing orders—had not been addressed. The moderate shortcomings identified in the 2024 FUR include the absence of a clear legal prohibition on making funds or assets available to designated persons or entities (criterion 6.5(c)), insufficient mechanisms to communicate designations and provide guidance to relevant entities (c.6.5(d)), the lack of a requirement to report attempted transactions involving designated persons (c.6.5(e)), inadequate protection for bona fide third parties acting in good faith (c.6.5(f)), and gaps in the framework for identifying and designating targets, delisting, unfreezing, and ensuring access to frozen funds where appropriate.

15. Since its 2024 FUR, Nepal has taken steps to improve its legislative and regulatory framework through the issuance of the 2024 Anti-Money Laundering Rules (ALPR) on 31 October 2024 and the amendment of the Implementing Procedures on Targeted Financial

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<sup>2</sup> There are three categories of follow-up based on mutual evaluation reports: regular, enhanced and enhanced (expedited). For further information see the APG Global Fourth Round Transitional Follow-Up Procedures.

Sanctions (IP-TFS) in May 2025. These instruments aim to address gaps identified in the previous assessment and enhance the implementation of the ALPA.

16. The legal authority for issuing the IP-TFS is established through the amended Good Governance (Management and Operation) Act 2008, which allows ministries to issue binding procedures unless otherwise specified by law. Additional authority is provided under Sections 44G and 47 of the ALPA, empowering the Government of Nepal to issue standards and guidelines in line with international obligations to prevent financial crimes, including terrorist financing (TF). Rule 99 of the 2024 ALPR further supports this framework by authorising competent authorities—such as regulatory, investigative, and prosecutorial bodies—to adopt internal procedures and directives to ensure effective implementation of the ALPA and its regulations. Institutional roles and responsibilities are further clarified under the amended Government of Nepal (Division of Work) Regulation 2008.

17. Non-compliance with obligations under the 2025 IP-TFS is punishable under Sections 29K, 7V, and 30 of the ALPA. Section 29K of the ALPA enables regulatory bodies to impose sanctions on reporting entities (REs) that violate obligations under Section 29G, as per the enforcement powers provided under Section 7V. Section 7V of the ALPA empowers competent authorities to take a range of administrative actions against REs for breaches of the ALPA or related instruments issued under Section 7U, which sets out the functions and powers of regulators. Section 30 of the ALPA provides for criminal penalties in cases involving money laundering (ML) and TF.

18. Recent legal and regulatory reforms to the ALPR and the IP-TFS have clarified some of the previous concerns identified in the 2024 FUR, particularly regarding the delegation of authority in issuing procedures and the alignment between the IP-TFS and the national legal framework. The ALPA and 2024 ALPR remain the primary legal instruments governing the implementation of TFS related to TF in Nepal.

19. **Criterion 6.1** is *met*. No deficiencies were identified in the 2024 FUR; the analysis is current.

20. **Criterion 6.2** is *met*. Nepal was assessed as meeting criteria 6.2(a)–(d) in its 2024 FUR. However, a minor deficiency was noted under criterion 6.2(e), as Nepal had not demonstrated that it had clear procedures to ensure the provision of sufficient identifying and supporting information when submitting designation requests to foreign jurisdictions under its domestic freezing mechanism.

21. Rule 63(8) of the 2024 ALPR and Chapter 3 of the 2025 IP-TFS now require the Ministry of Home Affairs (MoHA) to include all available identifying and supporting information—such as names, addresses, and justification—when making outbound requests, and to coordinate with the Ministry of Foreign Affairs for their transmission (Rule 63(4) of the 2024 ALPR). Chapter III of the 2025 IP-TFS outlines detailed mechanisms for handling both outbound and inbound TFS requests. When sending a request abroad, Nepal must include detailed identifying and evidentiary information. When receiving a request, MoHA reviews it under Rule 63(4) of the 2024 ALPR, assessing its legal compatibility with the requesting

country, the presence of the named person or assets in Nepal, and compliance with domestic laws.

22. **Criterion 6.3** is *partly met*.

23. *c.6.3(a) – mostly met.* Section 29F (2) of the 2024 ALPA and Rule 63(2)(a) of the 2024 ALPR provide the legal basis for the Ministry of Home Affairs (MoHA) to conduct inquiries—either on its own initiative or upon request by a foreign jurisdiction—into individuals, groups, or organisations based on reasonable grounds or suspicion. The 2025 IP-TFS further clarifies the identification process. Chapter 3 of the 2025 IP-TFS establishes mechanisms for proactively collecting or soliciting information to support designations. District security committees are mandated to refer cases involving terrorism or terrorist financing to MoHA with supporting documentation. Rule 63(1) of the 2024 ALPR also requires any agency, institution, or person with relevant information to report to MoHA, including referrals from investigative bodies, the FIU, or financial institutions (FIs). MoHA may receive intelligence through both formal and informal channels and is responsible for assessing proposed designations against domestic law and UNSCR 1373 requirements.

24. The 2025 IP-TFS designates MoHA and the Counter-Terrorism Mechanism–Technical Committee as the competent authorities for devising procedures or mechanisms to collect or solicit information in order to identify persons, groups, or entities that, based on reasonable ground or a reasonable basis to suspect or believe, meet the criteria for designation. However, the review team has not been provided with evidence that such procedures or mechanisms have been established or developed by the designated authorities.

25. *c.6.3(b) – partly met.* Rule 64 of the 2024 ALPR authorises MoHA to issue freezing orders without delay and without prior notice for UN-listed individuals or entities within 24 hours of publication on the UN or MoHA website. However, there is no explicit provision in the ALPA or 2024 ALPR that authorises *ex parte* action in cases where individuals or entities are being considered for domestic designation. While Chapter 3 of the 2025 IP-TFS refers to the ability of MoHA and the Counter-Terrorism Mechanism–Technical Committee to act *ex parte* during the designation process, this authority is not clearly embedded in primary or secondary legislation. As such, Nepal has not fully met this criterion.

26. **Criterion 6.4** is *partly met*. In its 2024 FUR, Nepal was found not to have implemented TFS without delay in relation to UNSCRs 1267 and 1988, as freezing orders were not in effect and the term “immediately” was not defined, raising concerns about compliance with the 24-hour freezing requirement. Since then, Nepal has taken some steps to address these issues. The 2024 ALPR introduced Rule 63 (designation mechanism) and Rule 64 (freezing mechanism), which authorise the MoHA to issue freezing orders without delay and without prior notice, within 24 hours of a designation's publication on the UN or MoHA websites. These orders must be published on the MoHA website and disseminated electronically to regulators, the FIU, and REs. Nepal indicated that a hyperlink to the UN Consolidated List is publicly available on the MoHA website.

27. For TFS related to UNSCR 1373, the legal framework—under Sections 29E, 29F, and 29G of the ALPA and Rules 64–65 of the 2024 ALPR—requires freezing orders to be issued

without delay and without prior notice. Chapter 4 of the 2025 IP-TFS stipulates that MoHA must issue such orders within 18 hours. The IP-TFS also defines “without delay” as ideally “within a matter of hours” following a designation.

28. For UNSCRs 1267/1989 and 1988, MoFA is required under s29E(1) of the ALPA to publish changes to the UN list without delay and notify MoHA, which must issue and publish the corresponding freezing orders. Since its 2024 FUR, Nepal has reported the issuance of new freezing orders in March 2025. However, these orders do not clearly reference the relevant UNSCRs, nor do they specify the individuals or entities subject to the freezing measures.

29. Nepal reported the launch of a dedicated TFS portal in February 2025 to disseminate freezing orders and designation updates to relevant competent authorities including Nepal Rastra Bank (NRB), Securities Board of Nepal (SEBON), Department of Land Management and Archive (DoLMA), Department of Cooperatives (DeoC), Inland Revenue Department (IRD), Nepal Insurance Authority (NIA), Office of Company Registrar (OCR), and Nepal Police (NP). However, access to the portal is currently limited to these supervisory agencies and has not been extended to other DNFBP supervisors, such as Ministry of Culture, Tourism and Civil Aviation (MoCTCA), Nepal Bar Council (NBC), Nepal Notary Public Council (NNPC), and Institute of Chartered Accountant (ICAN). The portal is restricted to registered users, and it is not publicly accessible. The absence of public access limits the ability of REs and other stakeholders to implement TFS measures without delay, as required under c.6.4.

30. Furthermore, as aligned with deficiencies identified under the MER, Nepal has now started including a prospective clause in freezing orders issued in March 2025, requiring the freezing of any assets, funds, or benefits—direct or indirect—arising from future updates to the designation list. This clause was also included in freezing orders dated 17 June and 6 August 2025. However, the June and August orders were issued after the reporting cut-off date (1 June 2025) and cannot be considered in this assessment.

31. **Criterion 6.5** is *partly met*.

32. *c.6.5(a) – met*. As confirmed in the MER and 2024 FUR, Nepal’s legal framework requires all natural and legal persons to freeze, without delay and without prior notice, the funds or other assets of designated persons and entities. Section 29G (1) of the ALPA imposes this obligation across all sectors, ensuring the immediate implementation of TFS measures.

33. *c.6.5(b) – met*. The obligation to freeze applies to a broad range of assets and ownership/control structures, as outlined in Section 29G (2) of the ALPA. This includes: (i) property or funds solely or jointly owned (s29G(2)(a)); (ii) property or funds possessed or controlled, directly or indirectly (s29G(2)(a)); (iii) assets generated or accrued from those properties (s29G(2)(b)); and (iv) property held by any person, group, or organisation acting on behalf of, or at the direction of, a designated person or entity (s29G(2)(c)).

34. *c.6.5(c) – partly met*. Section 29G of the ALPA and Rule 65 of the 2024 ALPR establish the core legal obligations prohibiting the making of funds, financial assets, or services available to designated persons or entities. Rule 65 prohibits all persons under Nepal’s jurisdiction—regardless of nationality or legal status—from providing funds or financial

services to such individuals or entities unless authorised in accordance with the relevant UNSCRs and domestic law. These rules also prohibit the receipt or use of such assets or services.

35. While these measures cover most of the required elements, the framework does not explicitly prohibit third parties from providing funds, assets, or services for the benefit of designated persons, where such funds are not owned or controlled by the designee. This gap limits the full application of the prohibition required under c.6.5(c). Although Chapter 4 of the 2025 IP-TFS provides operational guidance that such actions are prohibited, this is not codified in primary or secondary law. Therefore, the requirement is only partly met.

36. *c.6.5(d) – partly met.* Nepal has a mechanism in place to communicate designations to FIIs and DNFBPs. Section 29E(1) of the ALPA mandates MoFA to publish updated designations on its website and notify MoHA. Upon notification, MoHA must issue a freezing order and publish it along with the designation list on its website (s29E(2)–(3)). Section 29E(4) requires regulators, the FIU, REs, and natural/legal persons to proactively access the website for updates.

37. Rule 64(1) of the 2024 ALPR requires freezing orders to be published on the MoHA website within 24 hours of listing by the UN or MoHA. Rule 64(2) mandates the electronic dissemination of this information to regulators, the FIU, and REs. Section 69(1) of the ALPR also requires MoHA to disseminate designation updates without delay using websites, subscriptions, or dedicated software. Chapter 4 of the 2025 IP-TFS operationalises this through a flowchart showing how UN lists and freezing orders are disseminated, including standing instructions to freeze upon publication.

38. In February 2025, Nepal launched a dedicated TFS portal intended to distribute freezing orders and updates to designations to key competent authorities, including NRB, SEBON, DoLMA, DeoC, IRD, NIA, OCR, and NP. However, the portal’s access is currently restricted to these agencies and has not been made available to other DNFBP supervisory bodies, such as MoCTCA, NBC, NNPC, and ICAN. Upon receiving updates on UN designations via the portal, designated focal agencies in Nepal are responsible for preparing freezing orders, which are then passed to supervisory authorities for onward dissemination to the relevant REs. As the portal is limited to registered users, and excludes several DNFBP supervisors, there is no assurance of the timely and broad dissemination of freezing obligations, as required under c.6.5(d).

39. Furthermore, since the 2024 FUR, NRB and SEBON have issued guidance on TFS for FIIs under their supervision. However, it is unclear whether similar guidance has been developed or disseminated for other FIIs and DNFBPs under the supervision of other competent authorities.

40. *c.6.5(e) – met.* Rule 69 of the 2024 ALPR establishes clear obligations for competent authorities, including regulators and REs to implement freezing measures, maintain records, and report compliance actions. Section 29G of the ALPA outlines general compliance requirements, and although it does not explicitly mention attempted transactions, Rule 65(2)–(3) of the ALPR now mandates reporting of such attempts to the FIU and regulators. This

includes any attempted transactions involving assets or services owned, controlled, or provided on behalf of designated persons or entities, whether within the scope of a business relationship. These measures are sufficient to meet the technical requirements of c.6.5(e).

