



NCC Bank
नेपाल क्रेडिट एंड कमर्स बङ्क लि.
Nepal Credit & Commerce Bank Ltd.
Your Business Bank

**Framework
of the
Corporate Social Responsibility
(CSR)
2018**



**Nepal Credit And Commerce Bank Ltd.
Bagbazar, Kathmandu**

(Approved by Board of Directors Meeting No 670... Dated 7...Feb. 2018)



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1. Introduction

Corporate social responsibility (CSR) is a business approach that contributes for the sustainable development of the organization by delivering economic, social and environmental benefits for all stakeholders. CSR addresses many and various topics such as human rights, corporate governance, health, safety, environmental effects, working conditions and contribution to social economic development. CSR promotes a vision of business accountability to a wide range of stakeholders, besides shareholders and investors.

Nepal Credit and Commerce (NCC) Bank Ltd. is always responsible to the society for their development & prosperity. As the Bank believes and is grateful to society that the Bank's growth and development is result of hearty support of the society. The Corporate social responsibility (CSR) Framework of the Bank will act as a guiding document for executing CSR activity conforming both internal and regularity needs.

2. Objectives

Bank's CSR objective is to contribute to the social and economic development of the community contributing to the advancement and development of humankind and society. The Bank seeks to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment. Bank takes the strategy to integrate its activities in community development, social responsibility and environmental responsibility directly or in participation or in association with NGOs, INGOs, Trusts, Partnership, Corporate or any other organization as the Bank deems fit.

3. Responsible Commitment and Practices

To comply with this framework, Bank puts the following specific commitments on CSR:

A. Customers

- i. Place the customers at the center of the activity in order to establish lasting relationships based on mutual trust and the contribution of value.
- ii. Encourage transparent, clear and responsible communication and financial literacy to help the customers' informed financial decisions.
- iii. Contribute to the development of products and services with high social impact adapted to the context in which the customers live.
- iv. Promote financial inclusion and the globalization of responsible access to financial services.



B. Employees

- i. Respect diversity and promote equal opportunities and non-discrimination based on gender, age, disability or any other circumstance.
- ii. Foster work/family balance practices.
- iii. Implement practices to guarantee the safety of staff and ensure the health of all employees.
- iv. Promote the culture of social commitment and share values among employees by providing conditions so that they can carry out volunteer work.

C. Shareholders and Investors

- i. Transparency, truthfulness, togetherness and consistency in disseminating information.
- ii. Facilitate knowledge of matters that may be necessary to allow shareholders to properly exercise their rights.
- iii. Post information continuously, periodically, timely and make them available over time.
- iv. Equal treatment of all shareholders and investors who are in the same position.

D. Economy, Society and the Environment

- i. Support the development of the societies where the Bank operates through financial activity, as well as through social programs focused on education, financial literacy, entrepreneurship and knowledge.
- ii. Promote own or collective initiatives for achieving the Nepal's Sustainable Development Goal, 2016-2030.
- iii. Participate in initiatives and collaborate with regulators and other organizations for the promotion and dissemination of responsible practices.
- iv. Risk management and integration of environmental variables in product development and the promotion of eco-efficiency together with managing direct impacts adhering to economy, society and the environment.

E. Prevention of Illegal Behavior

To promote compliance with legal obligations and avoid conduct that is contrary to internal rules and policies or could damage the equity, image or reputation of the Bank.

4. Scope

The framework would pertain to all activities undertaken by the Bank towards fulfilling its corporate social responsibility objectives. The policy would also ensure compliance with the NRB Directives 2074.



Suraj Prakash Dalai / *S. P. Dalai* / *Suraj Prakash* / *Suraj Prakash Dalai*

Sectors for CSR activities would be as below:

A. Direct or Indirect Expenses and Expenses on Social Projects

- i. Educations
- ii. Health
- iii. Natural Disaster management and contributions
- iv. Environmental Protection/Conservations
- v. Cultural Promotions
- vi. Infrastructure development on remote areas
- vii. Capacity building of low income people and deprived people
- viii. Financial literacy
- ix. Costumer protection

B. Expenses on the resource development and construction

Expenses on the resource development and construction concerned with the above sectors and subjects

C. Sustainable Development Goal:

Sectors defined by the Nepal's Sustainable Development Goal, 2016-2030 would also be the targeted areas for CSR activities of the Bank. Sustainable development goals are as below:

- Goal No 1-** End poverty in all its forms everywhere,
- Goal No 2-** End hunger, achieve food security and improved nutrition and promote sustainable agriculture,
- Goal No 3-** Ensure healthy lives and promote well-being for all at all ages,
- Goal No 4-** Ensure inclusive and equitable quality education and promote life-long learning opportunities,
- Goal No 5-** Achieve gender equality and empower all women and girls,
- Goal No 6-** Ensure availability and sustainable management of water and sanitation,
- Goal No 7-** Ensure access to affordable, reliable, sustainable and modern energy,
- Goal No 8-** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work,
- Goal No 9-** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation,
- Goal No 10-** Reduce inequality within and among countries,
- Goal No 11-** Make cities and human settlements inclusive, safe, resilient and sustainable,
- Goal No 12-** Ensure sustainable consumption and production patterns,
- Goal No 13-** Action to combat climate change and its impacts,



- Goal No 14-** Conserve and sustainably use the oceans, seas and marine resources for sustainable development,
- Goal No 15-** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss,
- Goal No 16-** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive,
- Goal No 17-** Strengthen the means of implementation and revitalize the global partnership for sustainable development,

D. Child Day Care

Day care operated by the Bank for its staffs.

E. Financial Literacy

- i. Educational and training program to be conducted in the remote or deprived area of the country for promoting banking habits.
- ii. Project or institutional development for supporting financial awareness in different part of the country.
- iii. Program and events for making awareness of consumer protections on banking services.
- iv. Expenses and contributions for promoting the right of information of consumers and general public.
- v. Advertisements, promotion campaigns or other media uses for promoting the financial literacy and public awareness.
- vi. Various program organized in support or on coordination with national or international agencies for the financial literacy and inclusions.

F. Fund Contributions

The Bank may contribute certain fund of CSR to the organizations or foundations which are established solely for social work. Such organization should be selected having the objectives and activities related with the above mentioned clause A, B, C, D & E.

Among the available sectors, CSR committee of the Bank selects few sectors and focus activities so that contribution of the Bank is visible to the society and the Bank is remembered by the society for the betterment of the sector.

5. CSR Fund

The Bank shall allocate at least 1% of its Net Profit every year on the CSR Fund created in the Bank. The amount transferred in a year shall be fully expensed within next year period. The policies and



practices being applied in procurement or expenses in the Bank shall also be applied in this fund operation too.

Any surplus arising out of CSR projects or programs or activities shall not form part of the business profits of the Bank and will be ploughed back to the CSR fund.

6. Governance Structure

There will be a Corporate Social Responsibility Committee (CSR Committee) in coordination of CEO as the governing body that will articulate the scope of CSR activities for the Bank and ensure compliance with this framework. The Committee would comprise the following composition:

CEO- Coordinator

DCEO (Operations) Member

COO Member

CFO Member

Chief Marketing Officer (CMO) Member Secretary

CEO may invite other members on need basis.

The committee meets at least quarterly for updating the status of CSR activities and meeting the regulatory compliances.

The CSR committee holds the authority to expense within the budget on the given projects and programs under the corporate social responsibility. Financial authorities as assigned by financial by-laws and delegated by CEO time to time shall be applicable for this purpose too. Terms of reference (TOR) of the committee shall be to:

- Formulate and recommend the activities to be undertaken by the Bank as specified in the framework;
- Recommend the amount of expenditure to be incurred on the activities of CSR for specific project, plan or program based upon the individual sector, project, purposes etc;
- Monitor the implementation of the Corporate Social Responsibility Framework;
- Review the Corporate Social Responsibility Framework of the Bank time to time and suggest for appropriate amendment.



7. Functional Department

Marketing department works for the day to day activities of CSR in line with this framework and other general practices. CEO may assign other departments or functions to look after the day to day activities other than marketing department. The department makes plan and programs for the CSR activities to be conducted over the year and execute accordingly. Periodical progress report should be submitted to the CSR Committee.

8. Implementation Structure

The Bank will undertake its CSR projects either:

- a) Directly; or
- b) Through a trust formed by the Bank specifically for this purpose; or
- c) Involvement of various organizations / associations / NGOs / trusts / societies / companies registered with legal status; or
- d) Combination of the above or as per the policy framed by the Board from time to time.

The CSR projects or programs or activities will be undertaken in Nepal only, preferably in areas where the Bank has its presence. The Bank will ensure that its CSR projects are non-discriminatory in nature and do not have any restrictive political or religious affiliations.

Programs/projects that integrate business models with social and environmental priorities and processes in order to create shared value will be encouraged. The Bank will consider Programs / projects closely linked with the principles of sustainable development.

9. Reporting of CSR Activities

Significant CSR activities and achievements will be reported as part of the Bank's Annual Report and also as per any other statutory and regulatory reporting requirements.

10. Effective Date

The Framework will be effective on the approval of Board of Directors.

