



NCC Bank

नेपाल क्रेडिट एण्ड कमर्स बङ्क लि.
Nepal Credit & Commerce Bank Ltd.

Administration Circular No: 37/2016

Date of Issue: August 15, 2016
(Shrawan 31, 2073)

Subject: Modality of Nepal Clearing House-Inter
Bank Payment System (NCHL-IPS)

To: All the Staff Members of Nepal Credit
& Commerce Bank Ltd.

This is to inform all the staff members of NCC Bank that management has approved the Modality of Nepal Clearing House - Inter Bank Payment System.

NCHL-IPS System Go-Live date has been fixed for Wednesday, Bhadra 01, 2073 (August 17, 2016). The transaction related to outward NCHL- IPS is processed by the Branch itself through NCHL-IPS system and the transaction related to inward NCHL - IPS is processed centrally at Centralized Clearing Unit (CCU).

The final settlement of NCHL - IPS system will be done centrally at NRB Thapathali, Kathmandu and the final settlement with NCHL will be done centrally by CCU.

The Modality of NCHL-IPS is attached herewith.

Therefore, all Branches are advised to follow the attached modality of NCHL-IPS and contact Branches Operations Department (BOD) for any queries related to the above.

Bandana Pathak
Bandana Pathak
Chief Resources Officer

Modality of NCHL - IPS

Nepal Clearing House Limited – Interbank Payment System (NCHL-IPS)

Nepal Clearing House Limited – Interbank Payment System (NCHL – IPS) is a system to provide core payment function to transfer funds between the accounts maintained at different member banks and financial institutions. It will facilitate member banks and financial institutions to transfer (direct credit) and receive (direct debit) funds from accounts held at various member banks on deferred net settlement basis.

Under NCHL-IPS system, the payment transaction will be initiated at the Originating Depository Financial Institution (ODFI) and transferred electronically for exchange and clearing, via the secured communication channel, to the receiving depository financial institution (RDFI) for necessary processing.

NCHL-IPS calculates the multilateral net clearing position and sends to the settlement system of Nepal Rastra Bank for settlement of the net clearing position of the direct members. The core system of the NCHL-IPS lies at NCHL.

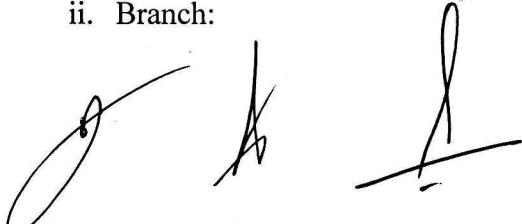
NCHL shall be introducing at least 15-20 products initially such as dividend, IPO refunds, salary, pension/social security, treasury, loan disbursements, remittance, etc. with possibility of introducing 160+ standard direct credit and direct debit products.

Transaction Workflow of NCHL-IPS

1. Direct Credit Transaction

Originating Depository Financial Institution (ODFI) and Receiving Depository Financial Institution (RDFI) shall follow the following steps while performing the outward Direct Credit payment transfers:

1. ODFI receives payment instructions from its customer to transfer fund from the customer's bank account to beneficiary account(s) at another bank. Such information can be collected by the ODFI in a physical form/document or in an electronic form or channel provided by ODFI to its customer. The originator of the Direct Credit transaction will be the debtor bank however transaction can also be initiated by the indirect or technical member.
2. ODFI shall validate all the required information. The necessary information shall include, but are not limited to, the following:
 - a. Amount
 - b. Sender Details:
 - i. Sender Account Number:
 - ii. Sender Account Name:
 - c. Beneficiary's Bank Details:
 - i. Bank Name:
 - ii. Branch:



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- d. Beneficiary's details:
 - i. Beneficiary Account Name:
 - ii. Beneficiary Account Number:
- e. Purpose:
- 3. Based on the amount and the purpose of the transaction, the ODFI user will create batch and fill the required information for the transaction(s) including any other non-mandatory information.
- 4. If there is any missing or mismatch of information, the Quality Assurance Officer (Checker) will return the payment instructions via the NCHL-IPS to the Maker for repair/correction.
- 5. ODFI will debit/block the customer account and then submits the outward Direct Credit transactions in a batch to NCHL-IPS central system.
- 6. NCHL-IPS will perform International Organization for Standardization (ISO) and Technical validations on the received batch.
- 7. NCHL-IPS will perform financial validations on the received batch and transactions including transactions limits and participants debit caps.
- 8. NCHL-IPS Records the transactions for netting and settlement purpose to be performed at the end of daily operations.
- 9. NCHL-IPS automatically generates a status reports to indicate batches transactions status after validating them and assigns a session Identity (ID) for valid transactions.
- 10. NCHL-IPS clears the payment transactions by updating the participants net positions and forward the transactions to the RDFI.
- 11. ODFI reads the received status reports to be aware of the submitted transactions status.
- 12. RDFI reads the received transactions from the clearing house for processing purposes.
- 13. RDFI clears the transactions and sends status reports to the clearing house to indicate either acceptance or rejection. Response mode of all Direct Credit transaction will be "Resilience" where in case of no explicit response is received all unrepplied transactions will be auto accepted.
- 14. RDFI shall credit its customer account after the final NCP settlement is confirmed at NRB, unless alternate funding or overdraft facility is available.
- 15. If all the Direct Credit transaction(s) that are not replied by the Cut-off time it will be auto accepted.

2. Standing Order

Standing Order is an instruction authorized by the debtor allowing his bank (ODFI) to debit an amount from his account maintained with the ODFI bank and make credit payment transaction to credit the amount to the creditor account maintained at the creditor's bank (RDFI) at predefine date fixed in the Standing Order.

A Standing Order may exist as a paper document and/or a pre-printed form which is physically signed by the Debtor and such paper Standing Order stored either as the original



Modality of NCHL - IPS

document or in any digitized format by ODFI. Alternatively, a Standing Instruction may be an electronic document which is signed using a legally binding method of digital signature. It shall be the responsibility of Debtor bank to provide such Standing Order document/form to its customer.

Standing order is used for direct credit transactions, however not mandatory, to initiate regular payments in periodic basis such as payments of rent, utility bills, loan installment, school fees, credit card bills etc.

1. Once the standing order is approved by ODFI, it will become an active standing order corresponding to which future payment (direct credit) are created and stored on the participant system.
2. The payment will be released on the payment due date (beginning of the session) as a normal Direct Credit transaction.
3. ODFI can configure such that such Direct Credit transaction requires manual authorization prior to submitting to the central system or can be automatically submitted to the central system depending on the banks internal policy.
4. Debtor customer can request at least 2 business days prior to payment due date to its bank for amendment, termination and/or stop payment of one of multiple future payments corresponding to an active standing order. However, debtor bank's internal policy shall apply for such amendment, termination and stop payment.
5. Standing order initiation, amendment, termination and stop payment require dual approval at ODFI.

3. Mandate Management

Mandate is an agreement or an expression of consent authorized by the debtor allowing a beneficiary party known also as the creditor or the originator of the debit payment transaction, to debit an amount from the specified debtor's account at the debtor's bank at predefined date fixed in the mandate.

A mandate may exist as a paper document and/or a pre-printed form which is physically signed by the Debtor and such paper mandate stored either as the original document or in any digitized format. Alternatively, a Mandate may be an electronic document which is signed using a legally binding method of digital signature. Debtor shall complete the Mandate document/form and return it to the Creditor. Creditor bank will initiate the mandate in the system.

Mandate is used for direct debit transactions in NCHL-IPS system and is mandatory for initiating all direct debit transactions such as (but not limited to) collection of utility bills, insurances premium, loan installment, school fees, etc.



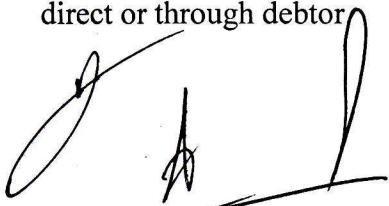
Modality of NCHL - IPS

Mandate management includes mandate initiation, amendment, termination and stop mandate payment and as agreed by the debtor and creditor customers. Mandate management is performed as follow:

3.1 Mandate Initiation

ODFI and RDFI shall follow the following steps while creating a Mandate in NCHL-IPS system.