41. *c.6.5(f) – partly met.* Nepal has taken steps to strengthen its framework for the protection of bona fide third parties through Article 29H of the 2024 ALPA, operationalised by Rule 71 of the ALPR 2024 and Chapter IV of the 2025 IP TFS. Notwithstanding this progress, moderate gaps remain. The 2024 FUR noted the absence of compensation mechanisms and protection against arbitrary deprivation of property for bona fide third parties. While not explicitly required by Criterion 6.5(f), such measures would contribute to a comprehensive framework for protecting third party rights in the implementation of TFS obligations. Rule 71(3) of the ALPR 2024 conditions asset release on demonstrating no connection to designated persons—criteria relevant to false positive cases rather than protecting third parties with legitimate pre-existing claims. The framework lacks procedures for accessing frozen funds to satisfy legitimate obligations, protecting pre-existing interests (contractual claims, security interests, judicial liens), and affording liability protection to parties implementing freezing measures in good faith or inadvertently conducting transactions with designated persons. The deficiency under c.6.5(f) remains unaddressed.

42. **Criterion 6.6** is partly met.

43. *c.6.6(a) – met.* Individuals or entities listed under Chapter 6B of the 2024 ALPA may request delisting. Applications are submitted either to MoHA if referring to Section 29F or to MoFA if referring to Section 29E of the ALPA. Section 29H of the ALPA and Rule 67 of the 2024 ALPR set out the procedures and criteria for delisting, including submissions to relevant UN sanctions committees where the designated person or entity no longer meets the listing criteria. Chapter 5 of the 2025 IP-TFS further elaborates on delisting and unfreezing mechanisms.

44. *c.6.6(b) – met.* The legal framework for delisting under UNSCR 1373 is provided in Section 29H of the 2024 ALPA and Rule 67 of the ALPR. These provisions allow for review and delisting of individuals or entities designated under UNSCR 1373. The analysis and rating in the latest Follow-Up Report (FUR) remains current.

45. *c.6.6(c) – met.* MoHA is authorised under Section 29H of the 2024 ALPA to review or inquire into domestic designations. The procedures are supported by Rule 67 of the ALPR and Chapter 5 of the 2025 IP-TFS, which outline the mechanisms for conducting such reviews. The MER analysis remains up to date.

46. *c.6.6(d) – met.* Rule 67 of the 2024 ALPR and Chapter 5 of the 2025 IP-TFS provide mechanisms to facilitate review in accordance with the procedures of the 1988 Sanctions Committee, including through the Focal Point mechanism established under UNSCR 1730. Relevant annexures in the IP-TFS supplement these provisions.

47. *c.6.6(e) – met.* Chapter 5 of the 2025 IP-TFS provides the procedures for informing designated persons and entities designation on the Al-Qaida Sanctions List of the availability of the United Nations Office of the Ombudsperson, pursuant to UNSCRs 1904, 1989, and 2083 to accept de-listing petitions. Although the IP-TFS is not a public document, MoHA has

published an excerpt from Chapter 5 as public guidance on its website.

48. *c.6.6(f) – met.* MoHA is authorised to order the unfreezing of assets in cases of false positives under Rule 67(6) of the ALPR. While the ALPR does not specify the procedures, the 2025 IP-TFS contains guidance on unfreezing in such cases. An excerpt from Chapter 5 of the IP-TFS has been published as public guidance by MoHA.

49. *c.6.6(g) – partly met.* Section 29H(1)–(3) of the 2024 ALPA and Rule 67(6) of the ALPR require MoHA to publish delisting notices on its website and disseminate the information to regulators, the FIU, and REs. However, there is no evidence that such publication and dissemination have taken place in practice. Since the 2024 FUR, NRB and SEBON have issued TFS-related guidance for the FIs under their supervision. However, the available guidance does not include clear procedures on delisting and unfreezing, and it remains unclear whether similar guidance has been developed or disseminated for other FIs and DNFBPs supervised by other competent authorities. Nepal reported that MoHA has published an excerpt from Chapter 5 of the IP-TFS as public guidance on its website, in July 2025. In accordance with Paragraph 1.11 of the APG Global Fourth Round Transitional Follow-Up Procedures, any progress made after a jurisdiction’s reporting deadline (1 June 2025) cannot be considered for the purpose of the current FUR.

50. **Criterion 6.7** is *met*. No deficiencies were identified in the 2023 MER with the analysis in the MER still current.

#### *Weighting and Conclusion*

51. Since the 2024 FUR, Nepal has strengthened its legal framework for implementing TFS through the issuance of the 2024 ALPR and the 2025 amendment of IP-TFS. The 2025 IP-TFS outlines procedures for delisting and for informing designated individuals under relevant UNSCRs. Although the 2025 IP-TFS is not a public document, an excerpt from Chapter 5 was issued by MoHA to support the implementation. However, this was only published recently in July 2025. In accordance with Paragraph 1.11 of the APG Global Fourth Round Transitional Follow-Up Procedures, any progress made after a jurisdiction’s reporting deadline (1 June 2025) cannot be considered for the purpose of the current FUR.

52. Overall, moderate shortcomings remain: (a) procedures for *ex parte* actions are not fully in place; (b) the freezing orders provided lacked clear reference to UNSCRs and the timeliness of freezing has not been demonstrated, including issuing freezing orders within 24 hours of UN listings; (c) there is no explicit provision for protecting *bona fide* third parties from arbitrary asset deprivation; (d) no comprehensive guidance on TFS obligations for all FIs and DNFBPs; and (d) the legal framework does not fully prohibit the indirect provision of funds or assets for the benefit of designated persons, where not owned or controlled by them.

53. **Recommendation 6 remains rated partially compliant.**

*Recommendation 7 [R.7] (Originally rated not compliant in its 2023 MER and re-rated to partially compliant in its 2024 FUR)*

54. Nepal was rated PC for R.7 in its last FUR in 2024. According to the 2024 FUR, while Chapter 6B of ALPA was amended to include TFS for PF and supported by the new IP-TFS, moderate deficiencies remain. The freezing order provided, lacked clear reference to UNSCRs 1718 and 2231, did not demonstrate issuance within 24 hours of UN designation, and did not include a prospective clause to cover future designation changes. This indicated Nepal did not fully implement TFS consistent with the IP-TFS. Moreover, although freezing and unfreezing obligations were covered by ALPA, ALPR-TFS, and IP-TFS, Nepal has not established a communication mechanism or clear guidance to FIs and DNFBPs. Additionally, while MoHA is responsible for decisions regarding contracts predating TFS application, IP-TFS has not stipulated the basis or procedures for MoHA to make such decisions.

55. **Criterion 7.1** is *partly met*. Nepal has taken steps to establish a legal and institutional framework for implementing TFS related to PF, in line with relevant UNSCRs, as required under criterion 7.1. Following its 2024 FUR, Nepal amended Chapter 6B of the ALPA in April 2024 and the IP-TFS in May 2025; and issued the new ALPR in October 2024. Collectively, these instruments establish the legal basis and institutional responsibilities for implementing PF-related TFS.

56. Section 29E of the ALPA requires MoFA to publish, without delay, the list of designated persons, groups, or entities subject to PF-related TFS in accordance with relevant UNSCRs, and to disseminate the list to MoHA. MoHA is then required to issue a standing freezing order and publish both the order and the list on its website. The law also obligates FIs, DNFBPs, and relevant authorities to regularly consult the list and update their systems accordingly. The 2025 IP-TFS clarifies that freezing obligations extend to future amendments to UN designations.

57. However, deficiencies remain in the implementation of these measures. As noted in the 2024 FUR, Nepal has not demonstrated that freezing orders are issued within 24 hours of UN designation, as required. The only freezing order submitted since the ME did not refer to the relevant UNSCRs (1718 or 2231) and lacked a prospective clause to apply to future UN list updates. No additional freezing orders have been provided to the review team since the 2024 FUR. While the IP-TFS includes relevant guidance, Nepal has not demonstrated that these provisions are implemented in practice.

58. Nepal also reported launching a dedicated online portal in February 2025 to support the implementation of TFS, including PF-related designations. The portal is used to disseminate updated designations and freezing orders to competent authorities such as Nepal Rastra Bank, SEBON, the Department of Land Management, the Inland Revenue Department, and law enforcement agencies. Although the portal is functional and the review team was provided with login credentials to access it, it remains restricted to registered users including NRB, SEBON, DoLMA, DeoC, IRD, NIA, OCR, and NP. However, the portal's access is currently limited to these agencies and has not been made available to other DNFBP supervisory bodies, such as MoCTCA, NBC, NNPC, and ICAN. This limits transparency and timely access for all stakeholders, including REs. According to the materials reviewed, public authorities can view updates and receive instructions through the portal, but they are required to inform REs of their obligations outside the system. No documentation was provided to demonstrate how Nepal

ensures implementation of TFS without delay. In conclusion, while Nepal has established a legal and procedural framework that is broadly aligned with the requirements of Criterion 7.1, it has not demonstrated timely implementation of TFS related to proliferation financing.

59. **Criterion 7.2** is *mostly met*. As noted in Nepal’s 2024 FUR, the legal and procedural framework for implementing TFS related to PF is largely in line with the requirements of criterion 7.2. Several sub-criteria have been addressed; however, several deficiencies remain. Since the 2024 FUR, Nepal has issued the 2024 ALPR and the 2025 IP-TFS, but no further amendments have been made to the ALPA.

60. The following sub-criteria are *met*:

61. *c.7.2(a) and (b)*: Section 29G(1)–(2) of the 2024 ALPA and Chapter 4 of the 2025 IP-TFS require all natural and legal persons to freeze, without delay and without prior notice, the funds or assets of designated persons or entities. This includes assets jointly or indirectly owned or controlled, and assets derived from such property. These provisions meet the requirements under 7.2(a) and (b).

62. *c.7.2(e)*: Section 29G(5) of the ALPA obliges FIs and DNFBPs to report any freezing actions to their respective regulators within three days. Rule 65 of the 2024 ALPR requires immediate notification to the relevant regulator(s) and the FIU. Chapter 4 of the IP-TFS sets out operational procedures for reporting, including in cases of attempted transactions, in line with 7.2(e).

63. However, deficiencies are still identified under the following sub-criteria:

64. *c.7.2(c)*: No legislative updates have been made to the ALPA since the 2024 FUR. Section 29G does not fully address the requirement under 7.2(c), which obliges jurisdictions to prohibit making funds or other assets available—directly or indirectly—to or for the benefit of designated persons or entities, unless in accordance with relevant UNSCRs. While Rule 65 of the 2024 ALPR provides for the freezing of assets, it does not clearly establish a prohibition on making such assets available or include the exceptions required under the relevant UNSCRs.

65. *c.7.2(d)*: Communication mechanisms for TFS exist. Section 29E(2)–(4) of the ALPA and Rule 64 of the 2024 ALPR require the MoHA to publish freezing orders on its website without delay. Designations and related obligations are also distributed electronically to regulators, the FIU, and reporting entities. Chapter 3 of the IP-TFS outlines the communication process and assigns MoHA responsibility for updating relevant agencies. In addition, as of January 2025, NRB and SEBON have issued TFS-related guidance to financial and securities sectors. However, there is no evidence of similar guidance issued to other DNFBPs or sectors that may hold targeted assets.

66. *c.7.2(f)*: Nepal has made progress in strengthening its legal framework for the protection of bona fide third parties affected by proliferation financing-related targeted financial sanctions. Article 29H of the ALPA 2024, operationalised through Rule 71 of the ALPR 2024 and Chapter IV of the IPTFS 2025, establishes procedures for affected third parties to apply to MoHA for asset release (via MOFA for UN designations). Upon verification,

MoHA may authorise the release of assets corresponding to the third party's legitimate interest and publish such decisions on its website. The 2024 FUR noted deficiencies relating to the absence of compensation mechanisms and protection against arbitrary deprivation of property for bona fide third parties. While not explicitly required by Criterion 7.2(f), such measures would contribute to a comprehensive framework for protecting bona fide third-party rights in the implementation of TFS obligations under Recommendation 7. Moderate gaps, however, remain unaddressed. Rule 71(3) of the ALPR 2024 conditions asset release on demonstrating no connection to designated persons—criteria applicable to false positive cases rather than protecting third parties with legitimate pre-existing claims against frozen assets. The framework does not provide procedures for bona fide third parties to access frozen funds, protect pre-existing interests (contractual claims, security interests, judicial liens), or afford liability protection to good faith parties inadvertently conducting transactions with designated persons.