11. Amendment to the Framework

In case of any amendment(s), clarification(s), circular(s) etc. issued by Nepal Rastra Bank or other relevant authorities, not being consistent with the provisions laid down under this Framework, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Framework and this Framework shall stand amended accordingly.





Anti Money Laundering (AML) and Know Your Customer (KYC) Review

For the 2nd Quarter of FY 2074/075 (Poush End 2074)

As per the periodical compliance requirements of clause no 16.6 of NRB Directive No 19 and, this report has been submitted for the review and endorsement to the AML Committee and Board subsequently. It presents the overall status of AML/KYC monitoring and controlling practices within the Bank. The report shall be put into Board for review and endorsement of AML/KYC system of the Bank. At present, five staffs are working under in the department for AML/CFT Compliance of the Bank. Head of Compliance is responsible to report to CRO. CRO has the reporting line to Board level Risk Management Committee. Thus independency is maintained on the compliance functions.

1. AML/KYC Compliance Practices

Activities related with the compliance of AML and KYC are guided by the KYC Manual, AML Policy, FIU Directives and statutory laws of the Country. Compliance department at central level monitor the compliance status through various kinds of reports generated from CBS and reports collected from branches and direct observation as far as possible.

- Customers' transactions are monitored on daily basis in above of threshold limit and the accounts which are under high value/frequent transaction. The compliance department reviews the account opening & KYC forms on sample basis.
- Transactions on high risk accounts are monitored on daily basis.
- Income source above Rs. 1 million is recorded in CBS for every transaction. Some of the instances where income source were not recorded are reminded to the branches for meticulous implementations.
- A database has been maintained for the persons who are enquired by NRB, FIU, CIAA, Court and Police or other governmental authorities.
- Threshold Transactions Report (TTR) and Suspicious Transactions Report (STR) have been submitted to financial information unit (FIU) regularly. Different methodologies have been used to identify suspicious transaction.
- Queries from different authorities like NRB, Department of Money Laundering Investigation, Court, CIAA, Revenue Investigation Office, Nepal Police, and Financial Information Unit etc. have been reported regularly.





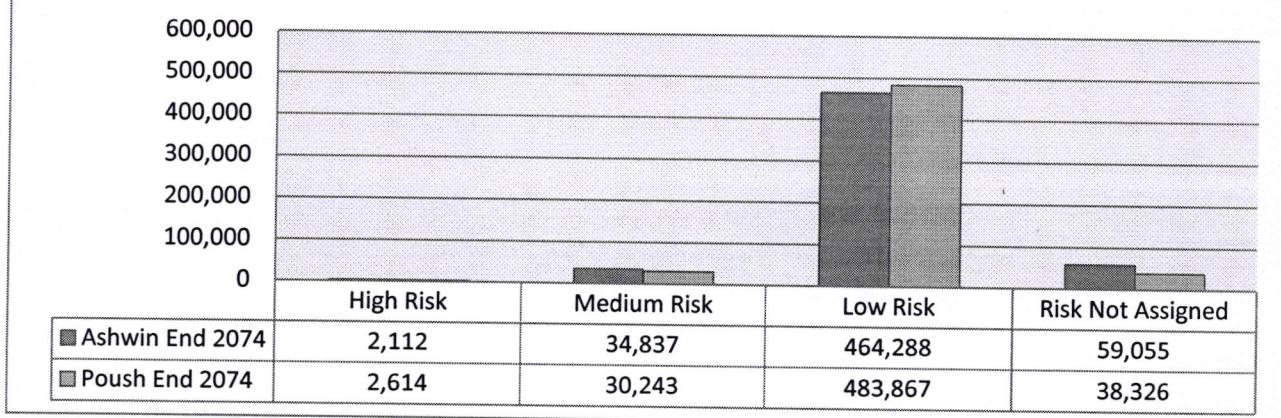
- Coding in CBS is done for the purpose of tracking the accounts of PEPs, NGOs, INGOs, Cooperatives, Money Changers and Remittance Company, Real Estate Company, Metal Stones, Jewelry Shop, Security Firms etc such coded accounts are reviewed and monitored.
- ECDD of high risk accounts is going on with the plan of complete CDD and ECDD procedures.
- Bank has focused on training program on AML/CFT issues to all level of staffs.