1. The customer (Creditor) of ODFI shall initiate the process to obtain a mandate from the Debtor to authorize debiting its account held at RDFI (debtor's bank).
2. Sample template of a Mandate form is available in **Annexure 1**. The Mandate shall have all the information included in the template, but are not limited to the information in the template. In case of electronic mandate, ODFI may arrange for appropriate channel to collect such mandate for its customer.
3. The Customer (Creditor) shall collect the mandate from the debtor which is duly signed by Debtor and Creditor in at least two original sets.
4. The Creditor shall provide one original mandate to Creditor's Bank (ODFI) for mandate initiation.
5. The Mandate information shall include, but are not limited to the following and shall be captured in the NCHL-IPS system by ODFI,
 - a. Debtor Customer name
 - b. Debtor Account number
 - c. Purpose
 - d. Beneficiary name and address
 - e. Beneficiary account number
 - f. Frequency "weekly, monthly ..."
 - g. Amount "fixed or ceiling"
 - h. Starting date
 - i. Expiry date
 - j. Currency
 - k. Telephone Number/Fax/E-mail
6. ODFI shall copy the mandate id generated by the system and endorse by bank stamp in the mandate form. ODFI shall then scan the mandate along with digital copy of the mandate in the NCHL-IPS system and send to RDFI for validation and approval.
7. The creditor shall be responsible for retaining one of the original mandates. The creditor or creditor bank shall send the second original mandate to Debtor's Bank (RDFI) either direct or through debtor



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8. RDFI shall validate the mandate in NCHL-IPS system based on the information available in the system and the original mandate. One of the original mandates shall be retained by the Debtor Bank (RDFI).
9. Once the mandate is approved by RDFI, it will become an active Mandate corresponding to which future payments (direct debit) are created and stored on the participant system for both parties (ODFI and RDFI).
10. The payment will be released on the collection due date (beginning of the session) as a normal Direct Debit transaction in case of mandate with fixed amount. ODFI can configure such that Direct Debit transaction requires manual authorization prior to submitting to the central system or can be automatically submitted to the central system depending on the banks internal policy.
11. In case of mandate with ceiling amount, direct debit transactions shall be initiated from creditors information (such as invoice details) which will be validated against the active mandate information.

3.2 Mandate Amendment

The customer can manage its mandate by requesting to amend such mandate information through his bank. Following steps shall be followed for mandate amendment:

1. A debtor or creditor customer shall request for modifying its own non-financial information through his bank. Financial information shall not be allowed for amendment.
2. Creditors information shall be amended by ODFI bank and Debtors information shall be amended by RDFI bank and shall not require approval from the other party.
3. It shall be the responsibility of the respective member banks to obtain and retain necessary supporting from its customer prior to such amendment.

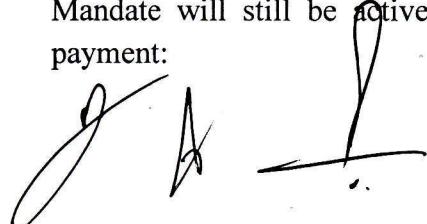
3.3 Mandate Termination

Mandate Termination refers to cancellation of an active mandate for a certain reason(s). Following steps shall be followed for mandate termination:

1. A debtor customer shall request for mandate termination through his bank at least three working days prior to payment due date.
2. Debtor bank shall terminate an active mandate in the system. No approval shall be required from creditor bank for such termination initiated by debtor bank.
3. It shall be the responsibility of the debtor bank to obtain and retain necessary supporting from its customer prior to such termination.

3.4 Stop of Mandate Payment

Stop of Mandate Payment refers to temporary halt of payments corresponding to a mandate, so that direct debit transaction will not be created on the due date. But the Mandate will still be active. Following steps shall be followed for stop of mandate payment:



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1. A debtor customer shall request for stop of Mandate Payment through his bank at least prior to due date.
2. Debtor bank shall stop the mandate payment in the system. No approval shall be required from creditor bank for such stop of mandate payment.
3. It shall be the responsibility of the debtor bank (RDFI) to obtain and retain necessary supporting from its customer prior to stop of mandate payment.

