



Fonepay AML-CFT Policy: Summary

March 2025
Version 1.0

Statement on Anti-Money Laundering and Counter-Financing of Terrorism ("AML/CFT")

Fonepay Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and Know Your Customer (KYC) Policy outlines a comprehensive framework for Fonepay to mitigate the risks associated with money laundering, terrorist financing, and other financial crimes. The policy has laid down appropriate framework for effective compliance to AML/CFT act, bylaws, rules, and Directives issued by the government, Financial Information Unit (FIU) and Nepal Rastra Bank (NRB) from time to time.

As a Payment System Operator (PSO), Fonepay do not have direct relationships with individual consumers, but this policy establishes our commitment to working with our member BFIs to combat these threats.

This policy is applicable to all the staff, senior management, the board of directors and participating members of the Fonepay network.

Guiding Principle

Money laundering ("ML") and terrorist financing ("TF") activities are of major concern to governments and financial institutions worldwide. In addition, tax evasion has become a serious problem for jurisdictions all over the world. Both the private and public sectors place a very high priority on combating ML, including fight against tax evasion, and TF activities.

Fonepay follows all the rules and regulations applicable to Payment System Operator as prescribed by the Financial Intelligence Unit (FIU), Nepal.

Commitment Statements

- 1) Fonepay Payment System Limited makes every effort to ensure that its operations are conducted with integrity and in compliance with all applicable legal and regulatory requirements on AML/CFT.
- 2) The Board of Directors are committed to strong AML culture and fully support the implementation and continuous improvements of AML/CFT policies, procedures and controls ("AML/CFT System") to adequately mitigate the nature and level ML/TF risks assumed by the the company.
- 3) Management of business/operation units must recognize the importance of the AML/CFT functions, deploy appropriate resources, and extend full support and cooperation to ensure that effective AML/CFT System are in place. Where deficiencies are identified, rectification must be taken expeditiously.
- 4) Understanding ML/TF risks assumed by the company is essential for building a strong and effective AML/CFT System; hence, conducting institutional risk assessments covering all risk areas, subject to periodic review and update, is a fundamental process within the company's AML/CFT framework.
- 5) The company and its staffs are prohibited to establish or continue direct or indirect business relationships / process transactions, pertaining to the prohibitions stipulated in international mandates, with any people/entities who are: - designated terrorist suspects; or - designated parties subject to financial sanctions.
- 6) Any action staff take in line with AML/CFT policies will be fully and positively supported by the Board of Directors and Senior Management of the Bank.

AML/CFT Framework

- 1) The AML-CFT policy of Fonepay is prepared considering the principles set by Financial Action Task Force (FATF) and relevant regulatory authorities.

- 2) Fonepay reports Suspicious Activity in its capacity as PSO to FIU through goAML system.
- 3) Fonepay maintains a Know Your Customer (KYC) verification process of all banks and financial institutions (BFIs), Payment Service Providers (PSPs), and other partners before onboarding in the Fonepay network and is reviewed on Annual basis.
- 4) The KYC documentation includes business registration details, PAN/VAT certificate, tax clearance certificates, operating license from regulator.
- 5) Fonepay obtains the details of the board of directors, senior management, and compliance officer of its participating members.
- 6) Fonepay identifies the ownership and control structure of the participating members who have ultimate control over the decision making.
- 7) Fonepay performs continuous risk assessment of merchants, banks, and PSPs based on transactional behavior and compliance records.
- 8) Fonepay collaborates closely with law enforcement agencies and regulatory bodies to tackle fraud and financial crimes
- 9) Manager Risk and Compliance has been appointed as the Compliance Officer ("CO") of the company and the Money Laundering Reporting Officer ("MLRO") of Fonepay.
- 10) A comprehensive and standardized risk assessment process and risk management Policy have been established for AML /CFT risk assessment.
- 11) AML/CFT training programmes are organized to ensure that staff members are aware of their legal obligations under the applicable laws and regulations, and the Company's AML/CFT-related policies and procedures.
- 12) Each staff member is expected to be familiar with and adhere to the AML Policy and AML Guideline in relation to his/her roles and responsibilities; ignorance is no excuse for any deviation causing non-compliance.
- 13) Fonepay has a zero-tolerance policy on all matters related to AML-CFT compliance.
- 14) The AML/CFT compliance is subject to independent reviews by Compliance Review Department and Internal Audit Division in order to assist the Senior Management to identify areas of weakness or matters requiring enhancement.
- 15) This statement will be reviewed at least on an annual basis.

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