**Criterion 7.3** is *met*. The 2024 FUR noted the absence of specific provisions within Nepal's IP-TFS regarding the obligations of FIs and DNFBPs to comply with TFS-PF, including sanctions for non-compliance. Since then, Nepal has issued the 2024 ALPR and the 2025 IP-TFS, although no further amendments have been made to the ALPA. Section 29J of the ALPA establishes a three-tiered monitoring framework whereby the Coordination Committee oversees the overall effectiveness of TFS implementation, line ministries monitor agency compliance with Chapter 6B obligations, and regulatory bodies supervise REs, including FIs and DNFBPs, for compliance with TFS requirements. Rule 70 of the 2024 ALPR supplements this framework by mandating regular supervision and inspection of REs by regulators, while MoHA is tasked with supervising non-REs and other relevant persons. Chapter 4, Part III of the 2025 IP-TFS operationalises these duties by requiring annual monitoring and evaluation by the Coordination Committee, ministries, and regulators, consistent with FATF expectations under criterion 7.3.

67. Regarding enforcement, Section 29K of the ALPA provides for administrative sanctions—including warnings, license suspension or revocation, and monetary fines—proportionate to the violation. FIs and casinos may be fined between NPR 1 million and NPR 50 million, other DNFBPs between NPR 100,000 and NPR 10 million, and other persons up to NPR 1 million. Furthermore, Section 29K(4) permits criminal investigation and prosecution where failures to freeze assets are committed with intent to facilitate terrorist or proliferation financing, ensuring the availability of criminal sanctions where appropriate. Overall, Nepal has established a comprehensive monitoring and enforcement regime for TFS related to proliferation financing, effectively addressing the deficiencies identified under criterion 7.3.

68. **Criterion 7.4** is *partly met*. The 2024 FUR found that Nepal partially met the requirements of criterion 7.4, identifying moderate deficiencies. Specifically, Nepal did not allow designated persons or entities to petition the UN Focal Point; procedures for unfreezing assets in false positive cases were unclear and not publicly available; and delisting notifications were not consistently communicated to FIs and DNFBPs, with limited guidance on their delisting obligations.

69. *c.7.4(a)* – *partly met*. Nepal's legal framework provides a domestic de-listing

mechanism through Section 29H of the 2024 ALPA, Rule 67 of the 2024 ALPR, and Chapter 5 of the 2025 IP-TFS, allowing designated persons to request removal via MoFA or MoHA, depending on the designation type. The framework includes the right of individuals designated under the Al-Qaida Sanctions List to petition the UN Ombudsperson; however, there is no explicit reference to the UN Focal Point mechanism under UNSCR 1730 for other UN designations, nor is there clear public information informing petitioners of this right, representing a technical gap.

70. *c.7.4(b) – not met.* Rule 67(5) of the ALPR and Chapter 5 of the IP-TFS establish a legal basis and procedures for promptly unfreezing assets mistakenly frozen due to false positives, supported by public guidance and standardised forms. As of the reporting deadline of 1 June 2025, the full unfreezing procedures in the IP-TFS had not yet been made publicly available. However, Nepal reported that MoHA has recently published an excerpt from Chapter 5 of IP-TFS in July 2025, as public guidance on how to apply for unfreezing in a false positive situation. In accordance with Paragraph 1.11 of the APG Global Fourth Round Transitional Follow-Up Procedures, any progress made after a jurisdiction’s reporting deadline (1 June 2025) cannot be considered for the purpose of the current FUR.

71. *c.7.4(c) – met.* The legal basis for accessing funds is s29H(5) in 2024 ALPA while Rule 72 of the 2024 ALPR provides additional details.

72. *c.7.4(d) – partly met.* While Nepal publishes a hyperlink to the UN Consolidated Sanctions List on the MoHA’s website, it does not maintain a publicly accessible national consolidated list, limiting clarity for FIs and DNFBPs. Although Nepal operates a secure TFS portal to communicate delisting and unfreezing notices to relevant competent authorities, the portal can be accessed by registered users including NRB, SEBON, DoLMA, DeoC, IRD, NIA, OCR, and NP. The portal’s access is currently limited to these agencies and has not been made available to other DNFBP supervisory bodies, such as MoCTCA, NBC, NNPC, and ICAN. Nepal has not demonstrated communication mechanisms or issued clear guidance to DNFBPs on their delisting obligations. Consequently, Nepal has only partially met the requirements of c.7.4, with outstanding gaps in ensuring transparent, accessible, and comprehensive procedures and communication related to de-listing and asset unfreezing.

73. **Criterion 7.5** is *mostly met.* Nepal has taken steps to comply with c.7.5 through the amendments to the IP-TFS in May 2025. Chapter 7 of the 2025 IP-TFS governs the management of frozen assets in line with relevant UNSC resolutions, including provisions allowing the accrual and payment of interest, earnings, or payments arising from pre-existing contractual obligations. Specifically, the IP-TFS permits payments due on frozen accounts and contractual obligations predating the sanctions, provided conditions under criterion 7.5(b)(i)–(iii) are met, with the MoHA designated as the competent authority responsible for reviewing and approving such requests. At the legislative level, Section 29H(5) of the 2024 ALPA authorises MoHA to release frozen funds, including for basic needs or lawful purposes, but does not explicitly address earnings or payments linked to pre-existing contracts.

74. Similarly, Rule 72 of the 2024 ALPR details permissible expense categories—such as food, shelter, education, legal services, and utilities—and sets out an application process for affected individuals. However, it remains unclear whether these provisions fully cover

payments under pre-existing contractual or commercial obligations as required by criterion 7.5. Although MoHA holds the authority to approve such releases, there is a lack of clear criteria, conditions, or procedural guidance governing how applications related to contractual obligations are assessed.

### *Weighting and Conclusion*

75. Nepal amended Chapter 6B of ALPA in April 2024 to address TFS-PF. The new ALPR enacted in October 2024 and the IP-TFS in May 2025, together with the ALPA, establish the legal framework and operational responsibilities for implementing TFS-PF. A new system has been developed to support timely implementation, although access to the TFS portal is restricted to registered competent authorities with login credentials and has not been made available to other DNFBP supervisory bodies, such as MoCTCA, NBC, NNPC, and ICAN. Due to Nepal's multi-agency structure and limited evidence of effective enforcement, it remains unclear whether TFS-PF measures are consistently implemented without delay. While the 2025 IP-TFS provides general provisions on freezing and unfreezing assets, there are notable gaps in communication mechanisms and clear guidance for DNFBPs on TFS-PF implementation.

76. ***Recommendation 7 remains rated partially compliant.***

### *Recommendation 24 [R.24] (Originally rated partially compliant)*

77. Nepal was rated PC for R.24 in its 2023 MER and 2024 FUR. In the 2024 FUR, Nepal's measures to identify and describe different types of legal persons remained largely unchanged since the MER, with no assessment conducted on ML/TF risks related to legal persons. Basic information requirements had significant shortcomings and remained as before. Although new rules required all legal persons to maintain and provide beneficial ownership (BO) information to the relevant registrar, the exact information to be submitted was unclear. There was no obligation to ensure the accuracy of this information, and a one-year grace period for implementation was in place. Consequently, Nepal continued to rely on information collected by FIs and DNFBPs for BO data.

78. While improvements to Recommendations 10 and 22 had largely addressed delays in obtaining BO information from FIs and DNFBPs, there remained no updated requirements to ensure ongoing accuracy of customer due diligence (CDD) BO information. Where available, BO data could be accessed by law enforcement and investigative authorities and shared with foreign counterparts. However, significant deficiencies persisted in the dissuasiveness of sanctions, and there were no measures to prevent misuse of nominee shares, shareholders, or directors.

79. **Criterion 24.1 is met.** The deficiencies identified in the 2023 MER and 2024 FUR related to criterion 24.1(b). The remaining gaps outlined from the 2023 MER and 2024 FUR are: (1) the absence of operational rules of recording BO information, including BO declaration and identification standards; and (2) lack of clarity on whether information about the creation of associations is publicly available apart from what is already stated in the law.

80. As of 1 June 2025, no amendments have been made to the Companies Act or the Associations Act.

81. Nepal amended the ALPA in 2024, introducing Sections 35A– 35I, which require BO information to be recorded and made publicly accessible. Subsequently, Nepal enacted the new ALPR in 2024, which operationalises the BO disclosure framework. Rule 76 of the 2024 ALPR defines BO criteria, including ownership or control thresholds of 15%, indirect ownership, voting rights, nominee arrangements, and key management positions. It also sets deadlines for submitting BO information, requires verification documentation in certain cases, mandates transaction freezes where verification is lacking, and outlines information sharing with foreign jurisdictions.

82. Rule 77 of the 2024 ALPR requires legal entities and designated managers to submit BO data to competent authorities and mandates regulatory bodies to conduct annual risk assessments, exchange information internationally, and appoint responsible contact points. Rule 78 of the 2024 ALPR obliges entities to regularly update BO information and establishes penalties for non-compliance. Rule 79 of the 2024 ALPR requires the registering authority to maintain a centralised BO database containing owners’ identities and investment details. Together, these rules create a comprehensive operational framework for BO identification, verification, sanctions, and registry maintenance. These rules implement Sections 35A-35C of the amended ALPA 2024, which apply to all types of legal persons and arrangements. Both the amended ALPA and 2024 ALPR texts are publicly accessible via the FIU’s website. This fully addresses the deficiency regarding operational rules for recording BO information, including declaration and identification standards.

83. Sections 35A and 35B of the amended ALPA 2024 which establish BO identification requirements, apply to associations as a category of legal persons.. The Associations Registration Act, which has not been amended since the 2024 FUR, requires associations to provide detailed information including member data, objectives, and finances. Annual renewal is mandated by the Association Registration Regulation, 1977 (amended 2003). These laws and regulations are now publicly accessible via the Ministry of Law, Justice and Parliamentary Affairs and the Nepal Law Commission portals, thereby clarifying the public availability of information on the creation of association.

84. Overall, following the 2024 ALPR and amendments to the ALPA (Sections 35A and 35B) , Nepal has clear operational measures to fulfill BO requirements. These include defined thresholds, verification procedures, sanctions for non-compliance, and a centralised, publicly accessible BO registry. Consequently, Nepal has fully addressed the deficiencies identified under criterion 24.1.

85. **Criterion 24.2** is *not met*. In its 2024 FUR, Nepal was found to have not conducted a comprehensive assessment of the ML/TF risks associated with all types of legal persons within its jurisdiction. This gap resulted in several related deficiencies. Nepal has since indicated that it is undertaking a comprehensive risk assessment of all legal persons as part of National Strategy Action Plan (NSAP) action item 5.3.2.1. Documentation provided shows that this assessment is scheduled for completion by December 2025 or January 2026. As this process is ongoing and has not yet been finalised, Nepal cannot yet demonstrate compliance with this criterion. Accordingly, the deficiency identified under criterion 24.2 remains outstanding.

86. **Criterion 24.3** is *partly met*. The 2024 FUR identified that key deficiencies remain regarding the public availability requirement of basic information on legal persons: (1) information held by the OCR on private companies and by the companies themselves is not publicly available; (2) it is unclear what information is required to be maintained in the register of foreign companies; (3) Information held on foreign companies is not publicly available; and (4) there is no provision for basic information on associations and cooperatives, including the members, to be made publicly available. The relevant provisions under the Companies Act and the Associations Registration Act were previously assessed in Nepal’s 2023 MER. Since the 2024 FUR, as outlined under c.24.1, no amendments have been made to the Companies Act or the Associations Act as of 1 June 2025. The Cooperatives Act was amended in March 2025 but lacks clarity on requirements for making basic information of cooperatives publicly available. Therefore, these deficiencies regarding basic information remain unaddressed.

87. **Criterion 24.4** is *partly met*. Subrule 76(c) of the 2024 ALPR requires legal entities to declare information on “notable and different voting rights” when reporting BO information. While this is broadly aligned with the requirement to identify the category of shares held— as noted in the 2024 FUR— the provision is limited in scope, as it only applies to shareholdings of 15% or more. Under criterion 24.4, information on all shareholdings should be recorded, regardless of threshold. Furthermore, although Sections 35A and 35B of the ALPA address bearer shares issued by foreign legal persons and legal arrangements operated by foreign persons, they do not cover foreign companies more generally. These limitations indicate that the deficiencies identified in the 2024 FUR under this criterion have not been fully addressed.

88. **Criterion 24.5** is *partly met*. The 2024 FUR reiterated a deficiency identified in the 2023 MER, which found ambiguity regarding whether the requirement for annual updates of information on directors and loan amounts extended to updates of cooperative members’ details, or only to the number of cooperative capital divisions. Since then, Nepal has issued the 2024 ALPR to strengthen its framework. While the ALPA and 2024 ALPR do not explicitly mandate annual updates of member details, the combined effect of Section 35C of the ALPA (requiring legal persons to maintain current information), Section 35A of the ALPA (requiring BO details), and Rule 76 of the 2024 ALPR (specifying required information and verification) provides a mechanism to ensure accurate and up-to-date information on BO, directors and members of cooperatives. These measures address prior concerns under 24.5. However, gaps remain under c.24.3 and c.24.4, and as such, this criterion remains only partly addressed.