3.5 Mandate Policies

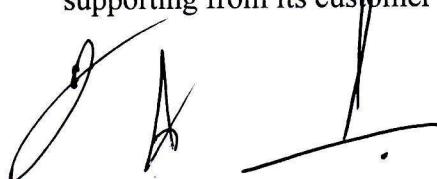
The Mandate Management shall have the following policies:

3.5.1 Mandate Initiation:

1. A creditor customer shall request for mandate initiation through his bank (ODFI) and an approval is required from debtors bank (RDFI).
2. Mandate initiated by ODFI shall be replied by RDFI within seven business days from the date of mandate creation in the system. Unattended Mandates shall be auto rejected by the system on the end of seventh day.
3. In case of mandate as a paper document, one set of physical mandate shall be retained by Creditor and another set by RDFI. Upon an official request (i.e. NRB, Court), the RDFI shall make available the physical mandate within six business days of the request made.
4. RDFI shall safely keep the mandate for at least seven years from the date of its approval except for the mandates under dispute.

3.5.2 Mandate Amendment:

1. A debtor or creditor customer can request for mandate amendment through his bank depending on the information to be amended.
2. Amendment request by RDFI for its Non-financial information including Debtors Customer Name, Address, Telephone/Fax/Email and Debtor Account Number shall not require an Approval from the Beneficiary (creditor or the creditor bank). Similarly, amendment request by ODFI for its non-financial information including Beneficiary Name, Address, Telephone/Fax/Email and Beneficiary Account Number shall not require an approval from the debtor or the debtor bank.
3. Amendment of financial information such as frequency of the payment, end date, currency and amount shall not be allowed. For any change in such information, mandate has to be terminated and initiated as a new mandate in the system.
4. Mandate amendment shall be made at least three business days prior to payment due date.
5. It shall be the responsibility of the respective members to obtain and retain necessary supporting from its customer prior to such amendment.



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3.5.3 Mandate Termination:

1. A debtor customer can request for mandate termination through their respective banks.
2. No approval shall be required for Mandate termination initiated by debtor customer.
3. Mandate termination request shall be sent at least three business days prior to payment due date.
4. It shall be the responsibility of the debtor bank to obtain and retain necessary supporting from its customer prior to initiating such termination request.

3.5.4 Stop of Mandate Payment:

1. The debtor customer shall initiate Stop of Mandate Payment request through his bank.
2. No approval from the creditor bank (ODFI) shall be required for Stop of Mandate Payment request.
3. Such request by the debtor bank (RDFI) shall be sent prior to payment due date.
4. If consecutive three direct debit payments corresponding to a mandate are rejected due to any business reason, system will automatically stop such mandate payment.
5. Such stopped mandate payment cannot be activated.

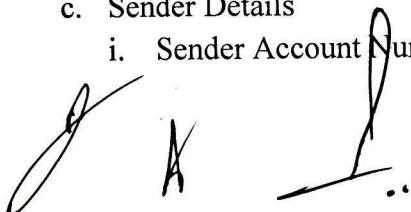
Issues in respect of any disputes or discussions between the Debtor and the Creditor in relation to a collection, amendment, termination or stop of mandate payment through a Mandate are outside the scope of NCHL-IPS Operating Rules.

4. Direct Debit Transaction

Mandate shall be mandatory to process a direct debit transaction through NCHL-IPS system. In order to initiate a Direct Debit transaction, Creditor must initiate a mandate and request their bank(ODFI) to create a mandate in the system that will have to be authorized by the relevant RDFI to debit its customers (Debtors) account once the payment instruction is due. (Refer to transaction workflow for Mandate for creating a Mandate in NCHL-IPS system). The originator of the Direct Debit transaction will be the creditor bank however transaction can also be initiated by the indirect or technical member.

ODFI and RDFI shall follow following steps while performing the outward Direct Debit payment transactions.

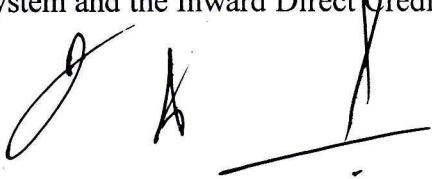
1. ODFI receives payment collections instructions from his customer to collect certain amount based on the mandate terms.
2. NCHL-IPS will validate the transaction automatically based on the mandate information. The required mandate information includes, but are not limited to, the following:
 - a. Amount
 - b. Currency
 - c. Sender Details
 - i. Sender Account Number



