सालपा विकास बैंक लि.
SALAPA BIKAS BANK LTD.

AML/
CFT

WWW.SALAPABIKASBANK.COM.NP

AML-CFT

Salpa Bikas Bank has a set of infrastructure (separate department equipped with experienced human resources, software for screening, Unified Procedure for AML/CFT related functions) to the best possible extent to comply with the provisions of Assets (Money) Laundering Prevention Act 2008 and Assets (Money) Laundering Prevention Rules 2009 relevant to the banking sector; and Unified Directives issued by Nepal Rastra Bank and subsequent amendment made time to time.

KYC

Know Your Customer (KYC) is the acts and administrative procedures to identifyexisting customer or the one trying to maintain business relationship or has requested for one off/occasional transaction/s with the reporting institutions.

WHEN KYC DOCUMENTS ARE MANDATORY IN BANKS?

Documents 1

Opening a new account for one off /occasional transaction, deposit, enjoy banking services and borrowing.

Documents 2

Activation of dormant accounts or at the regular interval of time as per the provision in Unified
Directives of Nepal Rastra Bank (KYC should be updated at different intervals of time depending
upon the types of accounts and risk category).

Documents 3

Based on the conduct of the account, additional information from existing customers shall be required mainly at the time of changes in the signatories of account operation, changes in the

WHAT ARE KYC DOCUMENTS (I.E. EVIDENCE FOR IDENTIFICATION/EXISTENCE)?

- Valid Identification documents (for a natural person) – Citizenship Certificate, Passport, DrivingLicense, Voter's Card, National Identification Document, PAN Card, Marriage Registration Certificate, Birth Registration Certificate, Death Registration Certificate (at the time of claim from the legal heirs), Relationship Certified Document, Migration Certificate, Recent Photograph, Ownership documents of land/building to the possible extent, electricity and drinking water bills etc.
- Valid Identification documents (for legal person)- Registration Certificate, PAN/VAT Certificates,Memorandum of Association (MOA) and Articles of Association (AOA), Tax Certificates, Audit Reports, KYC Documents as mentioned in above paragraph of mandate, signatories, BOD members and key persons of the organization/institutions; Lease Agreement to the possible extent, Visit Report to confirm its existence by the reporting institutions.
- Others documents as per the nature of entity in line with NRB Directives (i.e. in line with NRB Unified Directives 19.)

CUSTOMER DUE DILIGENCE (CDD)

Customer Due Diligence is the process of identifying and evaluating the customers and the assessment of associated risk as part of know your customer (KYC) process, allowing reporting institutions to betteridentify, manage, and mitigate the AML related risks. The level of due diligence is based on the risk level of the customer.
Currently, following are the categories of due diligence specified in NRB directive:

- Standard/Normal Customer Due Diligence This is conducted for low-risk customers who do not fall under enhanced and simplified customer due diligence.
- Simplified Customer Due Diligence (SCDD) This can be conducted for customers who fall under low- risk customers having characteristics as specified by NRB directive i.e. financial institutions supervised by NRB, customers whose identity is publicly available and controlled by national system and other specified by regulator from time to time.
- Enhanced Customer Due Diligence (ECDD) Enhanced Customer Due Diligence is conducted for high- risk customers. It refers to the additional due diligence pertaining to the identity of the customer, source of income, nature and value of transaction .

01

WHAT IS BENEFICIAL OWNER?

- Natural person who, directly or indirectly, owns or controls or directs or influences a customer,an account, or the person on whose behalf a transaction is conducted, or exercises effective control over a legal person or legal arrangement or remains as an ultimate beneficiary or owner of such activities.
- Determination of Beneficial Owner is done in terms of Natural Person and Legal Person. The KYC documents of the such beneficial owner is obtained along with the account opening form.