89. **Criterion 24.6** is *met*. Deficiencies under sub-criteria 24.6(a) and (b), which related to the absence of clear requirements on the type of BO information to be submitted and held, have been addressed through the 2024 ALPR. Rule 76 of the 2024 ALPR now clearly prescribes the categories of BO information to be collected, while Rule 78 of the 2024 ALPR mandates its submission to the relevant authorities. Sub-rules 76(3), 76(6), and 76(8) of the 2024 ALPR establish specific timeframes for the collection, verification, and updating of BO information, ensuring its availability in a timely manner. In addition, amendments to the ALPA have expanded law enforcement powers, with Section 30(10) allowing legal action against beneficial owners in cases involving ML/TF. Taken together, these measures establish sufficient mechanisms to ensure that BO information is obtained, maintained, and made accessible to competent authorities as required under c.24.6.

90. **Criterion 24.7** is *mostly met*. The 2024 FUR identified a deficiency regarding the absence of obligations to ensure the accuracy of BO information. This gap has been addressed through Rule 76 of the 2024 ALPR. Rule 76(1) outlines the types of BO information that must be maintained, while Rule 76(4) sets out requirements for verifying that information. These rules implement Sections 35A-35C of the amended ALPA 2024, which apply to all types of legal persons and arrangements, including associations and cooperatives.

91. Furthermore, under Rule 76(3) of the 2024 ALPR, any change in ownership must be reported to the relevant regulatory or registering authority within three months of the date of registration, application for permission, or change in ownership or control. However, the three-month reporting period may not satisfy the requirement for BO information to be updated in a timely manner, as it allows a significant delay before changes are reflected in official records.

92. **Criterion 24.8** is *partly met*. The 2023 MER and the 2024 FUR identified a key deficiency in Nepal's framework—namely, the absence of a requirement for legal persons to designate a natural person resident in Nepal who is authorised and accountable to competent authorities for providing basic and BO information and for offering further assistance as needed. While the ALPA and the 2024 ALPR (particularly Rules 76–79) introduce comprehensive obligations regarding the collection, verification, and maintenance of BO information, they do not fully meet the requirements of criterion 24.8. Specifically, there is no legal obligation for legal persons to designate: (a) a resident natural person accountable to competent authorities; (b) a designated DNFBP to fulfil this role; or (c) any alternative mechanism clearly set out in law or regulation that achieves the same objective.

93. Rule 77 of the 2024 ALPR requires legal persons to designate a contact person for submission of BO information to the registering or regulatory authority. However, this obligation is limited in scope and does not ensure full cooperation with competent authorities more broadly. In summary, despite enhancements to the legal and regulatory framework, Nepal has not addressed the core requirement of criterion 24.8. The legal framework does not establish a clear, enforceable obligation for legal persons to appoint a resident natural person, a DNFBP, or an equivalent measure to ensure full and ongoing cooperation with competent authorities in providing BO and basic information and further assistance.

94. **Criterion 24.9** is *partly met*. Nepal has not yet introduced an explicit requirement in the Companies Act specifying the timeframe for maintaining records, as required under c.24.9. While Rules under Section 76 of the 2024 ALPR partially address this deficiency by introducing specific obligations related to BO information, the measures remain incomplete. Rule 76(1) outlines the information to be collected, and Rules 76(3), 76(6), and 76(8) establish timeframes for obtaining and verifying such information. However, the requirements under Section 35A(5) of the ALPA still do not extend to administrators, liquidators, or other persons involved in the dissolution of a company, as required. Accordingly, the deficiency identified under c.24.9 is not yet considered to be adequately addressed.

95. **Criterion 24.10** is *mostly met*. As noted by Nepal, the 2024 ALPR now includes provisions for the maintenance of BO information. Rule 76 of the 2024 ALPR sets out requirements for the collection and verification of BO information, while Rule 79 of the 2024 ALPR provides for the establishment and maintenance of a central register. According to the

2024 FUR under Recommendation 31, all law enforcement and investigative authorities may exercise powers under Section 15A of the ALPA to access information for the purposes of investigating ML, TF, and related predicate offences. However, a minor deficiency remains. As noted under c.24.3, limitations in the recording and accessibility of company information in the registry may hinder the timely availability of information to competent authorities. As such, full compliance under c.24.10 has not yet been achieved.

96. **Criterion 24.11** is *met*. No deficiencies were identified in the 2024 FUR, and subsequent legislative amendments have not altered this position. The previous analysis remains valid and up to date.

97. **Criterion 24.12** is *partly met*. As noted in the 2024 FUR, Nepal did not explicitly prohibit the use of nominee directors or shareholders. However, Rule 76(1)(f) of the 2024 ALPR now requires legal persons to disclose whether any nominee directors or shareholders are, directly or indirectly, beneficial owners. This information is subject to verification under Rule 76(4) of the 2024 ALPR. Despite this measure, Nepal has not introduced any licensing or other risk mitigation requirements in relation to nominee arrangements. As such, the deficiencies identified in the 2024 FUR remain unaddressed.

98. **Criterion 24.13** is *partly met*. Since its 2024 FUR, Nepal has not taken any steps to address the deficiencies identified under this criterion. As a result, the gaps remain unaddressed.

99. **Criterion 24.14** is *mostly met*. Chapter 9 of the 2024 ALPR establishes a general framework for international cooperation. However, the scope of information that may be exchanged is not clearly defined. As noted in the 2024 FUR, it remains unclear whether the framework includes the exchange of information on shareholders, beyond what is covered under BO provisions. Consequently, this aspect of criterion 24.14 remains unaddressed.

100. **Criterion 24.15** is *not met*. Although Sections 84 and 85 of the 2024 ALPR provide updated provisions for international cooperation, there remains no mechanism in place to monitor the quality of such cooperation. As a result, the requirements of criterion 24.15 are not met.

### *Weighting and Conclusion*

101. Nepal has made progress in addressing the deficiencies identified under R.24, primarily through the ALPA and the new ALPR enacted in 2024. These legislative updates have fully addressed the deficiencies under criterion 24.1, and have partially addressed gaps under criteria 24.3, 24.4, 24.5, 24.8, 24.9, 24.12, and 24.13. However, key deficiencies remain. In particular, the requirements under criterion 24.2—relating to the assessment of ML/TF risks associated with all types of legal persons—have not been addressed, as the risk assessment process, while scheduled, was not completed at the time of the 1 June reporting deadline. Additionally, there is still no mechanism for monitoring the quality of international cooperation, as required under c.24.15. While Nepal has materially strengthened its legal and regulatory framework on BO and addressed several core elements, key deficiencies under R.24 have not been fully addressed.

102. **Recommendation 24 remains rated partially compliant.**

**Recommendation 25 [R.25] (Originally rated partially compliant)**

103. Nepal was rated PC for Recommendation 25 in its 2023 MER, and this rating was maintained in the 2024 FUR. The 2024 FUR highlighted that amendments to the ALPA require trustees to maintain information on parties to the trust; however, categories of beneficiaries are not included. While this information must be provided to regulatory bodies where they exist, the legislation does not clearly define which agencies qualify as regulatory authorities. Furthermore, a one-year grace period for implementation is currently in place. Nepal has introduced requirements for trustees to disclose their status to FIs and DNFBPs when establishing business relationships, but these obligations do not cover occasional transactions. The analysis in the MER concerning the Civil Code (NCivC) remains valid, with outstanding issues related to public trusts and usufruct arrangements under the NCivC still unresolved.

104. **Criterion 25.1** is *partly met*. Deficiencies identified in the 2024 FUR remain unaddressed. Nepal has indicated that identity information must be included in the trust deed under Section 37 of the National Civil Procedural Code. However, these requirements do not extend to the full range of beneficiaries, nor do they cover other natural or legal persons who may ultimately exercise effective control over the trust.

105. **Criterion 25.2** is *partly met*. The 2024 FUR identified that trustees are not explicitly required to ensure that BO information is accurate, up to date, and updated in a timely manner. Section 35B(3) of the ALPA requires REs to notify the regulatory body as soon as they receive updated BO information, which partially addresses the requirement to maintain accuracy and currency of the data. However, this appears to conflict with Rule 76(3) of the 2024 ALPR, which allows a three-month period for reporting changes in ownership or control to the regulator. This delay undermines the timely updating of information and limits full compliance with criterion 25.2.

106. **Criterion 25.3** is *partly met*. The 2024 FUR noted a deficiency in that Section 35B(2) of the amended ALPA does not require trustees to disclose their status when conducting occasional transactions with a reporting entity. This provision applies only when a trustee becomes a client of the reporting entity. The ALPA and the 2024 ALPR do not address this gap, as the wording in Section 35B(2) continues to exclude occasional transactions from the disclosure requirement. As such, the deficiency under criterion 25.3 remains unaddressed.

107. **Criterion 25.4** is *met*. No deficiencies were identified under this criterion in the 2024 FUR. The previous analysis remains valid and up to date.

108. **Criterion 25.5** is *partly met*. The deficiencies identified under criterion 25.5 remain unaddressed. While obligations to provide information are set out, and sanctions for non-compliance are provided under Sections 35B(4) and 35C(3) of the ALPA, Nepal has not demonstrated how law enforcement and investigative authorities are granted timely access to this information. In addition, the issue concerning the identification of the appropriate regulatory bodies remains unresolved.

109. **Criterion 25.6** is *partly met*. Nepal has not taken any action to address the deficiencies identified under this criterion since the 2024 FUR. As a result, the gaps remain unaddressed.

110. **Criterion 25.7** is *partly met*. The 2024 FUR identified a deficiency concerning the lack of clarity on how sanctions would be imposed for non-compliance. Amendments to the ALPA have since introduced provisions requiring the submission of BO information, including a sanction of up to NPR 100,000 for non-compliance under Section 35B(4). This is considered a sufficiently dissuasive measure, and the process for imposing sanctions under the ALPA is now clearly established. However, no further information has been provided regarding the application of sanctions for breaches under the National Civil Code. Therefore, the deficiency remains partially unaddressed.

111. **Criterion 25.8** is *partly met*. The 2024 FUR noted that the appropriate regulatory authorities remain unclear under the current legislative framework. While the ALPA now includes enforceable sanctions—such as fines of up to NPR 100,000 under Section 35B(4)—and these sanctions can be applied, the lack of clarity regarding which agencies are responsible for enforcement persists. As such, the deficiency under criterion 25.8 remains outstanding.

#### *Weighting and Conclusion*

112. Some progress has been made in addressing previously identified deficiencies, as reflected in updates to the ALPA and ALPR. However, criterion 25.6 remains unaddressed, and several other criteria continue to demonstrate deficiencies despite the new ALPR, enacted in October 2024. For instance, shortcomings persist in identifying the full class of beneficiaries and other natural or legal persons with ultimate effective control over a trust (criterion 25.1), in ensuring the provision of information for occasional transactions with reporting entities (criterion 25.3), and in law enforcement agencies' timely access to information (criterion 25.5). Additionally, certain elements of the updated legislation appear contradictory (criterion 25.2), and the regulatory authority responsible for trusts is yet to be designated (criterion 25.8).

113. **Recommendation 25** remains rated *partially compliant*.

#### *Recommendation 26 [R.26] (Originally rated partially compliant)*

114. Nepal was rated PC for R.26 in its 2023 MER and retained this rating in the 2024 FUR. Key shortcomings include inadequate fit and proper checks across FIs, which often rely on self-declaration of criminal history and lack consistent application for all relevant individuals. While core principle financial institutions such as the NRB, DeoC, SEBON, and NIA have AML/CFT supervisors with functions and powers, supervision does not fully align with the core principles as they relate to AML/CFT. Furthermore, the implementation of a risk-based approach to AML/CFT supervision is at an early stage or has not yet begun in all sectors (except commercial banks). Nepal also does not conduct consolidated group supervision or regularly review the risk profiles of financial groups; however, this deficiency carries limited weight due to the limited presence of financial groups in the country.

115. **Criterion 26.1** is *met*. Since the 2024 FUR, there have been amendments to the Cooperative Act intended to strengthen the regulatory framework for the cooperative sector.

On 31 March 2025, the National Cooperative Regulatory Authority (NCRA) was established as an autonomous incorporated body responsible for regulating savings and credit cooperatives at the national, provincial, and local levels (section 103A, Cooperative Act). Accordingly, the NCRA supervises these cooperatives for compliance with AML/CFT requirements (sections 7T(1) and (3), ALPA). The NCRA may delegate certain supervisory functions to the DeoC or the relevant provincial or local cooperative regulatory bodies (section 103H(d), Cooperative Act). Additionally, for savings and credit cooperatives with share capital or annual transactions exceeding NPR 500 million (approximately USD 3.75 million), the NRB can be appointed as the AML/CFT supervisor upon request from the DeoC (section 150(6), Cooperative Act, as amended).