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- ii. Sender Account Name
 - d. Creditor's bank details
 - i. Creditor Account name
 - ii. Creditor Account name
 - e. Payment frequency
 - f. Expiry date
 - g. Purpose
 - h. Payment terms "ceiling or fixed"
 - i. Mandate collection date
 - j. Mandate identification Number
3. If there is any missing or mismatch of information, the Quality Assurance Officer (Checker) will return the payment instructions via the NCHL-IPS to the Maker for repair/correction.
 4. ODFI will submit the outward Direct Debit transactions in a batch to NCHL-IPS central system.
 5. NCHL-IPS will perform ISO and Technical validations on the received batch.
 6. NCHL-IPS will perform financial validations on the received batch and transactions including transactions limits and participants debit caps.
 7. NCHL-IPS records the transactions for netting and settlement purpose to be performed at the end of daily operations.
 8. NCHL-IPS automatically generates a status reports to indicate batches transactions' status after validating them and assigns a session ID for valid transactions.
 9. NCHL-IPS clears the payment transactions by updating the participants net positions and forward the transactions to RDFI.
 10. ODFI reads the received status reports to be aware of the submitted transactions' statuses.
 11. RDFI reads the received transactions from the clearinghouse for processing purposes.
 12. RDFI debits its customer account for accepted transactions.
 13. RDFI sends status reports to the clearinghouse to indicate either acceptance or rejection according to the response mode. Response mode of all Direct Debit transactions will be "Request/Reply" where in case explicit response is needed for both accepted and rejected transactions.
 14. For accepted transactions, ODFI shall credit its customer account after the final NCP settlement is confirmed at NRB.
 15. All the Direct debit transaction that are not replied by the Cut-off time will be auto rejected or auto rollovered according to the response mode.

The Outward Direct Credit payment instruction, Outward Standing Order instruction and Outward Direct Debit payment instruction is processed by the branch itself through NCHL IPS system and the Inward Direct Credit Payment Instruction, Inward Standing Order Instruction and



Modality of NCHL - IPS

Inward Direct Debit Payment Instruction which comes through NCHL IPS system are processed by Centralized Clearing Unit (CCU).

Accounting Entries:

1. For Outward Direct Credit Transaction done by Branches

The branches shall pass the following entry after receives payment instruction from the Customer to transfer fund from the customer's bank account to beneficiary account(s) at another bank:

Customer's A/c Debit

Outward Direct Credit A/c at Branch Credit

2. For Outward Standing Order Transaction done by Branches

The branches shall configure the following Standing Order Transaction in Pumori System after approved the standing order instruction and stored on the participant system.

Customer's A/c Debit

Outward Standing Order A/c at Branch Credit

3. For Outward Direct Debit Transaction done by Branches

The branches shall pass the following Outward Direct Debit Transaction after the final NCP settlement is confirmed at NRB.

Outward Direct Debit A/c at Branch Debit

Customer's A/c Credit

1. For Inward Direct Credit Transaction done by Centralized Clearing Unit (CCU)

CCU shall pass the following entry after the final NCP settlement is confirmed at NRB:

Inward Direct Credit A/c at Corporate Debit

Customer's A/c Credit

2. For Inward Standing Order Transaction done by CCU

CCU shall configure the following Standing Order Transaction in Pumori System after receipt of the approved standing order instruction from NCHL IPS system and final NCP settlement is confirmed at NRB.

Inward Standing Order A/c at Corporate Debit

Customer's A/c Credit

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3. For Inward Direct Debit Transaction done by CCU

CCU shall pass the following entry after acceptance of the received transactions from the clearinghouse.

Customer's A/c	Debit
Inward Direct Debit A/c at Corporate	Credit

System Entry for Netting of NCHL-IPS transaction with NCHL made by CCU:

Total Outward Direct Credit A/c Maintained at Branches	Debit
Total Outward Standing Order A/c Maintained at Branches	Debit
Total Outward Direct Debit A/c Maintained at Branches	Credit
Total Inward Direct Debit A/c Maintained at Corporate	Debit
Total Inward Direct Credit A/c Maintained at Corporate	Credit
Total Inward Standing Order A/c Maintained at Corporate	Credit
IDT A/c Treasury Maintained at Corporate (IPS)	Debit or Credit

Centralized Clearing Unit shall advise Treasury Department for net effect in NRB account.