2. Risk Categorization of Customers:

COMPARATIVE SUMMARY						
2074 Ashwin End			2074 Poush End			Variance
Particulars	Total Number of Accounts by Grading Risk	%	Total Number of Accounts by Grading Risk	%	Existing Number of Branches	%
High Risk (Category 'C')	2,112	0.38%	2,614	0.47%	80	0.09%
Medium Risk (Category 'B')	34,837	6.22%	30,243	5.45%		-0.77%
Low Risk (Category 'A')	464,288	82.87%	483,867	87.18%		4.31%
Risk not Assigned	59,055	10.54%	38,326	6.90%		-3.64%
TOTAL	560,292	100.00%	555,050	100.00 %		

*Note: - Accounts having Negative Balance as at end of Poush, 2074 have been excluded from the calculations.

Comparative Summary of Risk Grading



As per the NRB Directive 19.6, Bank should categorize all the customers under High, Medium and Low Risk grading, identify all the customers and the beneficial Owners. It has been instructed that 100% of the accounts must be risk graded, reviewed and beneficial owner by the end of Ashad 2075. This mandatory provision has been circulated to the branches through Circular no 92/2017 and other orientation programs on various dates.



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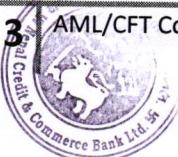


List of branch not risk graded

Branch Code	Branch Name	Number of Accounts
047	LEKHNATH BRANCH AP	4,998
066	SINDHULI BRANCH SP	4,912
067	GAIGHAT BRANCH SP	4,274
068	NIJGHADH BRANCH SP	4,137
072	SUNWAL BRANCH SP	3,665
064	PANCHKHAL BRANCH SP	2,632
069	ITAHARI BRANCH SP	1,760
011	BIRGUNJ BRANCH	1,432
034	CHANDRAHIGHAPUR IF	1,283
043	DURBARMARG BRANCH AP	1,221
073	PANAUTI BRANCH SP	1,210
008	NARAYANGARH Branch	1,096
057	JAHARE BRANCH AP	935
003	KTM Main Branch	746
076	TINKUNE BRANCH SP	741
044	NARAYANGARH BRANCH A	514
004	BARAHBISE BRANCH	498
050	HARICHOWK BRANCH AP	484
052	BHARATPOKHARI BRANCH	476
075	NEW BANESHWOR BRANCH	378
033	SIMARA IF	329
065	HETAUDA BRANCH SP	277
038	NEPALGUNJ IF	114
054	CHHINCHU BRANCH AP	114
028	CHARIKOT IF	56
001	SIDDHARTHANAGAR	11
014	CHABAHL Branch	8
007	Newroad Branch	4
009	BIRATNAGAR BRANCH	4
053	BIRENDRANAGAR BRANCH	4
017	KUMARIPATI BRANCH	3
055	NEPALGUNJ BRANCH AP	3
022	KUPONDOLE Branch	2
005	THANKOT Branch	1
012	KALAIYA BRANCH	1
056	GULARIYA BRANCH AP	1
078	JANAKPUR BRANCH SP	1
085	SUKEDHARA BRANCH ID	1

The summary of Risk grading status based on the customer trial balance of the Bank for accounts as at Poush End, 2074 is as follows :-

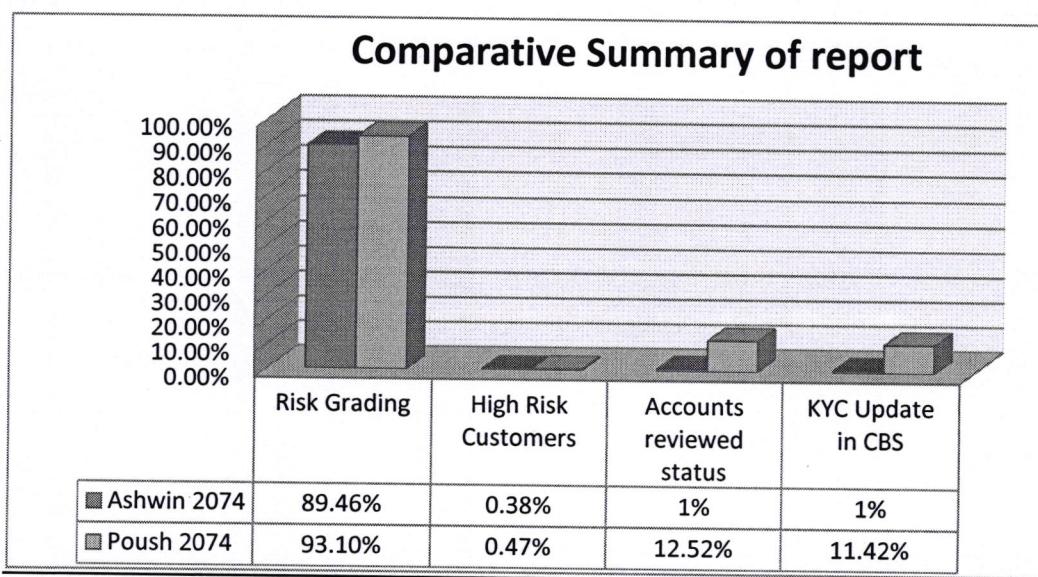
Particulars	Ashwin End 2074	Poush End 2074	Variance
Total Number of Risk Graded Accounts	501,237	516,724	15,487
% of Risk Graded Accounts	89.46%	93.10%	3.65%





