National ML, TF & PF Risk Overview, 2026 & the Cooperatives Sectors

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How the Assessment Was Carried Out

Purpose	Identify ML/TF/PF threats and vulnerabilities, gaps in law and practice, and emerging trends; recommend improvements
Period	Last five years, focusing on the post-MER period (2021 to mid-2026)
Method	World Bank NRA tool: threat × vulnerability on a five-point scale; self-assessment for PF
Coverage	All proceeds-generating offences; all financial and non-financial sectors, NPOs, legal persons, virtual assets and financial inclusion
Confidence	Medium-High; limited by scattered data on confiscation, cross-border flows, legal persons and the informal economy

Process

1. Orientation on method to all agencies
2. 30+ sectoral risk assessments (ALPA s.35)
3. Three close camps, 18 working days
4. Three-day workshop with World Bank experts
5. Review by the Coordination Committee
6. **Approved by the Directive Committee, 2 Sept 2026**

Source: NRA 2026, Chapter 1; Key Findings, section 1.1

Background

- FATF requirements-expectation vs. reality
- Nepal laws
- Mutual Evaluation Report 2023
- FATF Grey List actions items
- World Bank Methodology
- Around 30 Sectoral Assessment Reports with private sector participation
- NRA 2020
- More than 100 Acts/laws, more than 50 entities, more than 85000 REs & judicial decisions, etc.
- Other independent reports

Conceptual Background to ML/TF/PF Risks (WB)