116. **Criterion 26.2** is *met*. No deficiencies were identified in the 2024 FUR, and the analysis is current.

117. **Criterion 26.3** is *partly met*. Since the 2024 FUR, Nepal reports improved access for supervisors to criminal record data held by the Nepal Police, which is a positive development. However, there have been no changes to the fit and proper requirements for the banking sector or other FIs supervised by the NRB. Similarly, fit and proper criteria remain unchanged for cooperatives, securities FIs, insurance FIs, CIT, and EPF. No information has been provided regarding fit and proper requirements for pension funds. Consequently, the deficiencies identified in the 2024 FUR remain unaddressed.

118. **Criterion 26.4** is *mostly met*. For savings and credit cooperatives, DeoC, in collaboration with the NRB, has undertaken preliminary planning for supervision under the new framework. This includes planning the supervisory activities of the newly established NCRA. Nepal also reports the development of a risk profiling tool to identify higher-risk cooperatives for joint inspection with the NRB. Information requests have been sent to cooperatives and data collection is under way. However, no further details have been provided on the tool or its implementation. To date, no AML/CFT supervision of cooperatives under the new framework involving the NCRA has commenced, and the NRB has not been appointed as AML/CFT supervisor for any cooperatives. In other FI sectors, there has been no progress or change since the 2024 FUR, and the previously identified deficiencies remain unaddressed.

119. **Criterion 26.5** is *partly met*. Since the 2024 FUR, Nepal has issued new ALPR on 31 October 2024 pursuant to the ALPA. Rule 22(1) of 2024 ALPR requires that the scope, frequency, and intensity of on-site and off-site supervision be determined based on various risk factors, consistent with the requirements of criterion 26.5. For the cooperative sector, DeoC developed a risk profiling tool and supervision manual in May 2025 to support risk-based supervision. However, Nepal has not provided a copy of the manual or details on the risk profiling tool. Furthermore, no information has been given regarding the AML/CFT supervisory role of the NCRA alongside NRB, DeoC, and provincial and local regulatory bodies. To date, NCRA has not conducted any AML/CFT supervision.

120. In the PSP/PSO sector, the 2023 Supervisory Manual was updated in May 2025 to include a ML/TF risk assessment tool for PSPs (but not PSOs), enhancing NRB's risk-based supervision in line with criterion 26.5. For all other FI sectors, no updates or amendments have been made to supervisors' manuals or inspection procedures to comply with Rule 22(1) of 2024

ALPR. While Nepal states some supervisors are updating manuals and procedures, no further details have been provided. Although NRB has conducted some inspections, no additional information has been provided on the implementation of criterion 26.5 by FI supervisors. Consequently, the deficiencies identified in the 2024 FUR for NRB (excluding PSPs), DeoC, NIA, SEBON, and IRD remain unaddressed.

121. **Criterion 26.6** is *partly met*. Since the 2024 FUR, and as noted under criterion 26.5, Nepal has issued the 2024 ALPR. Rule 22(2) requires supervisors to review the risk profile of a financial institution or group periodically and following significant events or changes in management or operations. This provision is consistent with the requirements of criterion 26.6. While Nepal indicates that FI supervisors consider these requirements, the only formal update has been in the PSP sector. The updated ML/TF risk assessment tool for PSPs includes a requirement for on-site inspections and risk profile reviews after mergers or acquisitions, regardless of prior risk ratings. There have been no corresponding amendments to the supervisory frameworks for any other FI sector or supervisor to address deficiencies in criterion 26.6. These deficiencies, identified in the 2024 FUR, remain unaddressed. Additionally, the NCRA, as the newly designated supervisor for savings and credit cooperatives, has not yet established a supervisory framework that incorporates these requirements.

#### *Weighting and Conclusion*

122. There has been limited progress since the 2024 FUR in addressing the deficiencies under R.26. Fit and proper checks across FIs remain inadequate, often relying on self-declarations of criminal history and lacking consistent application to all relevant persons. While core principles FIs—including those supervised by the NRB, NCRA/DeoC, SEBON, and NIA—have designated AML/CFT supervisors with functions and powers, supervision does not fully align with the core principles where relevant for AML/CFT.

123. Across all sectors, with the exception of commercial banks, the implementation of a risk-based approach to AML/CFT supervision is either at a very early stage or has not yet commenced. This includes the NCRA, which has not begun AML/CFT supervision of savings and credit cooperatives. Additionally, Nepal does not conduct consolidated group supervision, and there are no regular reviews of the risk profiles of financial groups. However, this deficiency is given low weighting due to the limited presence of financial groups in the jurisdiction.

124. **Recommendation 26** remains rated *partially compliant*.

#### *Recommendation 28 [R.28] (Originally rated partially compliant)*

125. Nepal was rated PC in its 2023 MER and retained this rating in the 2024 FUR. While some legislative progress had been made before the 2024 FUR—such as establishing MoCTCA’s regulatory authority over casinos and introducing a licensing framework (including for internet casinos) with fit and proper requirements—key deficiencies remained. These included: (a) incomplete fit and proper checks in the casino sector, with gaps in scope and ongoing requirements; (b) no AML/CFT supervision of casinos; (c) the licensing framework for real estate agents not yet in force, and fit and proper requirements not yet

implemented; (d) no fit and proper requirements for DPMS or TCSPs; (e) insufficient fit and proper requirements for other DNFBPs; (f) no risk-based AML/CFT supervision for, DPMS, lawyers, notaries, chartered accountants, auditors, or TCSPs; and (g) no designated authority or SRB for other professionals conducting activities under c.22.1(d), with no supervision or available sanctions in place.

126. **Criterion 28.1** is *partly met*. There have been no changes to the categories of persons subject to fit and proper requirements since the 2024 FUR, and no updates have been made to the ongoing fit and proper assessments for existing casino operators. Moreover, AML/CFT supervision of the casino sector has not yet commenced. Although all casinos are now registered on the goAML platform, the deficiencies identified in the 2024 FUR remain unaddressed.

127. **Criterion 28.2** is *mostly met*. The legal framework remains unchanged. There is no AML/CFT supervisor designated for other professionals (that are not lawyers, notaries, chartered accountants or registered auditors) that undertake the activities defined in c.22.1(d) and s2(n)(4) of the ALPA. The deficiency identified in the 2024 FUR has not been addressed.

128. **Criterion 28.3** is *mostly met*. The legal framework remains unchanged. As noted under c.28.2, there is no designated supervisor or system of monitoring other professionals—excluding lawyers, notaries, chartered accountants, and registered auditors—who engage in the activities specified under criterion 22.1(d) and section 2(n)(4) of the ALPA. The deficiency identified in the 2024 FUR remains unaddressed.

129. **Criterion 28.4** is *partly met*. No progress has been made since the 2024 FUR to address the deficiencies related to market entry controls and fit and proper requirements for DNFBP sectors. In addition, the deficiencies identified under c.28.4(b) and (c) concerning other professionals—excluding lawyers, notaries, chartered accountants, and registered auditors—also remain unaddressed.

130. **Criterion 28.5** is *not met*. Since the 2024 FUR, and as noted under c.26.5, Nepal has issued the 2024 ALPR. Rule 22(1) of the 2024 ALPR requires that the scope, frequency, and intensity of both on-site and off-site supervision be determined based on various risk factors. Rule 22(2) further mandates that supervisors periodically review the risk profile of reporting entities, including in response to major changes in their management or operations. Collectively, these provisions align with the requirements of criterion 28.5.

131. Nepal has indicated that supervision manuals are under development for the casino, real estate, and dealers in precious metals and stones (DPMS) sectors; however, these manuals have not yet been finalised. For the DPMS sector, the manual is reportedly awaiting approval. Aside from these initiatives, no further progress has been made since the 2024 FUR to implement risk-based AML/CFT supervision of DNFBPs. The deficiencies identified in the 2024 FUR remain unaddressed.

### *Weighting and Conclusion*

132. All deficiencies identified in the 2024 FUR persist. Fit and proper checks apply only

to casino directors, with no such requirements for other individuals or ongoing assessments for existing casinos. The licensing framework and fit and proper requirements for real estate agents are not yet operational. DPMS and TCSPs remain without fit and proper requirements. Other DNFBPs also lack sufficient fit and proper requirements. Furthermore, risk-based AML/CFT supervision has not commenced across casinos, DPMS, lawyers, notaries, chartered accountants, registered auditors, and TCSP sectors. For other professionals who engage in activities under criterion 22.1(d), no fit and proper requirements, no designated competent authority or SRB and no AML/CFT supervision or sanctions framework exists. Overall, these gaps represent a moderate deficiency in compliance with Recommendation 28.

133. ***Recommendation 28 remains rated partially compliant.***

***Recommendation 34 [R.34] (Originally rated partially compliant)***

134. Nepal was rated PC for R.34 in its 2023 MER and retained this rating in the 2024 FUR. Since the MER, only one deficiency had been addressed—the issuance of a directive for hire-purchase providers. All other deficiencies persisted at the time of the 2024 FUR, including no directive containing provisions or guidance for real estate agents or TCSPs and no directive at all for lawyers or notaries.

135. **Criterion 34.1 is partly met.** Since the 2024 FUR, the NRB and SEBON have issued guidance on TFS for their respective FI sectors. Nepal also reports that updated directives are under development for the casino, real estate, and DPMS sectors<sup>1</sup>. For the cooperative sector, the DeoC issued an updated directive in January 2025. However, it does not fully align with the ALPA and 2024 ALPR and requires amendments. The newly established regulatory body for savings and credit cooperatives, the NCRA, has not yet issued directives or guidance. None of the other deficiencies identified in the 2024 FUR have been addressed. Additionally, for other sectors with existing AML/CFT directives, no updates have been made following the 2024 amendments to the ALPA.

***Weighting and Conclusion***

136. Since the 2024 FUR, two guidelines relating to TFS have been issued by the NRB and SEBON for their respective FI sectors. For the cooperative sector, the DeoC has issued an updated directive, but it does not fully align with the ALPA and 2024 ALPR. All other deficiencies identified in the 2024 FUR persist. There have been no updates to other supervisory directives following the 2024 amendments to the ALPA. Additionally, the new supervisor for savings and credit cooperatives, the NCRA, has not issued a directive. Considering these gaps, alongside the risks in the cooperative and real estate sectors and the exclusion of lawyers, notaries, and TCSPs from the 2020 NRA, moderate deficiencies remain.

137. ***Recommendation 34 remains rated partially compliant.***

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<sup>3</sup> Nepal reported that updated directives for casinos, real estate agents and DPMS were subsequently issued in July 2025. In accordance with Paragraph 1.11 of the APG Global Fourth Round Transitional Follow-Up Procedures, any progress made after a jurisdiction's reporting deadline (1 June 2025) cannot be considered for the purpose of the current FUR.

*Recommendation 40 [R.40] (Originally rated partially compliant)*

138. Nepal was rated PC for R.40 in its 2023 MER. The report noted that Nepal was capable of providing various forms of international cooperation related to ML, TF and predicate offences within the jurisdiction of the Department of Money Laundering Investigation (DMLI) and the Nepal Police (NP), as well as concerning Nepal’s border issues and AML/CFT supervision. While a clear legal framework supports international cooperation for the DMLI, the FIU, and AML/CFT supervisors—with the FIU maintaining well-defined policies, procedures, and safeguards—the legal basis, policies, procedures, and safeguards remain unclear for other competent authorities that may engage in international cooperation.

139. **Criterion 40.1** is *partly met*. The 2023 MER identified a deficiency in Nepal’s legal framework, noting that the Department of Revenue Investigation (DRI) and the Commission for the Investigation of Abuse of Authority (CIAA) lacked specific mechanisms to enable rapid and comprehensive international cooperation on predicate offences beyond existing bilateral and multilateral agreements. Since its MER, Nepal issued the new ALPR in 2024. Chapter 9 of the 2024 ALPR, titled “Provisions Relating to International Cooperation,” introduces Rule 84, which obliges competent authorities to engage in international cooperation or receive assistance from foreign counterparts, provided it does not harm national interests, is based on mutual understanding, and prioritises risks as established by law. Rule 84 of the 2024 ALPR also permits secure electronic communication and spontaneous information exchanges, allowing agencies to share information without a formal request when necessary to prevent or control offences under domestic law. This provision provides a legal basis for the DRI, CIAA, and other competent authorities to cooperate internationally on predicate offences outside treaty frameworks. However, Rule 84 lacks detailed procedural requirements and institutional responsibilities to ensure consistent application across all authorities.

140. Rule 85 of the 2024 ALPR further guides cooperation between investigating agencies, requiring formal requests for foreign assistance during inquiries, investigations, or judicial proceedings related to predicate offences or money laundering, per Section 12 of the ALPA. Exchanges under Rule 85 must comply with domestic law unless otherwise specified. While Rule 85 supports request-based cooperation, it does not explicitly provide for spontaneous exchanges or clarify applicability to all predicate offences or TF. At the time of the 2023 MER, Sections 39 and 42 of the Prevention of Corruption Act, 2002, enabled freezing requests via diplomatic channels but were limited to corruption-related offences.