System Entry for settlement of NCHL-IPS transaction made by Treasury:

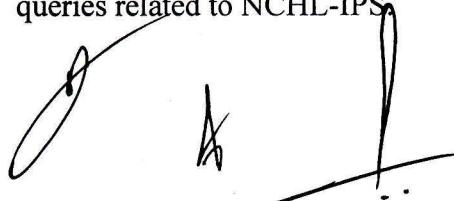
NRB KTM maintained at Corporate	Debit/ Credit
IDT A/c – Treasury Maintained at Corporate (IPS)	Debit/ Credit

Netting of ECC Transaction with Branch

For the Final settlement of IPS transactions with Branch, CCU will debit Outward Direct Credit A/c, Outward Standing Order A/c maintained at Branches and credit Outward Direct Debit A/c maintained at Branches. The reconciliation of Outward Direct Credit Account, Outward standing order A/c and Outward Direct Debit A/c maintained at branches is the responsibility of Branch itself.

Contact

Branches are advised to contact Branch Operations Department and IT Department for any queries related to NCHL-IPS



Name/Logo of Originating Bank

NCHL-IPS Mandate Form (Sample)

(As per NCHL-IPS Operating Rules 9.8.3)

Mandate Reference Number: _____

Date:

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 DD MM YY

I/We hereby authorize to debit my account maintained with my bank/ FI to credit account of _____ Name of Beneficiary/ Credit Service provider with an amount for payment towards the Service/Scheme/Plan provided by you/your Company as mentioned below.

Section 1: Mandate Information

Payment Type: <input type="checkbox"/> Fixed <input type="checkbox"/> Ceiling	Start Date: <table border="1" style="display: inline-table;"><tr><td> </td><td> </td></tr></table> DD MM YY													End Date: <table border="1" style="display: inline-table;"><tr><td> </td><td> </td></tr></table> DD MM YY												
Payment Frequency:	Purpose: <input type="checkbox"/> Utility <input type="checkbox"/> Installment <input type="checkbox"/> Fee <input type="checkbox"/> Insurance <input type="checkbox"/> Credit Card <input type="checkbox"/> Others																									
<input type="checkbox"/> Every _____ Week <small>(Pre-printed for specific Creditor)</small> <input type="checkbox"/> Every _____ Month <input type="checkbox"/> Every _____ Year																										
Amount of / up to: _____	<small>Amount in words</small>	<small>Amount in figure</small>																								

Section 2: Creditor Information (Beneficiaries/ Payee)

Creditor Name: <small>Pre-printed for specific Creditor</small>	Branch: <small>Pre-printed for specific Creditor</small>
Creditor Bank/FI: <small>Pre-printed for specific Creditor</small>	
Creditor Account: <small>Pre-printed for specific Creditor</small>	
Service Type: <small>Identification No. of Purpose</small>	Service ID: <small>Identification No. of Purpose</small>
Contact Details: Address: <small>Pre-printed for specific Creditor</small>	
Tel: _____	E-mail: _____

Section 3: Debtor Information (Customer/ Payer)

Debtor Name: _____	Branch: _____
Debtor Bank/FI: _____	
Debtor Account: _____	
Debtor Id Type: <small>Identification No. of Debtor</small>	Debtor Id No: <small>Identification No. of Debtor</small>
Contact Details: Address: _____	
Tel: _____	Mobile: _____
	E-mail: _____

Terms and Conditions:

1. I/We shall be responsible for any amendment in my/our contact details through my/our bank/FI and request for such amendment shall be made at least three days prior to payment due date. Amendment in any other fields of the mandate shall not be allowed.
2. I/We understand that no authorization from me/us shall be required for any amendment of beneficiary/ creditor/ service provider's contact details as mentioned above through their bank/FI.
3. Termination/ Stop of Mandate Payment shall be initiated by me/us, if required, through my bank/FI as per my bank's internal policy at least three days prior to payment due date.
4. Beneficiary/Creditor/Service provider shall be authorized to disclose the invoice/ billing amount to their bank/FI to initiate the payment on the basis of this mandate.
5. The validity of this mandate shall remain active till the end date mentioned above or as and when terminated by me/us in writing.
6. I/We shall agree with this Mandate form as a standard form of contract in accordance with NCHL-IPS Operating Rules and prevailing laws of Nepal.