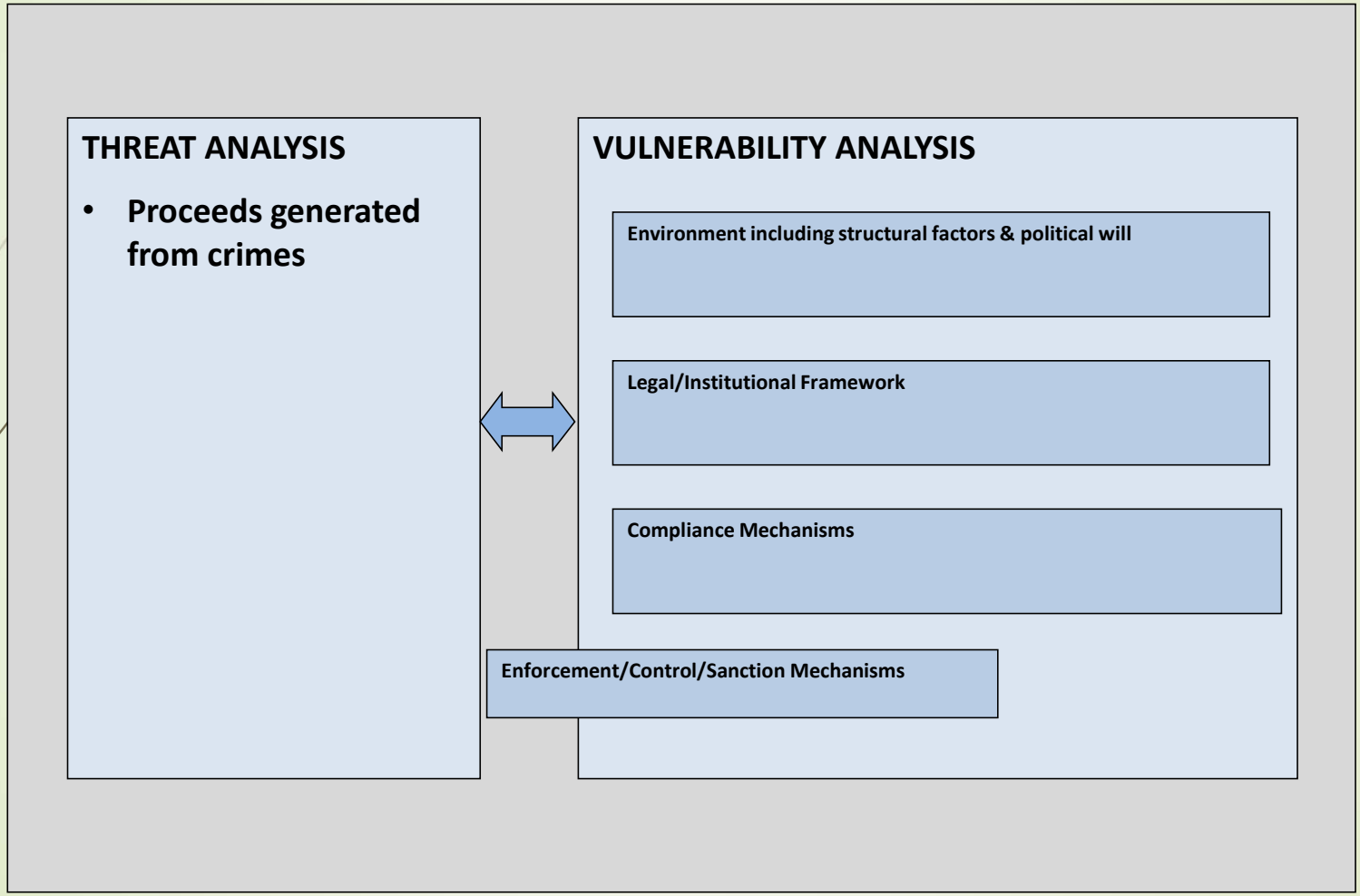
THREAT

VULNERABILITY





Threat and Vulnerability



Sectoral Risk Assessments

S.N.	Vulnerability Sectors	S.N.	Threat Sectors	S.N.	Others
1	Banking	1	Corruption-CIAA including Nepali Army	1	Non Profit Organizations
2	PSP/PSOs (FinTech)	2	Predicate Offence and ML/TF offences-OAG	2	Legal Persons and Legal Arrangements
3	Remittance	3	Money Laundering- DMLI	3	Financial Inclusion
4	Cooperatives	4	Threat- Nepal Police	4	Terror Financing and TFS
5	Securities	5	Environmental Crimes- DNPWC		
6	Insurance	6	Environmental Crimes- DoFSC		
7	Pension Funds	7	Human Trafficking, Smuggling and Foreign Employment Frauds- DOFE		
8	Vehicle Dealers	8	FIU		
9	Precious Metals and Stones	9	Hundi		
10	Casinos	10	Tax Evasion-Tax, Customs and DRI		
11	Real Estate	11	Judicial Council		
12/13/14	Independent Legal/Notary/Accounting Professionals	12	Supreme Court Judgment Execution Directorate		
15	Trust and Company Service Providers				
16	Virtual Assets/VASP				

National ML Risk

- Overall ML risk to Nepal is '**Medium High**', with overall threat is **'High'** and overall national vulnerability is **'Medium'**.

National ML Risk Matrix

OVERALL THREAT	L	ML	M	MH	H
H	M	M	MH	H	H
MH	M	M	MH	MH	H
M	ML	M	M	MH	MH
ML	ML	ML	M	M	M
L	L	ML	ML	M	M

OVERALL VULNERABILITY

National TF and TFS on TF/PF Risk

- Overall TF risk is **Medium Low** including TFS on TF but the domestic TF-crime is assessed **Low**.
- Global/regional TF risk for Nepal is **Medium Low.**
- TFS on TF is **'Medium Low'.**
- TF threat & vulnerability both is assessed **'Medium Low'** but commercial banks face '**Medium**' risk.
- Overall national PF risk in Nepal is **'Low',** overall threat is **'Low'** and overall national vulnerability is also **'Low'** but commercial banks face '**Medium Low**'

National Overview

- Crime landscape-substantially moved from physical to financial
- Broadly adequate and improving legal & institutional frameworks
- Enforcement chain - operational but with a few exceptional works in the enforcement and casino sectors
- Understanding the benefits of the system at lower side with undue hallucinations
- Long time taken to accept the system as a broader governance issue
- Verbal high level ownership at public and private sectors but moving from word to action in the later period
- Different understanding of the public & media- as a panacea including prejudiced notions vs. imposed matter
- Dilemma -AML cum or vs business