KYC & AML/CFT Policy 2016 Clause no 11 provides that the Bank should identify customer profile as High Risk, Medium Risk and Low Risk. However, during the review period numbers of accounts whose risk are not assigned has been decreased to 6.90% than compared to of Ashwin end 10.54%. Apart from this compliance department has regularly shared the instructions and information regarding AML/CFT compliance by sending email about the process of effective threshold transactions reporting, monitoring suspicious transaction and reporting to all the branches of the Bank. 93.10% accounts are graded with High, Medium and Low risk than compare to 89.46% as at end of Ashwin, 2074.

Major Findings of the Risk Grading report



- Risk Grading assigned in total number of account is 93.10% as at end of Poush 2074 than compared to 89.46% in end of Ashwin 2074.
- High Risk Customer at Poush end, 2074 is found to be 0.47 % which is increased than compared to 0.38 % as of Ashwin end, 2074.
- High Risk graded customers are under the review process to ensure if they really fall under high risk or not.
- Core Banking System shows that only 12.52% of the accounts are reviewed at the end of Poush 2074 than compared to that of 1% at the end of Ashwin 2074.



3. KYC Review

Mandatory provision of risk grading of customers, reviewing them and identifying the beneficial owner by the end of Ashad 2075 has been circulated to the branches through Circular no 92/2017 and other orientation programs on various dates.

2074 Poush End					
Particulars	Total Number of Accounts	Total Number of Account Reviewed	Total Number of KYC Updated Accounts	% Review	Existing Number of Branches
High Risk (Category 'C')	2,614	1,257	1,127	48.08%	80
Medium Risk (Category 'B')	30,243	25,189	4,623	83.29%	
Low Risk (Category 'A')	483,867	62,172	57,653	12.85%	
Risk not Assigned	38,326		0	0.00%	
TOTAL	555,050	88,618	63,403	15.96 %	

PEP has been maintaining 53 accounts as per the Core Banking System of the Bank. Out of 53 accounts of the PEP, 42 accounts of the PEPs have been reviewed in the review period. The result thus obtained is summarized as below:-

Number of Account Maintained by PEP	Number of PEP clients reviewed	% of Accounts reviewed
53	42	79.25%

KYC Implementation Plan has been prepared and circulated to everybody in the Bank as per Administration Circular no 92/2017. The highlights of the plan are:-

- Review Date in CBS is the major basis for implementing the KYC plan.
- KYC of High Risk Accounts should be fully reviewed/updated within Mangsir end 2074.
- KYC of Medium Risk operative Accounts should be reviewed/updated within Poush end 2074.
- KYC of High value operative accounts having balance of Rs.30.00 Lac on last month end and more OR Dr/Cr transaction more than Rs.1.00 Crore from 1st Jan 2017 to till date to be reviewed/updated before Poush end 2074
- KYC of Medium Value Operative Accounts having Balance of Rs.10 to 30 Lacs on last month end and more or Dr/Cr transaction more than Rs.40.00 Lac to Rs.1.00 Crore be reviewed/updated before Magh end 2074



- KYC of Low Value Operative Accounts having Balance up to Rs. 10 Lakhs on last month end to be reviewed/up-dated before Magh end 2074
- Non Operative Accounts to be reviewed/updated within Falgun end 2074.
- Accounts not updated with KYC to be debit restricted and be operative only when CDD/ECDD is complete and KYC forms and all other documents are updated along-with thumb impression of the concerned Natural Person.
- Approval is mandatory for opening accounts of High Risk accounts from related business head and Head of Compliance.
- Thumb impression is a must for entire accounts either existing or new. For this the entire old accounts to be updated with thumb impression.
- CDD/ECDD must be done for operated accounts and failure may attract penalties and punishments.
- A separate list of 'accounts not in contact' for those who are not in contact even after bank's efforts to contact is also to be prepared by the branches.

4. Establishment of Digital KYC Module

Automated AML Software has come into practice in the Bank for effective management of the KYC and its digitalization. In this software branches are required to complete the client code system of Pumori, which facilitate the KYC updating and its record keeping. Record of follow-up made to the customer for KYC updating is digitalized.