02

DOMESTIC POLITICALLY EXPOSED PERSONS (PEP)

- The President, Vice-President, Minister, parliamentarians, officials of the constitutional bodies,officials remained in the special class or equal to special class or their senior of the Governmentof Nepal, judge of the Appellate Court and apex court and their senior, senior politician, centralmember of national political party or senior executives of any institution partially or fully ownedby the Government. It shall also include other group of persons as designated by the Government of Nepal upon the recommendation of National Coordination Committee. Further, the family member or close associate of the PEP are also considered as PEP.

03

FOREIGN POLITICALLY EXPOSED PERSONS (PEP) POLITICALLY EXPOSED PERSON

- who is or has been the Heads of State or of government, senior politician, central member of national political party, senior government, judicial or military official, senior executives of state-owned corporations of a foreign country. Further, the family member or close associate of thePEP are also considered as PEP.

05

OBLIGATIONS ABOUT BENEFICIAL OWNERS

- Determining who your customers' beneficial owners is/are.
- Assessing the degree of money laundering/terrorist financing from beneficial owner of the customer.
- Verifying the identity of beneficial owners, record keeping on how they are identified and verified during the process of due diligence.

06

FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) 2010

- The US Treasury Department website summarizes the act this way: “FATCA requires foreign financial institutions (FFIs) to report to the IRS information about financial accounts held by US taxpayers, or by foreign entities in which US taxpayers hold a substantial ownership interest. –” FATCA seeks to eliminate tax evasion by American individuals and businesses that are investing, operating, and earning taxable income abroad.

WHAT IS ASSETS (MONEY) LAUNDERING?

- Money Laundering is the process by which illegal funds and assets are converted into legitimate. The laundering is accomplished through three basic steps: Placement, Layering and Integration.
- As money laundering is a necessary consequence of almost all profit generating crime, it can occur practically anywhere in the world. Generally, money launders tend to seek out areas in which there is a low risk of detection due to weak or ineffective anti-money laundering programs. Because the objectives of money laundering is to get the illegal funds back to the individual who generated them, launderers usually prefer to move funds through areas with stable financial systems. Therefore, Banks have been the targets for money launderer.
- Money laundering activity may also be concentrated geographically according to the stage the laundered funds have reached. At the placement stage, for example, the funds are usually processed relatively close to the under-lying activity: often but not in every case, in the country where the funds originate.
- With the layering phase, the launderer might choose an offshore financial center, a large regional business center, or a world banking center – any location that provides an adequate financial or business infrastructure. At this stage, the laundered funds may also only transit bank accounts at various locations where this can be done without leaving traces of their source or ultimate destination.
- Finally, at the integration phase, launderers might choose to invest laundered funds in still other locations if they were generated in unstable economies or locations offering limited investment opportunities.
- One of the latest trends in money laundering involves use of the new payment technologies like Smart Cards, Online Banking and Electronic Cash etc. The Bank should be vigilant and should administer the robust controlling, monitoring and reporting system to Prevent money laundering and financing of terrorism through such channels.

THE FINANCIAL TASK FORCE ON MONEY LAUNDERING DEFINES THE MONEY LAUNDERING AS:

“The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. Money Laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source. Illegal arms sales, smuggling, and the activities of organized crime including for example drug trafficking and prostitution can generate huge amounts of proceeds. Embezzlement, insider trading, bribery and computer fraud schemes can also produce large profits and create the incentive to “legitimize” the ill-gotten gains through money laundering. When a criminal activity generates substantial profits, the individual or group involved must find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention. In response to mounting concern over money laundering, the Financial Action Task Force on money laundering (FATF) was established by the G-7 Summit in Paris in 1989 to develop a co-ordinate international response. One of the first tasks of the FATF was to develop Recommendations, 40 in all, which set out the measures national governments should take to implement effective anti-money laundering programs”.

WHAT IS TERRORIST FINANCING?