Risk Overview

- Human resource generally competent to initiate works with value addition needed in complexities
- System severely compromised by the rotation systems including the lack of pool of experts
- Compliance-oriented supervision and preventive measures with low supervisory delivery & enforcement outcomes,
- Financial intelligence conversion with STR concentrated in the banking sector
- Asset recovery particularly the management of the proceeds of crimes and instrumentalities -the most consequential execution gap
- Lack of risk based approach across all sectors with resources used for lower risks works not supporting to demonstrate the country's performance
- Less institutionalized and less risk based modus operandi in preventive sector,
- Enforcement continues to rely on corrective measures and moral suasion rather than proportionate and dissuasive sanctions

Threat Level by Offence

High	**Corruption and bribery (incl. policy-level corruption, loss of public property, disproportionate wealth) · Tax evasion (under- and over-invoicing) · Customs fraud and trade-based money laundering · Cooperative fraud · Cyber-enabled fraud · Hundi · Virtual currency · Abuse of legal vehicles · Organised financial crime**
Medium-High	Forgery and use of others' documents · Human trafficking/smuggling and foreign-employment fraud · Securities market manipulation and insider trading · Misuse of bank loans; insurance offences through legal persons (emerging) · Organised gold smuggling · Online betting and gambling · Environment, forest and wildlife offences
Medium	Narcotics · General fraud · Insurance (general) · Counterfeit currency · Extortion · Illegal lending (meter byaj) · Theft and robbery · Routine lower-value tax evasion · Donation-related offences
Medium-Low	Arms and ammunition · Black marketing · Counterfeit goods and piracy · Physical gambling and lotteries · Kidnapping and hostage-taking · Dishonour of cheques · Cross-border terrorist financing
Low	All other offences

Source: NRA 2026 Key Findings, Table 2

Sectoral Vulnerability Map

Sector	Risk Level (ML)	Risk Level (TFS on TF)	Risk Level (TFS on PF)
REs			
Banking	Medium-High	Medium Low except commercial banking as medium	Low except commercial banking as medium low
Cooperatives	Medium-High	Low	Low
Securities	Medium-High	Low	Low
Insurance	Medium	Low	Low
FinTech (PSP/PSOs)	Medium-High	Medium Low	Low
Remittance/Hundi	Medium-High	Medium Low	Low
Pension Funds	Medium for big credit product	Low	Low
DPMS	High	Low	Low
Real Estate	High	Low	Low
Casinos	Medium-High	Medium Low	Low
Lawyers	Medium	Low	Low
Notaries	Medium-Low	Low	Low
Accountants	Medium	Low	Low
TCSPs	Medium Low	Low	Low
Vehicle Dealer	Medium	Low	Low
Other sectors			
Legal Persons	High	Low	Low
Legal Arrangements	Low	Low	Low
NPO for TF	-	Medium Low	Low
NPO for ML	Medium	-	-
Financial Inclusion	Medium	Low	Low
VA/VASP-Emerging (Prohibited)	High	-	Low

National Priority Order

Sector	Priority for AML	Priority for TF, TFS on TF	Priority for TFS on PF
Banking	1	1	1
Cooperatives	3	-	-
Securities	7		
Insurance	9	2	2
FinTech (PSP/PSOs)	6	2	2
Remittance/Hundi	2	2	2
Pension Funds	10 (for big credit)		
DPMS	5		
Real Estate	4		
Casinos	6		
Lawyers	11		
Notaries	13		
Accountants	11		
Vehicle Dealer	9		
Legal Persons (Abuse)	2		
NPO for TF	10	2	2
NPO for ML	7		
Financial Inclusion	8		
VA/VASP-Emerging (Prohibited)	4	2	2

How Ratings Are Read

High — Significant risk: immediate and sustained priority attention

Medium-High — Elevated risk: enhanced measures and close monitoring

Medium — Material risk: standard measures applied consistently

Medium-Low — Limited but present: proportionate measures

Low — Low risk: basic measures and periodic review

A rating sets priority. It is not an exemption.