5. Transaction Monitoring

AML/CFT compliance process of effective monitoring of transactions on daily, weekly and monthly basis is being done by the Compliance Department. Detection of STR has been reported to FIU-Nepal instantly.

6. Automated Transactions Screening Mechanism

AML Software is present in the Bank which is an automated system for generating the ground for suspicious transactions on daily basis. Cases generated from the software are being screened regularly by the compliance department. The movement of the transactions are thoroughly analyzed and if found to be suspicious are reported to FIU.

The parameters for analyzing the transactions which are being currently used in the AML Software are:-

- High Value Transactions
- High Frequency Transactions





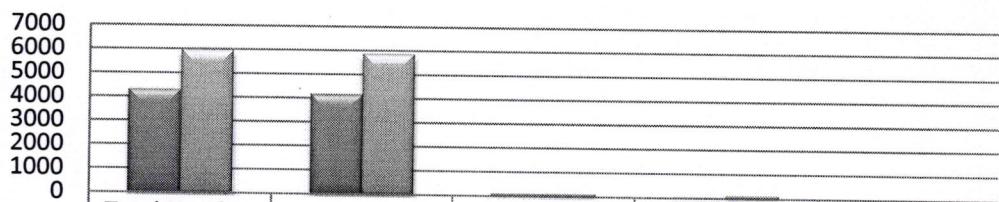
- High Volume Transactions
- High Volume IC Transactions
- Minor Accounts with High Value Transactions
- High Volume High Risk Transactions
- Cash Transactions of Unusual Amount

5975 cases (Kartik to Poush end, 2074) were studied during the review period which was 4292 cases on previous quarter (Shrawan to Ashwin, 2074).

The Summary of the report generated from the AML Software from **Kartik to Poush end, 2074** is as follows:-

Review Period	Total Number of Case Analyzed	Number of Cases Resolved	Cases in Progress	Cases In High Priority	Number of STR Reported
Shrawan-Ashwin 2074	4292	4158	94	39	2
Kartik-Poush 2074	5975	5847	128	112	2

Case Analysis and resolution in AML Software VS STR Detection



	Total Number of Case Analyzed	Number of Cases Resolved	Cases in Progress	Cases In High Priority	Number of STR reported
■ Shrawan-Ashwin 2074	4292	4158	94	39	2
■ Kartik-Poush 2074	5975	5847	128	112	2

7. Enhanced Transactions Screening Mechanism

Enhanced screening of transactions is also practiced by compliance department from the month end of Ashwin 2074. The samples of the transactions are taken based on the frequency and the volume of the transactions especially the cash withdrawal and deposit between 5 lakhs to 9.99 lakhs. Movements of the transactions in the sample accounts are observed minutely. If sufficient ground for STR is found then the documents are collected from the branches and are as reported as STR to FIU.



The Summary of the report generated from the Manual Screening for the month of **Poush, 2074** is as follows:-

Review Period	Total Number of transactions between 5-9.99 Lakhs	Number of Accounts sample selected	Number of samples where Possibility of STR prevails	Number of STR reported
At the end Ashwin 2074	31746	183	13	0
At the end Poush 2074	24398	116	15	5

8. TTR Monitoring and Reporting

TTR reports of the last six reporting period were screened. Cluster of the accounts were prepared accordingly.

Cluster of Accounts Falling in TTR Frequency of Reporting period	Number Of Accounts In TTR
6 reporting period	82
5 reporting period	60
4 reporting period	94
3 reporting period	159
2 reporting period	433
1 reporting period	2078
Total Number of Accounts falling under TTR	2,906

Transactions of the accounts that are falling in the 6, 5 and 4 reporting period were studied thoroughly. 236 samples of the accounts were screened out of 2906 accounts. Most of the transactions in the accounts were related to the business entities. 7 accounts were under identified as suspicious. Documents were collected which reflected that business transactions were being conducted through personal accounts which provides the ground for STR. Transactions of these accounts are being closely monitored on daily basis.

Summary of the Threshold Transaction Reports sent to FIU during the Review period:-

S. No	Types of TTR Transactions	Number of Transactions
1	LCY TTR Transactions	23,154
2	FCY TTR Transactions	95
3	Wire Transfer Transactions	379
4	RTGS Transactions	24
Total		23,652

9. Other Mechanism for Transactions Screening





- Compliance Department regularly monitors the news from the media for identifying the transactions of the suspected High Risk Customers
- Screening of the remittance transaction based of their frequency and transaction amount.
- Individual deposit accounts among the top 100 depositors of the bank were screened.
- AML software is being developed for screening of the card transactions and SWIFT transactions which will come to effect in near future.