- Terrorist financing involves the solicitation, collection or provisions of funds with the intentionthat they may be used to support terrorist acts or organizations. Funds may stem from both legal and illicit sources.
- More precisely, according to the International Convention for the Suppression of the Financingof Terrorism, a person commits the crime of financing of terrorism “if the person by any means,directly or indirectly, unlawfully and willfully, provides or collects funds with the intention thatthey should be Policy for Prevention of Money Laundering and Combating Financing of Terrorism 2022 Chapter 1 : Page 12 of 16 used or in the knowledge that they are to be used, in full or in part, in order to carry out” an offense within the scope of the Convention. The primary goal of individuals or entities involved in the financing of terrorism is therefore not necessarily to conceal the sources of the money but to conceal both the financing and the nature of the financed activity.

SUSPICIOUS TRANSACTION:

A transaction, including an attempted transaction, whether or not made in cash, which to a person acting in good faith;

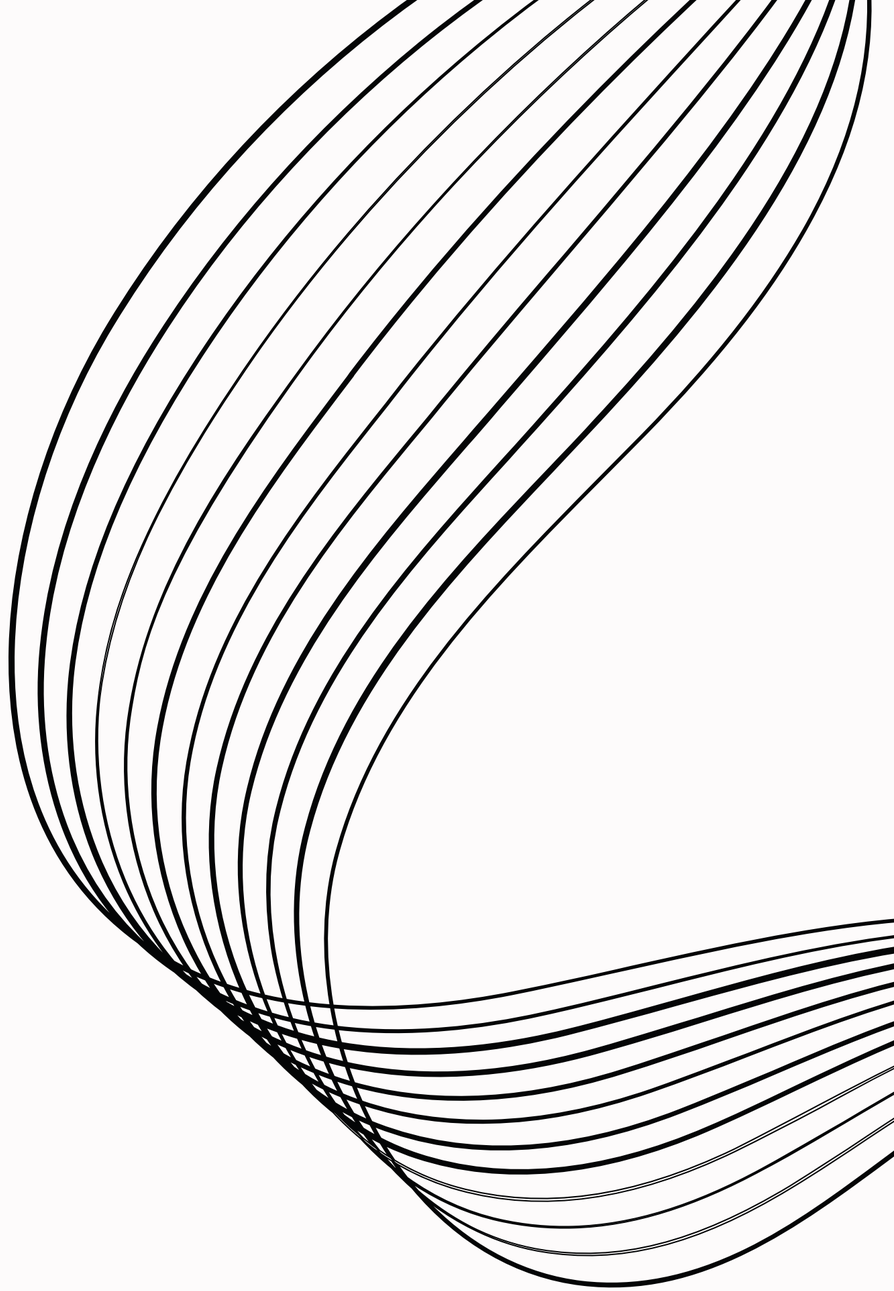
- Gives rise to a reasonable ground of suspicious that it may involve proceeds of an offenses specified in law and regulations, regardless of the value involved.
- Seeks to conceal or disguise the nature or origin of funds derived from illegal activities
- Appears to have no economic rationale or bona-fide purpose
- Appears to be in circumstances of unusual, or unjustified complexity
- Appears to be deviated from profile, character and financial status
- Seems to be made with the purpose of evading the legal and regulatory reporting requirements
- Found to be conducted to support the activities relating to terrorism