◀ **Money laundering: threat High × vulnerability Medium = Medium-High**

THREAT \ VULNERABILITY	Low	Med-Low	Medium	Med-High	High
High	Medium	Medium	Med-High	High	High
Med-High	Medium	Medium	Med-High	Med-High	High
Medium	Med-Low	Medium	Medium	Med-High	Med-High
Med-Low	Med-Low	Med-Low	Medium	Medium	Medium
Low	Low	Med-Low	Med-Low	Medium	Medium

Source: NRA 2026, sections 1.1–1.2 and Figure 1 (risk matrix)

Recommendations for Strategic National Level Deficiencies

Post-NRA Short-Term Action Plan: Timeline

Sep 2026	Oct 2026	Nov–Dec 2026	Jan–Jun 2027
• Dissemination events and NRA digital content (all) • Update annual plans to NRA risks (all) • List high-risk entities (regulators) • Start on-site inspection and sanctions (regulators) • Trade Transparency Unit monthly review (MoICS) • Wider TFS portal access (MoHA) • Redirect training to specialised courses	• International cooperation indicators (LEAs, MoLJPA) • Off-site supervision manuals (regulators) • License independent AML auditors (FIU) • API access to NID database (MoHA) • API access to BO registry (OCR) • goAML coverage and risk-based analysis (FIU) • High-risk predicate and ML registry (LEAs)	• Fast-track channel to property registries (OPMCM, Nov) • BO identification, update and sanction manual (OCR, Dec) • Revised national strategy to CC (NRA group, Dec)	• Identify jurisdictions needing MLA treaties (MoLJPA, Jan) • BO registry covers all risky sectors (OCR, Jun)

Regular: CC-led joint operations on hundi and virtual assets · monthly PCMIS reporting (OAG, LEAs) · monthly coordination meetings · quarterly review of international cooperation

Source: NRA 2026, Annex: Post-NRA Short-Term Supplementary Action Plans, 2026

Threat Sectors

- Intensify **follow the money approach** from the heavy focused follow the man approach for financial crimes
- Expand the scope of intelligence collection even beyond banking sector and make maximum use of financial intelligence in instigation throughout the enforcement chain
- Expand the **assets tracing, identifying measures** to a broad extent including cross-border measures
- Institutionalize **risk-based ML investigation system for sophisticated and complex cases** including the basis of aggravating/mitigating factors
- Make the **DMPC-developed IT platform** a national confiscation database and effectively manage the tainted properties and instrumentalities.

Vulnerability Sectors

- Institutionalize the system by adopting **compliance to risk based modus operandi** with **focus on systematic functionalities and effectiveness**
- Develop **comprehensive off-site mechanisms for supervision** and **concentrate on-site on so identified high risks**
- **Issue or revisit the regulatory and supervisory instruments** on the basis of risk findings
  - Such as fit and proper test, abuse of personal A/Cs or legal persons, locally registered vehicles, cross-border activities, hundi/crypto, third party abuse, micro-insurance products, etc.
- Move supervisory actions **from suasion to dissuasive, proportionate and effective sanctions**
- Provide REs **digital access to the government database**, particularly to the NID, Basic/BO information etc. to avoid customer centric troublesome repetitive KYC system
- Apply regtech and suptech

Cross-cutting Issues

- **Review resource reallocation measures balancing** conventional & AML/CFT functions with potential contribution and outcomes they can provide to the nation in both public and private sector.
- Develop **a pool of AML/CFT experts** at the center of each agency and maintain their stability.
- Adopt a **structured, accredited, specialized, portfolio based professional development programs**
- Expand cross border coordination and cooperation measures.
- Develop BO, PEP, adverse information and other negative information sharing platform on the PPP modality

Legal, Policy and Institutional

- Add a norm to categorize **high offending value case on litigation priority**
- Review **criminal-procedural measures** in line with the nature and modus operandi of financial crime, beyond traditional one-off-crime approach
- Develop specific norms for investigating the **abuse of legal person**
- Fix scope for the business carried out by the **locally registered instruments/vehicles** and consider applying risk-based threshold approach
- Consider adopting **fast-track confiscation legal and institutional measures of tainted proceeds by adopting non-conviction-based confiscation or civil measures** at first in the spirit of the global norms
- Consider adopting **non-conviction-based confiscation**, penalty or civil legal measures for smaller financial crimes **with low volume of the proceeds, less complexity and low gravity of the cases**
- Develop policy or legal measures to demark or **differentiate the business, administrative, regulatory, civil or criminal liability of an action.**

- Consider legal and other **measures relating to DPMS, virtual assets and VASP** to bring them into government vigilance.
- **Harmonize the confiscation laws** to create possible uniformity among related statutes and in light of recent changes in the global AML/CFT normative measures including business laws for the DPMS sectors.
- Review the **one-law/one-offence/one-agency model** with the objective of consolidating the current predicate-mapped LEAs into five to six agencies mandated for both predicate offences and ML investigation that suits the capacity of the country.
- Conduct detail research on the **changing type and scope of informal economy** in the light of financial sectors coverage and infrastructures.
- Clarify the **investigative competence for the issues of policy corruption**
- Review and revise **NASP**.