Declaration:

I/We hereby declare that the particulars given above are correct and complete. If the transactions are delayed or not effected at all for any reasons of incomplete or incorrect information and/or delay in the payment and/or interruption of the service/ Scheme/ Plan due to amendment, termination or stop of mandate payment, I/We would not hold the Creditor/ Service Provider/ Participant Banks (creditor and debtor banks/FIs) responsible. I/We have signed two copies of this mandate after having understood the terms and conditions and agree to discharge the responsibility expected of me/us.

Debtor (Customer/ Payer)	Creditor (Beneficiary/ Payee)
Signature	Signature & Stamp

(Signatures as per the Bank/ FI account record)

Modality of NCHL - IPS

Nepal Clearing House Limited – Interbank Payment System (NCHL-IPS)

Nepal Clearing House Limited – Interbank Payment System (NCHL – IPS) is a system to provide core payment function to transfer funds between the accounts maintained at different member banks and financial institutions. It will facilitate member banks and financial institutions to transfer (direct credit) and receive (direct debit) funds from accounts held at various member banks on deferred net settlement basis.

Under NCHL-IPS system, the payment transaction will be initiated at the Originating Depository Financial Institution (ODFI) and transferred electronically for exchange and clearing, via the secured communication channel, to the receiving depository financial institution (RDFI) for necessary processing.

NCHL-IPS calculates the multilateral net clearing position and sends to the settlement system of Nepal Rastra Bank for settlement of the net clearing position of the direct members. The core system of the NCHL-IPS lies at NCHL.

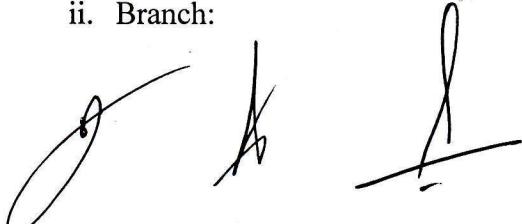
NCHL shall be introducing at least 15-20 products initially such as dividend, IPO refunds, salary, pension/social security, treasury, loan disbursements, remittance, etc. with possibility of introducing 160+ standard direct credit and direct debit products.

Transaction Workflow of NCHL-IPS

1. Direct Credit Transaction

Originating Depository Financial Institution (ODFI) and Receiving Depository Financial Institution (RDFI) shall follow the following steps while performing the outward Direct Credit payment transfers:

1. ODFI receives payment instructions from its customer to transfer fund from the customer's bank account to beneficiary account(s) at another bank. Such information can be collected by the ODFI in a physical form/document or in an electronic form or channel provided by ODFI to its customer. The originator of the Direct Credit transaction will be the debtor bank however transaction can also be initiated by the indirect or technical member.
2. ODFI shall validate all the required information. The necessary information shall include, but are not limited to, the following:
 - a. Amount
 - b. Sender Details:
 - i. Sender Account Number:
 - ii. Sender Account Name:
 - c. Beneficiary's Bank Details:
 - i. Bank Name:
 - ii. Branch:



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- d. Beneficiary's details:
 - i. Beneficiary Account Name:
 - ii. Beneficiary Account Number:
- e. Purpose:
- 3. Based on the amount and the purpose of the transaction, the ODFI user will create batch and fill the required information for the transaction(s) including any other non-mandatory information.
- 4. If there is any missing or mismatch of information, the Quality Assurance Officer (Checker) will return the payment instructions via the NCHL-IPS to the Maker for repair/correction.
- 5. ODFI will debit/block the customer account and then submits the outward Direct Credit transactions in a batch to NCHL-IPS central system.
- 6. NCHL-IPS will perform International Organization for Standardization (ISO) and Technical validations on the received batch.
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- 13. RDFI clears the transactions and sends status reports to the clearing house to indicate either acceptance or rejection. Response mode of all Direct Credit transaction will be "Resilience" where in case of no explicit response is received all unrepplied transactions will be auto accepted.
- 14. RDFI shall credit its customer account after the final NCP settlement is confirmed at NRB, unless alternate funding or overdraft facility is available.
- 15. If all the Direct Credit transaction(s) that are not replied by the Cut-off time it will be auto accepted.

2. Standing Order

Standing Order is an instruction authorized by the debtor allowing his bank (ODFI) to debit an amount from his account maintained with the ODFI bank and make credit payment transaction to credit the amount to the creditor account maintained at the creditor's bank (RDFI) at predefine date fixed in the Standing Order.