141. Overall, the 2024 ALPR partially addresses the gaps identified in the 2023 MER by establishing a general legal framework for international cooperation, including spontaneous exchanges. Nonetheless, the framework remains limited in scope and clarity, lacking explicit mechanisms for spontaneous information exchange beyond Rule 84 and comprehensive coverage of TF. Furthermore, the absence of internal policies or standard operating procedures (SOPs) for law enforcement and investigative authorities, including the DRI and CIAA, may impede effective spontaneous cooperation. As a result, the deficiencies identified in the 2023 MER have not been fully rectified.

142. **Criterion 40.2** is *mostly met*. The 2023 MER identified key shortcomings in Nepal’s legal and institutional framework for international cooperation. Specifically, there was no clear

legal basis enabling all competent authorities to cooperate internationally, and there were no documented mechanisms or procedures addressing the requirements under sub-criteria (c), (d), and (e). The means and channels through which certain authorities—such as the DMLI—engaged in international cooperation were also unclear. Following the 2023 MER, Nepal issued the new ALPR in 2024, which include Chapter 9 on international cooperation, and address some of the identified gaps.

143. *c.40.2(a) – met.* Nepal has improved its legal framework through the 2024 ALPR. Chapter 9 specifically addresses international cooperation, rectifying the deficiencies noted in the 2023 MER.

144. *c.40.2(b) – met.* Rule 84(1) of the 2024 ALPR establishes a lawful basis for all competent authorities to engage in international cooperation. It provides that agencies may cooperate internationally “without adversely affecting national interest,” based on “mutual understanding,” and by “prioritising risk pursuant to the Act.” It also permits the use of “secure electronic means” to facilitate timely cooperation. While the Rule does not explicitly mandate the use of established international mechanisms, it implies a legal basis for using efficient and secure communication channels. As noted in the 2023 MER, there are no legal barriers in the ALPA preventing the use of such mechanisms.

145. *c.40.2(c) – mostly met.* The reference to “secure electronic means” under Rule 84(1) of the 2024 ALPR suggests the use of designated gateways or communication channels. The FIU uses the Egmont Secure Web (ESW) and has Memoranda of Understanding (MoUs) with 16 foreign FIUs. Section 10(5) of the ALPA ensures the confidentiality of information received from foreign counterparts. Similarly, the NRB has MOUs with the central banks of Bangladesh, China, India, and Pakistan, primarily covering licensing and prudential matters, though they may extend to AML/CFT supervision. For the DMLI, Section 12(4) of the ALPA provides confidentiality protections; however, the specific mechanisms or channels it uses for international cooperation remain unclear, and no internal documentation was provided.

146. *c.40.2(d) – met.* Rule 84(1) of the 2024 ALPR requires agencies to prioritise cooperation based on risk and to act as early as possible, offering general guidance on timeliness. The 2023 MER also confirmed that the FIU has processes in place for prioritising and responding to requests in a timely manner.

147. *c.40.2(e) – met.* Rule 85 of the 2024 ALPR supports operational cooperation by requiring investigative agencies, including the DMLI, to seek coordination and assistance from foreign counterparts during investigations or proceedings related to predicate offences or money laundering, in line with Section 12 of the ALPA. It also stipulates that cooperation should follow prevailing legal procedures unless otherwise stated. Furthermore, Section 10(5) and Section 44A of the ALPA ensure that the FIU has policies and procedures for maintaining the security and confidentiality of information received from foreign counterparts (see also criterion 29.6(a)).

148. Overall, while Nepal has made progress through legal reforms and partially addressed the gaps identified in the 2023 MER, key deficiencies remain. In particular, the absence of documented procedures and unclear cooperation mechanisms—especially for agencies like the DMLI—continue to limit the overall effectiveness and clarity of the international cooperation

framework.

149. **Criterion 40.3** is *met*. Chapter 9 of the ALPR, titled Provisions Relating to International Cooperation, addresses the deficiency identified in the 2023 MER under criterion 40.3, which noted that the legal basis for all competent authorities to enter into MOUs in a timely manner was unclear. Rule 84(1) of the 2024 ALPR provides a legal foundation for all competent authorities to enter into MoUs, stating that any agency responsible for a matter may engage in international cooperation or receive assistance from foreign counterparts “without adversely affecting the national interest, on the basis of mutual understanding as needed, and prioritising the risk pursuant to the Act,” and that such cooperation should be conducted “through secure electronic means as earliest as possible.” This provision enables all competent authorities to establish MoUs as needed and in a timely manner. The deficiency identified in the 2023 MER has therefore been addressed.

150. **Criterion 40.4** is *partly met*. Chapter 9 of the 2024 ALPR partially addresses the deficiency identified in the 2023 MER under criterion 40.4. The MER noted that Nepal had not demonstrated whether all competent authorities provide timely feedback or have procedures in place to do so. Rule 84(5) of the 2024 ALPR requires requesting authorities to provide timely feedback to the requested authority regarding the use and usefulness of the information received, stating: “The concerned body shall provide feedback in a timely manner and make necessary arrangements regarding the use and usefulness of information.” While this establishes a general obligation to provide feedback, the specific procedural mechanisms to operationalise and ensure consistent, timely feedback across all competent authorities have not been demonstrated. Accordingly, the deficiencies identified in the 2023 MER remain only partially addressed.

151. **Criterion 40.5** is *met*. Chapter 9 of the 2024 ALPR addresses the deficiency identified in the 2023 MER under criterion 40.5. The MER noted that it was unclear whether all competent authorities—aside from the FIU, DMLI, and AML/CFT supervisors—were able to exchange information without unduly restrictive conditions, as required under Section 12 of the ALPA. Rule 84(1) of the 2024 ALPR establishes that any agency, including all competent authorities, may engage in international cooperation or receive assistance from foreign counterparts, provided such cooperation does not adversely affect national interests and is based on mutual understanding. In addition, Rule 84(6)(a–d) clarifies that certain conditions should not obstruct the exchange of information. Specifically, information exchange should not be hindered by: (i) the nature of the information requested (e.g., banking, financial, tax, or commercial data); (ii) legal secrecy obligations on financial institutions or DNFBPs; (iii) ongoing inquiries, investigations, or proceedings—unless cooperation would directly impede them; and (iv) differences in the nature or status of the requesting and requested authorities. These provisions collectively ensure that information exchange is not subject to unduly restrictive conditions. The deficiency identified in the 2023 MER has therefore been addressed.

152. **Criterion 40.6** is *partly met*. Chapter 9 of the 2024 ALPR partially addresses the deficiency identified in the 2023 MER under criterion 40.6. The MER noted that it was unclear whether Nepal’s competent authorities had clear safeguards to ensure that exchanged information is used only for the intended purpose and by the intended authority. Rule 84(7) of the 2024 ALPR establishes a legal safeguard, stating that information exchanged under the Act

or the Regulation must be used solely for the purpose and by the authority for which it was requested or provided. Use by other agencies is permitted only with prior approval from the competent authority that provided the information. While this provision offers a legal basis for restricting the use of exchanged information, the review team did not observe detailed procedural controls or operational safeguards to ensure consistent implementation of these restrictions in practice. As such, the deficiency identified in the 2023 MER has not been fully addressed.

153. **Criterion 40.7** is *partly met*. Chapter 9 of the 2024 ALPR provides some guidance related to confidentiality and partially addresses the deficiency identified in the 2023 MER under criterion 40.7. The MER noted that, apart from the FIU (see c.29.6), it was unclear whether Nepal's competent authorities had clear policies, procedures, or SOPs to ensure the confidentiality of requests for cooperation and the information exchanged. Rule 84(4) of the 2024 ALPR provides a general obligation to maintain confidentiality, stating that all subjects, documents, and information related to international cooperation must be handled in a confidential manner, in line with the requesting country's requirements or applicable domestic laws. However, the legal framework does not include provisions that allow authorities to refuse to provide information where the requesting authority cannot adequately safeguard its confidentiality. Additionally, there is no evidence of detailed internal procedures or SOPs to operationalise and enforce confidentiality standards across all competent authorities. Therefore, the deficiencies identified in the 2023 MER remain unaddressed.

154. **Criterion 40.8** is *met*. Chapter 3 of the 2024 ALPR addresses the deficiency identified in the 2023 MER under criterion 40.8. The MER noted that there appeared to be no statutory basis allowing competent authorities to conduct inquiries on behalf of foreign counterparts or to exchange such information through international cooperation mechanisms, as referenced under c.40.1 and c.40.2. Rule 21(2) of the 2024 ALPR, titled Cooperation May Be Exchanged Among Regulatory Bodies, establishes a legal basis for competent authorities to carry out inquiries upon request from foreign counterparts. It states that, if a foreign agency performing a similar function requests assistance, the authorised officer shall conduct the inquiry and provide the requested information, in accordance with domestic law. This provision enables competent authorities to conduct inquiries and exchange information with foreign counterparts to the same extent as if the inquiry were conducted domestically. The deficiency identified in the 2023 MER has therefore been addressed.

155. **Criterion 40.9** is *met*. No deficiencies were identified under criterion 40.9 in the 2023 MER. The existing framework was assessed as adequate, and the analysis remains unchanged.

156. **Criterion 40.10** is *met*. No deficiencies were identified under criterion 40.10 in the 2023 MER. The existing framework was assessed as adequate, and the analysis remains unchanged.

157. **Criterion 40.11** is *met*. No deficiencies were identified under criterion 40.11 in the 2023 MER. The existing framework was assessed as adequate, and the analysis remains unchanged.

158. **Criterion 40.12** is *met*. No deficiencies were identified under criterion 40.12 in the

2023 MER. The existing framework was assessed as adequate, and the analysis remains unchanged.

159. **Criterion 40.13** is *met*. No deficiencies were identified under criterion 40.13 in the 2023 MER. The existing framework was assessed as adequate, and the analysis remains unchanged.

160. **Criterion 40.14** is *met*. Chapter 3 of the 2024 ALPR addresses the deficiency identified in the 2023 MER under criterion 40.14, which noted that there was no legal basis for the exchange of prudential information under the ALPA or ALPR. Rule 21(1)(b) and (c) of the 2024 ALPR now provides Nepal’s financial sector supervisors with a clear legal basis to exchange supervisory information, including information relevant to both prudential and AML/CFT supervision, with foreign counterparts in line with international standards. Specifically, the Rule permits regulatory bodies to: (i) obtain and share information from reporting entities under their jurisdiction upon request from a foreign counterpart; and (ii) provide any information within their legal authority if it is deemed to support crime prevention under the Act. Nepal clarified that “supervisory information” includes both prudential and AML/CFT-related data, such as business operations, beneficial ownership, management, supervisory concerns, and fit-and-proper assessments. The deficiency identified in the 2023 MER has therefore been addressed.

161. **Criterion 40.15** is *met*. Chapter 3 of the 2024 ALPR addresses the deficiency identified in the 2023 MER under criterion 40.15. The MER noted that the ALPA and ALPR did not contain provisions allowing foreign counterparts to conduct inquiries in Nepal to support effective group supervision. Rule 21(3) of the 2024 ALPR now provides a legal basis for regulatory bodies to either conduct inquiries on behalf of foreign counterparts or to facilitate such counterparts in carrying out their own inquiries within Nepal, for the purpose of effective group supervision. This amendment supports cross-border supervisory cooperation and aligns with international standards. The deficiency identified in the 2023 MER has therefore been addressed.

162. **Criterion 40.16** is *mostly met*. Chapter 9 of the 2024 ALPR partially addresses the deficiency identified in the 2023 MER under criterion 40.16. The MER highlighted the absence of specific provisions requiring prior authorisation from the requested financial supervisor before disseminating or further exchanging information received. Rule 84(7) of the 2024 ALPR states that information exchanged must be used solely for the purpose and by the authority for which it was requested. It further provides that the information may only be used by other agencies with the prior approval of the “concerned authority.” However, the rule does not explicitly identify the financial supervisor as the authority responsible for granting such approval, nor does it clearly require prior authorisation before the initial dissemination or further exchange of information. As a result, while the provision offers some safeguards, it does not fully meet the requirements of criterion 40.16. The deficiency identified in the 2023 MER has not been fully addressed.