TF/PF sectors

- Revisit NPO sector laws
- For TFS
  - expanded use of MoHA TFS portal
  - domestic and cross-border intelligence gathering
  - risk-based supervision and targeted capacity building
  - enhance anti-terror, TF and TFS measures and maintain/sharpen the agencies' readiness that **works like a war room** against any intelligence and occurrence

The cooperative sector at a glance

32,325
cooperatives in Nepal (March 2026)

10.16 m
members, a majority of them women

12,000+
savings and credit cooperatives now under NCRA

30 Apr 2027
deadline to register with NCRA or stop operating

Regulation is changing

Before: DeoC + 7 provincial + 753 local regulators → Now: NCRA (est. 31 March 2025) regulates all savings and credit cooperatives

Sources: Nepal's response to draft PR4 (2026); APG FUR June 2025; ICRG progress report June 2026 (2,000+ registered with NCRA by then).

How cooperatives are misused: common methods

Diverting members' savings

Board members or managers move deposits to personal or related accounts

Insider and fake loans

Loans to board members, relatives or shell firms, often never repaid

Dummy and nominee accounts

Accounts in others' names hide the real beneficial owner

Misuse of identity documents

Borrowed or forged IDs used to open accounts and take loans

PEPs and business persons

Proceeds of corruption or tax evasion parked in savings or shares

Cash, hundi and property

Cash layered through accounts, hundi links, land purchases

Sources: NRA 2026 preliminary findings; NCRA/DeoC supervisory findings in ICRG progress report (June 2026); FIU-Nepal STR/SAR Guidelines (2025).

Where the inherent risk sits: Six factors to assess

Members

- PEPs, their families and close associates
- Business persons using personal accounts
- Members saving or borrowing over Rs 30 lakh a year

Products, services. transctions

- Large term savings and large loans
- Loans to insiders and related parties
- Share purchases, remittance payout

Geography

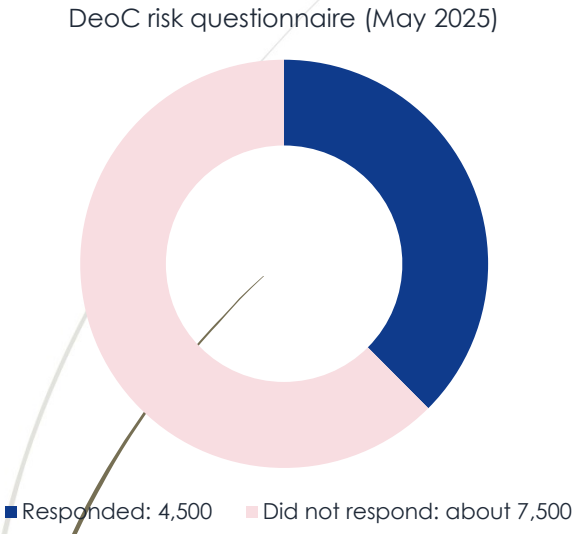
- Border districts and trade hubs
- Urban high-value branches
- Areas with known problem cooperatives

Delivery channels

- Cash counters and door-to-door collection
- Mobile wallet links and e-transactions
- Third parties transacting for members

Sources: DeoC AML Directive 2074 (5th amendment, 2082), sections 11 and 13 (member, product, geography, delivery channel); NRA 2026 preliminary findings.

Control gaps found by supervisors



About 7,500 savings and credit cooperatives did not answer.