10. AML/CFT Compliance on Locker operations:

AML/CFT Compliance on Locker Operations are followed accordingly as per the NRB directives issued on locker operations. As part of the fulfillment of the provisions of NRB Directive, customers are not allowed to open the locker without opening the account. Lockers of the customers are graded as per the risk grade of the respective account.

11. Enhanced Due Diligence of High Risk Customers:

As per the KYC& AML/CFT policy of the Bank, ECDD of the High Risk Customers along with PEP must be done every year. But the Bank still could not ensure the full compliance on the provisions described in the policy, Procedure for ECDD, CDD and circulated the notice for KYC update. The KYC implementation plan has come to effect from circular no 92/075 which has maintained the guidelines for full KYC update of all the accounts in the Bank by Falgun end, 2075.

As per the NRB Directive 19/074, BFIs should collect the information and details of its customers and should review all the documents, facts and information gathered during the process of KYC update, Enhanced Customer Due Diligence (ECDD), Customer Due Diligence (CDD).

Central Account Opening Unit screens all the customers at the time of account opening and identifies the risk grade of the customers.

Status of transactions review of PEPs during the review period:

Out of 41 accounts of the PEPs of the Bank, 6 samples were checked at random. During the Inspections of the accounts transactions seems to be normal. The report regarding the sample study is presented below:-

S. N o	Name	Account Number	Status of PEP	Dr. coun t	Dr. Amount	Cr. Coun t	Cr. Amount	Closing Balance
1	Amik Sherchan	0220000001316	Politician	1	81.66	1	1,633.15	108,709.64



9 AML/CFT Compliance quarterly report

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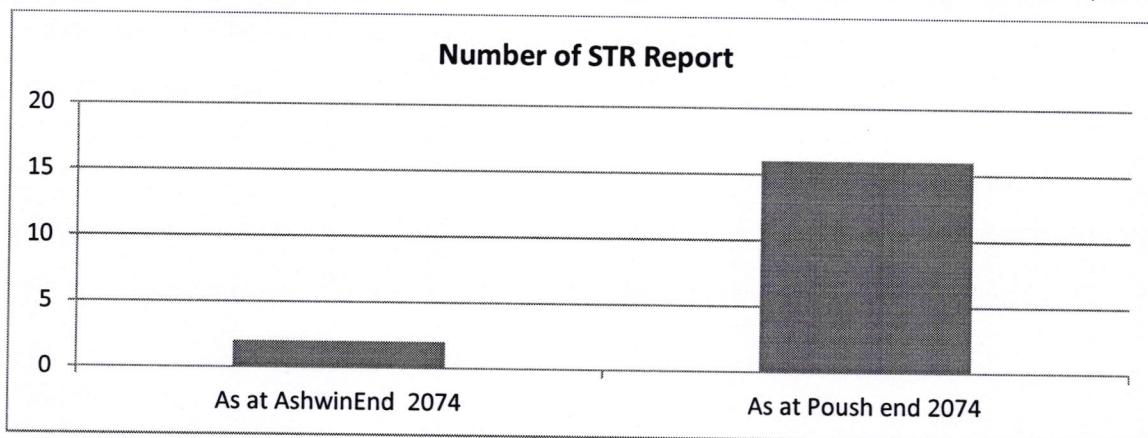
2	Tenjing Sherpa	0040000310810	Local Govt Body	1	2.85	1	56.96	3,922.76
3	Bibek Acharya	0530000000213	Local Govt Body	13	1,403,724.83	4	1,395,916.59	139,986.67
4	Dilip Kumar Wagle	0230000014213	Local Govt Body					140.62
5	Jaya Prasad Lamsal	0850000011013	Sub-Secretary Bhasa Aayog	4	18,630.94	4	272,618.76	651,009.21
6	Ima Narayan Shrestha	097000000390B	Project Director, Central Level Project Implementation Unit	14	88,133.26	4	99,648.55	43,225.45

The summary of ECDD report as on Poush end, 2074 is as follows:-

- Central Account Opening Unit (CAOU) checks all the account for risk categorization during opening of the accounts in world check software.
- However this should not be limited to only at the time of account opening but should also be used the branches during conduction of the CDD, ECDD of the accounts.
- Review of the accounts of the PEP shows that transactions are normal.
- Input of review date and risk grade of the accounts after updating KYC or conducting CDD/ECDD in the Core Banking System is enforced through Circular no 92/075.