163. **Criterion 40.17** is *mostly met*. Chapters 9 and 10 of the 2024 ALPR partially address the deficiency identified in the 2023 MER under criterion 40.17, which noted the absence of a clear legal basis for LEAs and investigative authorities to exchange domestically available

information with foreign counterparts. Rule 85 of the 2024 ALPR establishes a legal basis for LEAs and investigative authorities to request and provide assistance to foreign counterparts during inquiries, investigations, or judicial proceedings related to money laundering and associated predicate offences. It states that such exchanges must be conducted in accordance with applicable domestic law. Additionally, Rule 86(1)(c) of the 2024 ALPR authorises DMLI to establish mutual understanding with foreign counterparts pursuant to Section 12(3) of the Act, supporting international cooperation efforts. However, the legal and procedural framework does not explicitly cover the exchange of information related to TF or the identification and tracing of proceeds and instrumentalities of crime for intelligence or investigative purposes. Accordingly, the deficiencies identified in the 2023 MER have not been fully addressed.

164. **Criterion 40.18** is *met*. Chapters 9 and 10 of the 2024 ALPR address the deficiencies identified in the 2023 MER under criterion 40.18, which found that law enforcement and investigative authorities had gaps in their investigative powers (refer to R.31) and lacked a clear legal basis for all forms of international cooperation. The 2024 FUR confirmed that these deficiencies regarding investigative powers have been addressed, with R.31 upgraded to *largely compliant*. In relation to international cooperation, Rules 85 and 86(1)(c) of the 2024 ALPR provide a legal basis for LEAs and investigative authorities to engage in cooperation with foreign counterparts, including conducting inquiries and exchanging information for intelligence or investigative purposes related to money laundering and predicate offences. Rule 85 enables agencies to request or provide assistance during inquiries, investigations, or judicial proceedings, and specifies that such cooperation must follow domestic procedures unless otherwise stated. Rule 86(1)(c) further empowers DMLI to establish mutual understanding with foreign counterparts under Section 12(3) of the Act. These provisions collectively support the legal framework for international cooperation. The deficiencies identified in the 2023 MER have been addressed.

165. **Criterion 40.19** is *partly met*. Chapters 9 and 10 of the 2024 ALPR provide partial legislative guidance addressing the deficiency identified in the 2023 MER under criterion 40.19. The MER had noted that LEAs, other than DMLI, lacked a clear legal basis to establish mutual understandings with foreign counterparts regarding the terms and conditions for joint investigations. While not explicitly stated, Rules 85 and 86(1)(c) of the 2024 ALPR provide a general legal basis for such cooperation. Rule 85 allows LEAs and investigative authorities to request and provide coordination and assistance during inquiries, investigations, or judicial proceedings related to money laundering and predicate offences and requires the use of domestic procedures unless otherwise specified. Additionally, Rule 86(1)(c) authorises DMLI to establish mutual understandings with foreign counterparts pursuant to Section 12(3) of the Act, which can support the framework for joint investigations. However, while the legal framework now permits the formation of joint investigative teams and cooperation with foreign authorities, there is no evidence of supporting institutional policies or internal standard SOPs to operationalise these provisions in practice. Accordingly, the deficiencies identified in the 2023 MER have not been fully addressed.

166. **Criterion 40.20** is *partly met*. Chapter 9 of the 2024 ALPR provides partial guidance addressing the deficiency identified in the 2023 MER under criterion 40.20. The MER had

noted the absence of provisions allowing for the indirect exchange of information with non-counterpart authorities. Rule 84(8) of the 2024 ALPR permits any agency to facilitate indirect exchanges by coordinating with the competent authority that holds jurisdiction over the requested information: *"If the details, information or notice requested by a foreign counterpart is not within the direct jurisdiction of such body, it shall make a request to the body having direct jurisdiction or coordinate with such body to provide the details, information or notice as requested."*

167. While this provision allows for indirect cooperation, there is no legislative requirement for the requesting agency to clearly specify the purpose of the request or on whose behalf it is being made. As such, the deficiencies identified in the 2023 MER have not been fully addressed.

### *Weighting and Conclusion*

168. The 2024 ALPR has strengthened Nepal's legal framework for international cooperation. Chapters 9 and 10 of the ALPR introduce and clarify provisions relating to international cooperation and miscellaneous matters, addressing several of the deficiencies noted in the 2023 MER. Notably, the 2024 ALPR establishes a general legal basis that allows all competent authorities—including LEAs and investigative bodies—to engage in broad and timely international cooperation, including with foreign counterparts outside formal bilateral or multilateral agreements. The legislative framework also removes unduly restrictive conditions on the exchange of information, permits competent authorities to carry out inquiries on behalf of foreign counterparts, facilitates joint investigations, and allows foreign counterparts to conduct inquiries in Nepal for group supervision purposes.

169. However, while the legal basis has been improved, several technical and procedural deficiencies remain. The 2024 ALPR does not explicitly provide for the exchange of domestically available information related to terrorist financing for intelligence or investigative purposes. Additionally, the legal and procedural safeguards to ensure that exchanged information is used solely for authorised purposes and by the intended authorities are not clearly set out. The requirement for agencies making indirect information requests to disclose the purpose and origin of such requests is also not addressed. Furthermore, the role of financial supervisors in granting prior authorisation for further dissemination of shared information is unclear, as is the authority to refuse information exchange where confidentiality cannot be guaranteed.

170. ***Recommendation 40 remains rated partially compliant.***

## **V. CONCLUSION**

171. Overall, Nepal has demonstrated progress in addressing the technical compliance deficiencies identified in its 2023 MER and 2024 FUR. However, this progress remains insufficient to warrant an upgrade of the ratings for the recommendations under review, including R.6, R.7, R.24, R.25, R.26, R.28, R.34, and R.40.

172. A summary table setting out the underlying deficiencies for each of the recommendations assessed in this report is included at Annex A.

173. Overall, in light of the progress made by Nepal since its MER was adopted, its technical compliance with the FATF Recommendations as follows as of the reporting date 1 June 2025:

| <b>R.</b> | <b>Rating</b>                            |
|-----------|------------------------------------------|
| 1         | PC (2023 MER, 2024 FUR)                  |
| 2         | PC (2023 MER), ↑ LC (2024 FUR)           |
| 3         | LC (2023 MER)                            |
| 4         | LC (2023 MER)                            |
| 5         | LC (2023 MER)                            |
| 6         | PC (2023 MER, 2024 FUR, 2025 FUR)        |
| 7         | NC (2023 MER), ↑ PC (2024 FUR, 2025 FUR) |
| 8         | NC (2023 MER, 2024 FUR)                  |
| 9         | LC (2023 MER)                            |
| 10        | PC (2023 MER), ↑ LC (2024 FUR)           |
| 11        | C (2023 MER)                             |
| 12        | LC (2023 MER)                            |
| 13        | LC (2023 MER)                            |
| 14        | LC (2023 MER)                            |
| 15        | NC (2023 MER), ↑ PC (2024 FUR)           |
| 16        | LC (2023 MER)                            |
| 17        | LC (2023 MER)                            |
| 18        | LC (2023 MER)                            |
| 19        | PC (2023 MER), ↑ LC (2024 FUR)           |
| 20        | C (2023 MER)                             |

| <b>R.</b> | <b>Rating</b>                     |
|-----------|-----------------------------------|
| 21        | C (2023 MER)                      |
| 22        | PC (2023 MER), ↑ LC (2024 FUR)    |
| 23        | PC (2023 MER), ↑ LC (2024 FUR)    |
| 24        | PC (2023 MER, 2024 FUR, 2025 FUR) |
| 25        | PC (2023 MER, 2024 FUR, 2025 FUR) |
| 26        | PC (2023 MER, 2024 FUR, 2025 FUR) |
| 27        | C (2023 MER)                      |
| 28        | PC (2023 MER, 2024 FUR, 2025 FUR) |
| 29        | C (2023 MER)                      |
| 30        | LC (2023 MER)                     |
| 31        | PC (2023 MER), ↑ LC (2024 FUR)    |
| 32        | LC (2023 MER)                     |
| 33        | LC (2023 MER)                     |
| 34        | PC (2023 MER, 2024 FUR, 2025 FUR) |
| 35        | LC (2023 MER)                     |
| 36        | LC (2023 MER)                     |
| 37        | LC (2023 MER)                     |
| 38        | PC (2023 MER), ↑ LC (2024 FUR)    |
| 39        | PC (2023 MER)                     |
| 40        | PC (2023 MER, 2025 FUR)           |

174. Nepal has 28 Recommendations rated C/LC.

*Summary of Technical Compliance – Deficiencies underlying the ratings <sup>4</sup>*

| <b>Compliance with FATF Recommendations</b>               |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Recommendation</b>                                     | <b>Rating</b>                     | <b>Factor(s) underlying the rating<sup>5</sup></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 6. Targeted financial sanctions related to terrorism & TF | PC (2023 MER, 2024 FUR, 2025 FUR) | <ul style="list-style-type: none"> <li>• No evidence of procedures or mechanisms to collect or solicit information in order to identify persons, groups, or entities that, based on reasonable ground or a reasonable basis to suspect or believe, meet the criteria for designation, have been established or developed by MoHA and the Counter-Terrorism Mechanism–Technical Committee (c.6.3(a)).</li> <li>• No explicit provision in the ALPA or 2024 ALPR that authorises <i>ex parte</i> action in cases where individuals or entities are being considered for domestic designation. While Chapter III of the 2025 IP-TFS refers to the ability of MoHA and the Counter-Terrorism Mechanism–Technical Committee to act <i>ex parte</i> during the designation process, this authority is not clearly embedded in primary or secondary legislation (c. 6.3(b)).</li> <li>• Freezing orders have not consistently been issued without delay. The orders do not clearly reference to the relevant UNSCRs, nor do they specify the individuals or entities subject to the freezing measures. The restricted access to the TFS portal limits the clarity and accessibility of sanctions obligations for REs and other stakeholders in Nepal (c.6.4).</li> <li>• The legal framework lacks an explicit prohibition on third parties providing funds or services for the benefit of designated persons when the assets are not owned or controlled by them. While operational guidance addresses this,</li> </ul> |

<sup>4</sup> Ratings and factors underlying the ratings are only included for those recommendations under review in this FUR.

<sup>5</sup> Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.

| <b>Compliance with FATF Recommendations</b>              |                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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| <b>Recommendation</b>                                    | <b>Rating</b>                          | <b>Factor(s) underlying the rating<sup>5</sup></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                                          |                                        | <p>it is not codified in law, limiting enforceability. (c.6.5(c)).</p> <ul style="list-style-type: none"> <li>• As the TFS portal is limited to registered users, and excludes several DNFBP supervisors, there is no assurance of the timely and broad dissemination of freezing obligations, and no guidance on TFS has been developed or disseminated for other FIs and DNFBPs (excluding those are supervised by NRB and SEBON NRB and SEBON) (c.6.5(d)).</li> <li>• Current legal framework lacks explicit safeguards against arbitrary freezing and does not guarantee compensation for good-faith third parties (c. 6.5(f)).</li> <li>• Sections 29H(1)–(3) of the 2024 ALPA and Rule 67(6) of the ALPR require MoHA to publish delisting notices online and share them with regulators, the FIU, and reporting entities. However, there is no evidence that these publications and notifications have been carried out in practice, Furthermore, no guidance has been developed or disseminated for other FIs and DNFBPs (excluding those are supervised by NRB and SEBON) (c. 6.6(g)).</li> </ul> |
| 7. Targeted financial sanctions related to proliferation | NC (2023 MER), PC (2024 FUR, 2025 FUR) | <ul style="list-style-type: none"> <li>• Nepal has not demonstrated that freezing orders are issued within 24 hours of UN designations, with submitted freezing orders lacking references to relevant UNSCRs and provisions for future updates. While a dedicated online portal was launched in 2025 to disseminate designations and freezing orders to competent authorities, it remains restricted to registered users including NRB, SEBON, DoLMA, DeoC, IRD, NIA, OCR, and NP. The portal’s access is currently limited to these agencies and has not been made available to other DNFBP supervisory bodies, such as MoCTCA, NBC, NNPC, and ICAN. This limits transparency and timely access for all stakeholders, including REs (c.7.1).</li> </ul>                                                                                                                                                                                                                                                                                                                                                   |

| <b>Compliance with FATF Recommendations</b> |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <b>Recommendation</b>                       | <b>Rating</b> | <b>Factor(s) underlying the rating<sup>5</sup></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                             |               | <ul style="list-style-type: none"> <li>• No legislative updates have been made to the ALPA since the 2024 FUR, and Section 29G does not fully meet the requirement to prohibit directly or indirectly making funds or assets available to designated persons or entities except as authorized by relevant UNSCRs. There is lack of a clear prohibition on providing assets and the necessary exceptions aligned with UNSCRs (c.7.2(c)).</li> <li>• No evidence of guidance has been provided to other DNFBPs or sectors that might hold targeted assets. No specific provisions in the 2025 IP-TFS regarding obligations for FIs and DNFBPs to comply including any provisions related to sanctions for non-compliance (c.7.2(d)).</li> <li>• Current legal framework lacks explicit safeguards against arbitrary freezing and does not guarantee compensation for good-faith third parties (c.7.2(f)).</li> <li>• The framework includes the right of individuals designated under the Al-Qaida Sanctions List to petition the UN Ombudsperson; however, there is no explicit reference to the UN Focal Point mechanism under UNSCR 1730 for other UN designations, nor is there clear public information informing petitioners of this right (c.7.4(a)).</li> <li>• Nepal’s procedure for unfreezing false positives is unclear and is not publicly available (c.7.4(b)).</li> <li>• Although a secure TFS portal exists for communicating delisting and unfreezing notices, the access is currently limited to particular agencies, including NRB, SEBON, DoLMA, DeoC, IRD, NIA, OCR, and NP, and has not been made available to other DNFBP supervisory bodies, such as MoCTCA, NBC, NNPC, and ICAN. s. Additionally, Nepal has not demonstrated effective communication</li> </ul> |