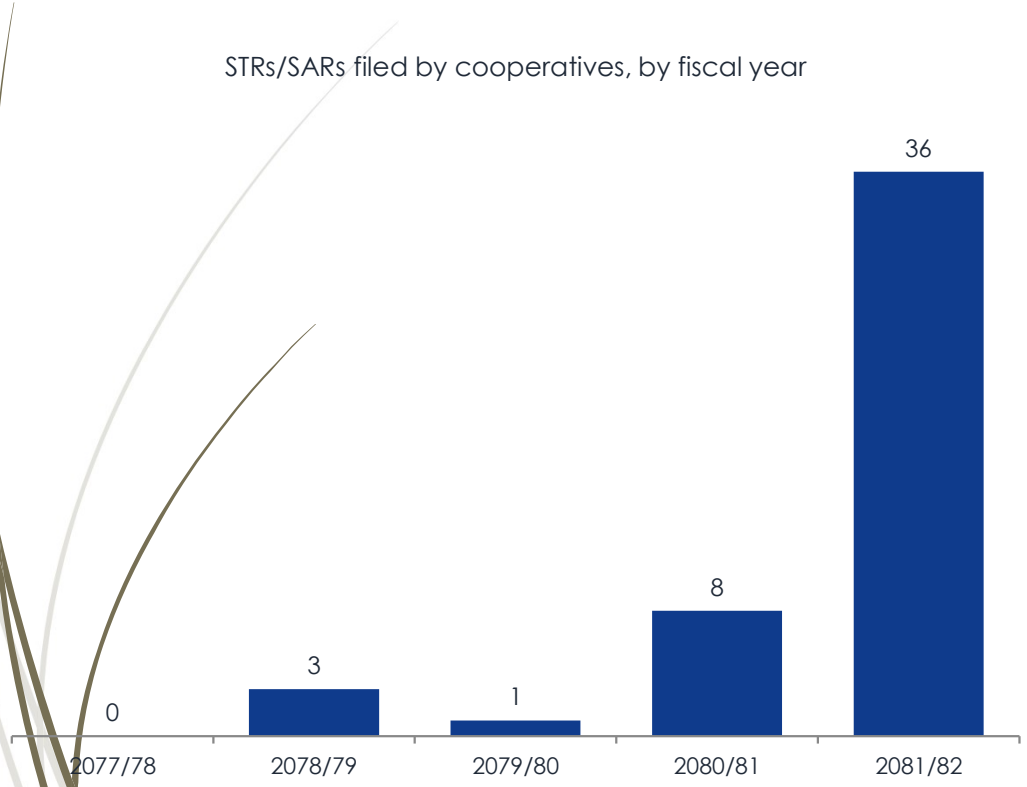
11 NCRA AML/CFT inspections in FY 2025/26 (to mid-July 2026)

Recurring findings

- KYC/KYM records not updated
- Dummy accounts; beneficial owners not identified
- Weak customer due diligence
- Misuse of funds and members' deposits
- Misuse of loans by board members
- No fit-and-proper test for owners and managers

Sources: ICRG progress report (June 2026); Nepal's response to draft PR4 (2026); Joint Group analysis on fit-and-proper requirements.

Reporting does not yet match the risk



0.4% Cooperatives' share of all 9,565 STRs/SARs in FY 2081/82

199 STRs from cooperatives, April-August 2026, against 3,279 from commercial banks

10.16 m members served: reporting should reflect this scale

Sources: FIU-Nepal Annual Report 2024/25; Nepal's response to draft PR4 (2026), Table IO 7.1.6.

An indicative risk map for a savings and credit cooperative

Member, product or channel	Rating	Typical measure
PEPs, their family members and close associates	**High**	Enhanced due diligence; source of wealth; senior approval
Members saving, buying shares or borrowing over Rs 30 lakh a year	**High**	Enhanced due diligence; source of funds; set monitoring limits
Members transacting electronically	**High**	Enhanced due diligence as required by the directive
Loans to board members, staff and related parties	**High**	Board disclosure; independent review; close monitoring
Cash transactions of Rs 10 lakh or more	**Medium-High**	Source-of-funds declaration; threshold report
Remittance payout and transfers for members	**Medium-High**	Verify sender and purpose; sanctions screening
Small regular savings of local members	**Low**	Simplified measures, only if no suspicion

Indicative only: each cooperative must rate its own risks. Based on NRA 2026 (preliminary) and DeoC AML Directive 2074 (5th amendment, 2082), sections 8, 11 and 14.