12. Suspicious Transaction Reporting (STR) to NRB:

16 STR were sent as at end of Poush, 2074 than compared to the 2 STR as at end of Ashwin, 2074.



Following cases of STR were identified during the review period:-



NCC bank has been working as an agent of 12 remittance companies. Mostly the cases of STR have been aroused due to difference of the name of the sender of the remittance. Customer declaration which seems to deviate from the system of the remittance company are subjected to STR.

Types of STR during the review period are:-

S. No	Cases related to STR	Number of STR Reported
1	Remittance Case (Bank being the Payee of the remittance) originated due to discrepancies of Sender	8
2	Customer withdrawing IC from India on frequent basis	5
3	Customer receiving the remittance through SWIFT whose purpose are not clear	2
4	Adverse News Media Case	1
	Total	16

- Out of 5975 transactions screened from the AML Software, 2 STR was report to FIU-Nepal till the end of Poush 2074.
- Out of 24,398 transactions screened manually, 5 STR was report to FIU-Nepal till the end of Poush 2074.
- 8 STR were sent by the branches as at end of Poush 2074.
- 1 STR was detected by using the method of Adverse Media screening.

13. Number of correspondents made by compliance and type of letter

The summary of the letters received from the regulatory authorities and responded by the compliance officer during the Review period is as follows:-

Name of Regulatory Authority	Number of the Entity received in letters	No. of Entity not found in the Bank	No. of entity found
Nepal Police	152	143	9
Commission for Investigation of Abuse of Authority	18	18	
Tax Office	70	56	14
Department of Money Laundering Investigation	66	63	3
Court	0	0	0
Financial Information Unit	108	102	6
Other Regulatory Authorities	13	12	1
Total	427	394	33





14. AML/CFT related trainings:

Bank has been providing training to the staffs on the subjects of AML and KYC. Lots of in-house training program are organized for enhancing the knowledge level of the staffs. Staffs are trained on external and international program.

- **Training in the National Level by Various Institution**

Date	Topic of Training	Training organized by	No. Of Participants
4-Nov-2017	AML/CFT-KYC	National Banking Institute	15
26-Oct-2017	AML/CFT & Branch Operation in BFIs	Independent Research & Investment Company Pvt. Ltd	11
28-Oct-2017	AML/CFT & Branch Operation in BFIs	Independent Research & Investment Company Pvt. Ltd	20
Total Number of Participants			46

- **In-House training in the National Level**

Date	Topic of Training	Training organized by	No. Of Participants
11-Nov-2017	Operational Risk, AML/KYC & Credit Risk	NCC Bank	51
25-Nov-2017	Operational Risk, AML/KYC & Credit Risk	NCC Bank	21
16-Dec-2017	AML CFT for BFIs	NCC Bank	35
AML CFT Total Number of Participants			107

- **Interaction on AML CFT Issues**

Date	Topic of Training	Training organized by	No. Of Participants
28-Dec-2017	Orientation on KYC review/ Updating/ Risk Grading	Compliance Department	11
9-Jan-2018	Operational Issues with respect to KYC/AML	Compliance Department	26
AML CFT Total Number of Participants			37

15. AML/CFT Risk

Dynamic provisions of the AML/CFT have been emerging as the major challenge for the Bank. Despite of the challenges, the Bank has been overcoming the challenges by implementing the semi-automated AML software for transactions monitoring, digitalization of the KYC and Ongoing Due Diligence. Some of the risks associated with the AML/CFT at the Bank are:-



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15.1 Inadequate data of the customer in the Core Banking System (Pumori)

Most of the data of the customer in the Bank are in the paper form. Inadequate information of the customer in the CBS has been creating difficulty in analyzing the transactions of the customer and identification of the beneficial owner which is mandatory as per the provision prescribed in the NRB Directive. Bank is in the process of introducing the AML Software for managing the KYC of the customer.

15.2 Time lag in the reporting frequency from the branches

Branches are found to be less aware about the new issues of the AML/CFT. Reports regarding the buy and sale of the FCY are not received from the branches. Ideas regarding the STR report are found to be very less in the level of the branches. The issue of the Pre-Payment of the term loan in cash has been a major challenge for the Bank as the mechanism for tracing it is found to be absent. Branch Managers are not in the position to cope with the issues of AML/CFT as there is a question of the business target.

15.3 Absence of the Mechanism for tracing the transactions of the card and remittance:-

Bank has been facing the major challenge for monitoring the transactions related to the card and remittance. Bank has been working as the agent of the 11 national remittance companies. Most of the cases of mismatch between the senders of the remittance are being identified. Unauthorized transactions of INR are being noted through use of card.

There are lots of operational and skill based risk that the branches, departments and staffs working thereon have to be careful on the matter of money laundering and know your customer. Gradual improvements have been taking place with the trainings, orientations and system developments on the related functions.

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