SUSPICIOUS TRANSACTION REPORT:

*A report to be made by Reporting Institutions to the **Financial Information Unit** on any suspicious transactions or any attempts under the provisions of "Section3, 7dha Asset (Money) laundering prevention Act, 2064" and point no. 16 of Unified NRB Directive no. 19/2080.*

FINANCIAL INFORMATION UNIT (FIU)

In order to work against the money laundering and terrorist financing activities Financial Information Unit (FIU) was established on April 21, 2008 pursuant to section 9 of the Assets (Money) Laundering Prevention Act, 2008 within Nepal Rastra Bank (the Central bank) as an independent unit. It is Nepal's financial intelligence unit. It is a central, national agency responsible for receiving, processing, analyzing and disseminating financial information and intelligence on suspected money laundering and terrorist financing activities

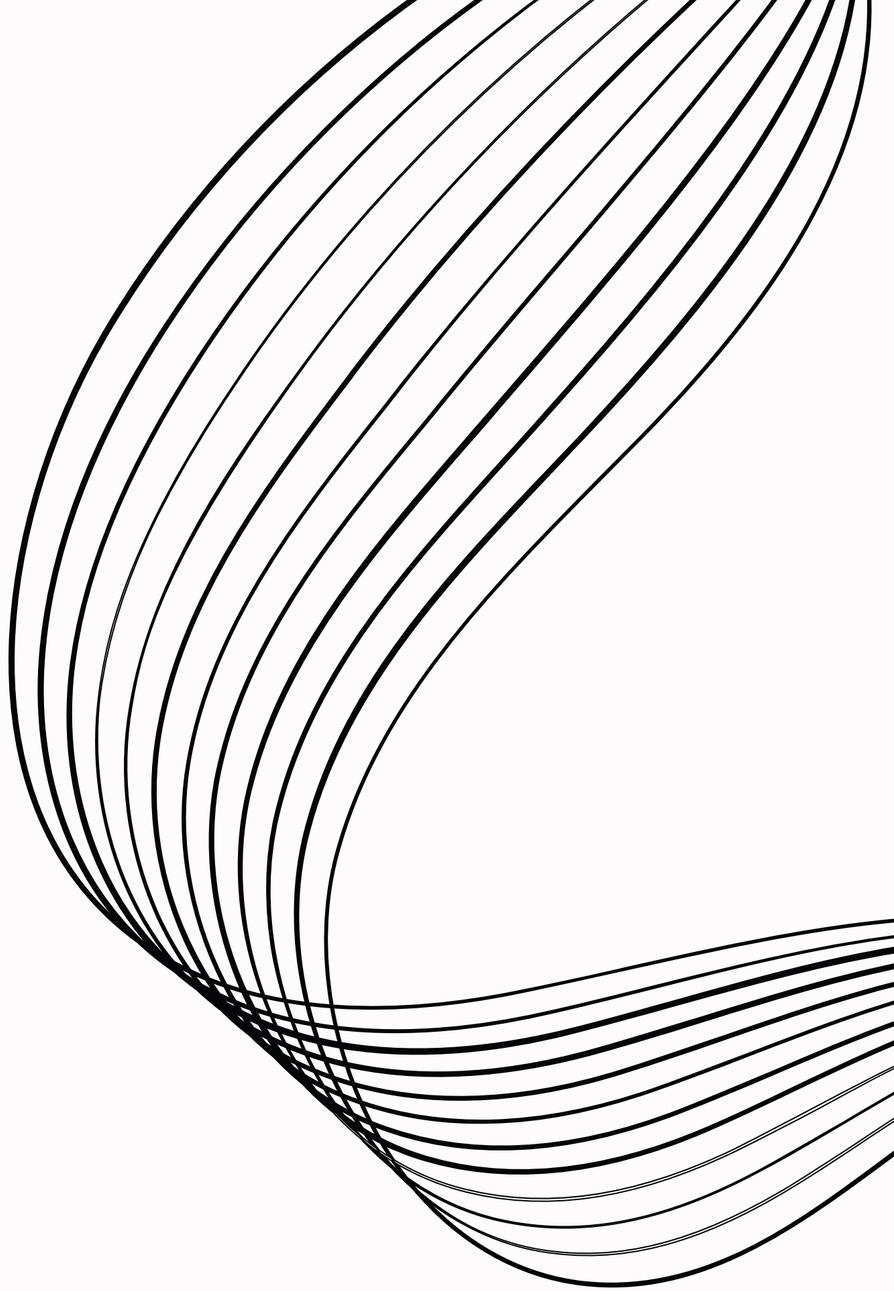


HOW DOES MONEY LAUNDERING AFFECT THE FINANCIAL SYSTEM?

- Money laundering can have far-reaching implications for the global financial system. Criminals who can hide their assets can easily fund criminal enterprises and create networks of support without being detected. This can undermine both local economies as well as international ones.
- Money laundering activity can drive up costs for law-abiding businesses, as they are forced to pay more in compliance costs and resources to properly monitor and report suspicious activities. Additionally, it can also dampen foreign investment and make international businesses wary ofinvesting in certain countries that are deemed more prone to financial crime. Furthermore,money laundering can also lead to an increased risk of fraud and financial mismanagement,which can cause reputational damage to countries plagued by such predations.