| Compliance with FATF Recommendations                       |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| Recommendation                                             | Rating                            | Factor(s) underlying the rating <sup>5</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                            |                                   | <p>mechanisms or issued clear guidance to DNFBPs regarding their delisting obligations. (c.7.4.(d)).</p> <ul style="list-style-type: none"> <li>Section 29H(5) of the ALPA does not clearly address payments or earnings linked to pre-existing contractual obligations. Rule 72 of the ALPR outlines permissible expenses but does not explicitly cover payments under pre-existing contracts as required. There is no detailed guidance on how the MoHA assesses applications related to contractual obligations, creating ambiguity in decision-making and implementation (c.7.5).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 24. Transparency and beneficial ownership of legal persons | PC (2023 MER, 2024 FUR, 2025 FUR) | <ul style="list-style-type: none"> <li>Nepal has not assessed the ML/TF associated with all types of legal persons created in Nepal (c.24.2).</li> <li>All other information held by the OCR on private companies and held by the company itself is not publicly available. It is unclear what information is required to be maintained in the register of foreign companies. All other information held on foreign companies is not publicly available. There is no provision for the basic information of Associations and Cooperations, including the members, to be made publicly available (c.24.3).</li> <li>Subrule 76(c) of the 2024 ALPR only applies to shareholdings of 15% or more, whereas c.24.4 requires information on all shareholdings to be recorded, regardless of threshold. Sections 35A and 35B of the ALPA address bearer shares and legal arrangements operated by foreign persons but do not cover foreign companies more generally (c.24.4).</li> <li>Current measures under Sections 35A and 35C of the ALPA, and Rule 76 of the 2024 ALPR provides a mechanism to ensure accurate and up-to-date information on BO, directors and members of cooperatives, which address prior concerns under 24.5. However, gaps remain under c.24.3 and c.24.4, and as such, this criterion remains only partly addressed (c.24.5).</li> </ul> |

| <b>Compliance with FATF Recommendations</b> |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <b>Recommendation</b>                       | <b>Rating</b> | <b>Factor(s) underlying the rating<sup>5</sup></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                             |               | <ul style="list-style-type: none"> <li>• Rule 76(3) allows up to three months to report changes in ownership or control, which may be too long to ensure timely updates to beneficial ownership (BO) information, as required under international standards (c.24.7).</li> <li>• The legal framework does not require legal persons to appoint a resident natural person accountable to competent authorities. There is no requirement to designate a DNFBP or establish an alternative mechanism that achieves the same objective. Rule 77 of the ALPR only requires a contact person for BO information submission, but this does not ensure full cooperation with competent authorities or cover broader obligations (c.24.8).</li> <li>• Section 35A(5) of the ALPA does not extend obligations to administrators, liquidators, or other persons involved in company dissolution, leaving a gap in ensuring continued access to BO information during dissolution. While Rules under Section 76 of the ALPR introduce obligations and timeframes for BO information collection and verification, these measures remain incomplete and do not fully meet the criterion (c.24.9).</li> <li>• Limitations in the recording and accessibility of company information in the registry may hinder the timely availability of information to competent authorities (c.24.10)</li> <li>• Nepal has not introduced any licensing or other risk mitigation requirements in relation to nominee arrangements (c.24.12).</li> <li>• Sanctions for requirements under R.24 are not proportionate or dissuasive (c.24.13).</li> <li>• It remains unclear whether the framework includes the exchange of information on</li> </ul> |

| Compliance with FATF Recommendations                            |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
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| Recommendation                                                  | Rating                            | Factor(s) underlying the rating <sup>5</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                                                 |                                   | <p>shareholders, beyond what is covered under BO provisions (c.24.14).</p> <ul style="list-style-type: none"> <li>No mechanism for monitoring the quality of assistance it receives from other countries in response to requests for basic and BO information or requests for assistance in locating beneficial owners residing abroad (c.24.15).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 25. Transparency and beneficial ownership of legal arrangements | PC (2023 MER, 2024 FUR, 2025 FUR) | <ul style="list-style-type: none"> <li>The legal provisions cited (Section 35B of the ALPA, Rules 77–79 of the ALPR, and Section 37 of the National Civil Procedural Code) do not cover all beneficiaries of a trust or other persons with effective control. The requirements do not extend to all natural or legal persons who may ultimately exercise effective control over the trust, leaving key gaps in transparency (c.25.1).</li> <li>Section 35B(3) of the ALPA requires immediate notification of BO updates, while Rule 76(3) of the ALPR allows a three-month delay, creating a conflict that undermines timely data updates. The three-month reporting window limits the accuracy and currency of BO information, preventing full compliance with the criterion (c.25.2).</li> <li>Section 35B(2) of the ALPA does not require trustees to disclose their status when conducting occasional transactions—only when they become clients (c.25.3).</li> <li>Nepal has not demonstrated timely access to BO information for law enforcement and investigative authorities; and lack of clarity on which regulatory bodies are responsible for enforcement (c.25.5).</li> <li>Some shortcomings remain in terms of the BO information held by registries - it still does not appear to cover any assets held or managed by the FI or DNFBP. There are also deficiencies in the scope of BO information held by FIs and DNFBPs that would have an impact under 25.6(c) – (c.25.6).</li> </ul> |

| <b>Compliance with FATF Recommendations</b>              |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <b>Recommendation</b>                                    | <b>Rating</b>                     | <b>Factor(s) underlying the rating<sup>5</sup></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                                          |                                   | <ul style="list-style-type: none"> <li>• While ALPA includes new sanctions for BO non-compliance, no clarity has been provided on the application of sanctions under the National Civil Code (c.25.7).</li> <li>• Although sanctions exist under the ALPA, there is continued lack of clarity on which agencies are responsible for enforcing them (c.25.8).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 26. Regulation and supervision of financial institutions | PC (2023 MER, 2024 FUR, 2025 FUR) | <ul style="list-style-type: none"> <li>• The fit and proper requirements for the banking sector, cooperatives, securities FIs, insurance FIs, CIT, and EPF remain unchanged since the 2024 FUR. No information provided on fit and proper requirements for pension funds (c.26.3).</li> <li>• Preliminary planning for AML/CFT supervision of savings and credit cooperatives has begun, including development of a risk profiling tool and data collection. However, no supervision has commenced under the new framework, and NRB is not yet appointed as AML/CFT supervisor for cooperatives. No progress in other FI sectors; previous deficiencies in the 2024 FUR remain unaddressed (c.26.4).</li> <li>• DeoC developed a risk profiling tool and supervision manual for cooperatives, but details and copies have not been provided. NCRA has not yet conducted any AML/CFT supervision. PSP sector supervision updated with a ML/TF risk assessment tool for PSPs, but not PSOs. No updates for other FI sectors; deficiencies for NRB (excluding PSPs), DeoC, NIA, SEBON, and IRD remain unaddressed (c.26.5).</li> <li>• Rule 22(2) of the ALPR mandates periodic and event-driven risk profile reviews. Only the PSP sector has formally implemented these requirements. Other financial sectors and NCRA have not updated supervisory frameworks accordingly (c.26.6).</li> </ul> |
| 28. Regulation and supervision of DNFBPs                 | PC (2023 MER, 2024 FUR, 2025 FUR) | <ul style="list-style-type: none"> <li>• No changes to categories of persons subject to fit and proper requirements since 2024 FUR. Ongoing fit and proper assessments for existing</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

| <b>Compliance with FATF Recommendations</b> |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <b>Recommendation</b>                       | <b>Rating</b>                     | <b>Factor(s) underlying the rating<sup>5</sup></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                             |                                   | <p>casino operators have not been updated. AML/CFT supervision of the casino sector has not commenced (c.28.1).</p> <ul style="list-style-type: none"> <li>• No AML/CFT supervisor is designated for other professionals (that are not lawyers, notaries, chartered accountants or registered auditors) that undertake the activities defined in c.22.1(d) and s2(n)(4) of the ALPA (c.28.2).</li> <li>• No designated supervisor or monitoring system for professionals other than lawyers, notaries, chartered accountants, and registered auditors (c.28.3).</li> <li>• No progress on market entry controls or fit and proper requirements for DNFBP sectors. For real estate agents, the licensing framework and the application of fit and proper requirements are not yet in force. For other professionals (that are not lawyers, notaries, chartered accountants or registered auditors) that undertake the activities in c.22.1(d) and s2(n)(4) of the ALPA, there is no designated competent authority or SRB. For these DNFBPs, there are no provisions to prevent ownership, control or management by criminals. No sanctions may be imposed on other professionals undertaking activities set out in c.22.1(d) and s2(n)(4) of the ALPA, who have no designated regulatory body (c.28.4).</li> <li>• Supervision manuals for casinos, real estate, and DPMS sectors are still under development or pending approval. No implementation of risk-based AML/CFT supervision for DNFBPs to date (c.28.5)</li> </ul> |
| 34. Guidance and feedback                   | PC (2023 MER, 2024 FUR, 2025 FUR) | <ul style="list-style-type: none"> <li>• Directives for the casino, real estate, and DPMS sectors are under development but remain incomplete. The newly established NCRA for savings and credit cooperatives has not issued any directives, as it is still being formed. No progress has been made on addressing other deficiencies identified in the 2024 FUR. Existing</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Compliance with FATF Recommendations         |                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| Recommendation                               | Rating                  | Factor(s) underlying the rating <sup>5</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                              |                         | AML/CFT directives have not been updated following the 2024 ALPA amendments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 40. Other forms of international cooperation | PC (2023 MER, 2025 FUR) | <ul style="list-style-type: none"> <li>• Although the 2024 ALPR introduced provisions (Rules 84 and 85) to facilitate international cooperation on predicate offences beyond treaty frameworks, these lack detailed procedural requirements and clear institutional responsibilities to ensure consistent application across authorities. Rule 84 does not include comprehensive mechanisms or explicit coverage of all predicate offences and TF. Rule 85 lacks provisions for spontaneous exchanges and clarity on applicability to all predicate offences and TF. Existing legislation still limits certain cooperation measures to corruption-related offences only. No internal policies or SOPs for key authorities such as the DRI and CIAA to guide effective spontaneous international cooperation (c.40.1).</li> <li>• Lack of clarity regarding the specific communication mechanisms or channels used by other key authorities such as the DMLI. No internal documentation or formal procedures were provided to demonstrate consistent use of secure channels across all competent authorities (c.40.2(c)).</li> <li>• No detailed procedural mechanisms and institutional arrangements to ensure consistent, timely feedback from all competent authorities have not been demonstrated, leaving this deficiency only partially addressed (c.40.4).</li> <li>• Rule 84(7) provides a legal safeguard requiring that exchanged information be used solely for the intended purpose and by the intended authority, with use by others permitted only with prior approval. Despite this legal basis, there is no evidence of detailed procedural controls or operational safeguards to ensure consistent implementation of these restrictions in practice (c.40.6).</li> </ul> |

| <b>Compliance with FATF Recommendations</b> |               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| <b>Recommendation</b>                       | <b>Rating</b> | <b>Factor(s) underlying the rating<sup>5</sup></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                             |               | <ul style="list-style-type: none"> <li>• The current legal framework lacks provisions allowing authorities to refuse cooperation if confidentiality cannot be adequately safeguarded by the requesting party. No internal policies, SOPs, or procedures were demonstrated for ensuring confidentiality standards across all competent authorities (c.40.7).</li> <li>• The current legal framework does not explicitly identify the financial supervisor as the authority responsible for granting such approval, nor does it clearly require prior authorisation before further dissemination of the information (c.40.16).</li> <li>• The current legal framework does not explicitly cover TF or the exchange of information for identification/tracing of criminal proceeds or instrumentalities (c.40.17).</li> <li>• No clear legal basis exists for LEAs (other than DMLI) to establish mutual agreements for joint investigations. No evidence of institutional policies or SOPs to implement joint investigations in practice (c.40.19).</li> <li>• No requirement for the requesting authority to specify the purpose or on whose behalf the request is made. This limits transparency and accountability (c.40.20).</li> </ul> |