Red flags to watch in cooperatives

- Funds moved from the cooperative to board members' personal bank accounts
- Large cash withdrawal from a dormant account
- Staff accounts used to route money for non-members
- Cross-border transfers from the cooperative's bank account for a member
- Large or frequent transactions that do not match the member's declared profile
- Missing or inconsistent membership, capital or loan documents
- Repeated withdrawals redeposited into many other accounts
- Unusual early settlement of loans, or cooperative funds used for property

Source: FIU-Nepal STR/SAR Guidelines (updated July 2025), cooperative sector indicators.

PART D | EXPECTATIONS

What every cooperative is expected to do now

1

Register with NCRA

Savings and credit cooperatives, before 30 April 2027

2

Assess risk every year

Use NRA/SRA findings in the institutional risk assessment

3

Approve policy and plan

Board-approved AML/CFT policy and risk-based annual plan

4

Compliance officer

At management level, with direct access to the board

5

Know your members

KYM, beneficial owner and PEP checks, updated by risk

6

Report through goAML

Register; file threshold and suspicious transaction reports on time

7

Apply sanctions screening

Screen lists; freeze within 24 hours of a listing

8

Respect cash limits

Rs 5 lakh cash limit; keep records; train staff

Sources: Cooperative Act (amended); ALPA 2064; DeoC AML Directive 2074 (5th amendment, 2082); MoF notice on cash limit (2082/09/24). Details in the FIU-Nepal session.

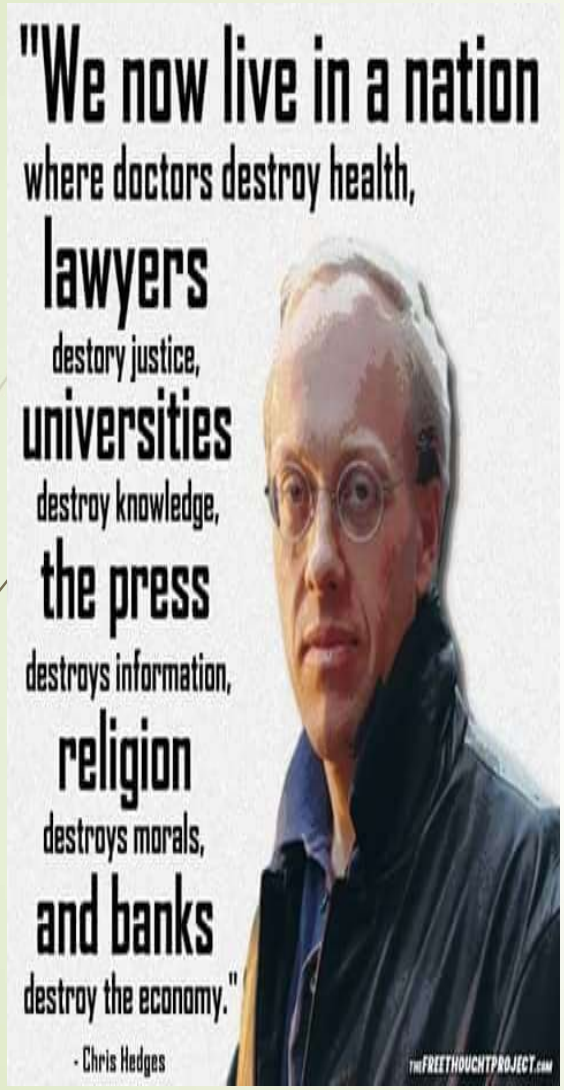
KEY MESSAGES

Compliance protects savings

- NRA 2026 rates cooperative fraud and high-saving cooperatives among the highest risks.
- Grey-list exit depends on proof that higher-risk cooperatives understand and manage their risks.
- Start with your own risk assessment; put effort where the risk is.

Thank you | धन्यवाद

Questions: please type them in the chat; the NCBN moderator will pass them to the panel.


"We now live in a nation
where doctors destroy health,
lawyers
destory justice,
universities
destroy knowledge,
the press
destroys information,
religion
destroys morals,
and banks
destroy the economy."
- Chris Hedges
THEFREETHOUGHTPROJECT.COM


RISK


It doesn't matter how many resources you have...
If you don't know how to use them, it will never be enough.

Thank You with Human Eternal Workflow = AML Systems