- Money laundering can have serious consequences for those individuals and organizations caught up in it. Individuals who are found guilty of money laundering may face huge fines, imprisonment, and even the confiscation of assets.
- When businesses are caught up in money laundering activities, they may suffer serious damage to their reputations, and can also be forced to pay substantial fines as a resul of their actions.
- These risks should not be taken lightly, as the damage caused by money laundering can have long-term impacts on the economic health of countries and regions.

HOW ASSETS (MONEY) LAUNDERING IS A THREAT TO CUSTOMER?

- *They request you to be a profit-sharing partner upon sharing of pin codes.*
- *They promise your financial rewards if you allow to conduct transactions in your accounts on behalf of them.*
- *Or similar types of approaches which bank staffs do not ask with their customers.*
- *If such suspicious behaviors is noticed, kindly inform/write to bank to prevent yourself from being used or get involved in Money Laundering.*



HOW TO PREVENT ASSETS (MONEY) LAUNDERING/TERRORIST FINANCING?

To prevent money laundering/Terrorist Financing in the future, it is important to develop better technologies to implement regulatory policies that are specifically designed to identify, monitor,

Additionally, all stakeholders, including financial institutions, governments, law enforcement, and technology companies, need to work together to create a more secure and transparent financial system.
For example, this could include a robust real-time transaction monitoring system, establishing stricter anti-money laundering laws, and increasing the sharing of information across financial systems.

THANK YOU!