A Standing Order may exist as a paper document and/or a pre-printed form which is physically signed by the Debtor and such paper Standing Order stored either as the original

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document or in any digitized format by ODFI. Alternatively, a Standing Instruction may be an electronic document which is signed using a legally binding method of digital signature. It shall be the responsibility of Debtor bank to provide such Standing Order document/form to its customer.

Standing order is used for direct credit transactions, however not mandatory, to initiate regular payments in periodic basis such as payments of rent, utility bills, loan installment, school fees, credit card bills etc.

1. Once the standing order is approved by ODFI, it will become an active standing order corresponding to which future payment (direct credit) are created and stored on the participant system.
2. The payment will be released on the payment due date (beginning of the session) as a normal Direct Credit transaction.
3. ODFI can configure such that such Direct Credit transaction requires manual authorization prior to submitting to the central system or can be automatically submitted to the central system depending on the banks internal policy.
4. Debtor customer can request at least 2 business days prior to payment due date to its bank for amendment, termination and/or stop payment of one of multiple future payments corresponding to an active standing order. However, debtor bank's internal policy shall apply for such amendment, termination and stop payment.
5. Standing order initiation, amendment, termination and stop payment require dual approval at ODFI.

3. Mandate Management

Mandate is an agreement or an expression of consent authorized by the debtor allowing a beneficiary party known also as the creditor or the originator of the debit payment transaction, to debit an amount from the specified debtor's account at the debtor's bank at predefined date fixed in the mandate.

A mandate may exist as a paper document and/or a pre-printed form which is physically signed by the Debtor and such paper mandate stored either as the original document or in any digitized format. Alternatively, a Mandate may be an electronic document which is signed using a legally binding method of digital signature. Debtor shall complete the Mandate document/form and return it to the Creditor. Creditor bank will initiate the mandate in the system.

Mandate is used for direct debit transactions in NCHL-IPS system and is mandatory for initiating all direct debit transactions such as (but not limited to) collection of utility bills, insurances premium, loan installment, school fees, etc.



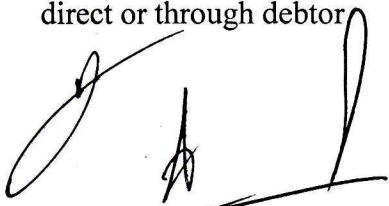
Modality of NCHL - IPS

Mandate management includes mandate initiation, amendment, termination and stop mandate payment and as agreed by the debtor and creditor customers. Mandate management is performed as follow:

3.1 Mandate Initiation

ODFI and RDFI shall follow the following steps while creating a Mandate in NCHL-IPS system.

1. The customer (Creditor) of ODFI shall initiate the process to obtain a mandate from the Debtor to authorize debiting its account held at RDFI (debtor's bank).
2. Sample template of a Mandate form is available in **Annexure 1**. The Mandate shall have all the information included in the template, but are not limited to the information in the template. In case of electronic mandate, ODFI may arrange for appropriate channel to collect such mandate for its customer.
3. The Customer (Creditor) shall collect the mandate from the debtor which is duly signed by Debtor and Creditor in at least two original sets.
4. The Creditor shall provide one original mandate to Creditor's Bank (ODFI) for mandate initiation.
5. The Mandate information shall include, but are not limited to the following and shall be captured in the NCHL-IPS system by ODFI,
 - a. Debtor Customer name
 - b. Debtor Account number
 - c. Purpose
 - d. Beneficiary name and address
 - e. Beneficiary account number
 - f. Frequency "weekly, monthly ..."
 - g. Amount "fixed or ceiling"
 - h. Starting date
 - i. Expiry date
 - j. Currency
 - k. Telephone Number/Fax/E-mail
6. ODFI shall copy the mandate id generated by the system and endorse by bank stamp in the mandate form. ODFI shall then scan the mandate along with digital copy of the mandate in the NCHL-IPS system and send to RDFI for validation and approval.
7. The creditor shall be responsible for retaining one of the original mandates. The creditor or creditor bank shall send the second original mandate to Debtor's Bank (RDFI) either direct or through debtor



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8. RDFI shall validate the mandate in NCHL-IPS system based on the information available in the system and the original mandate. One of the original mandates shall be retained by the Debtor Bank (RDFI).
9. Once the mandate is approved by RDFI, it will become an active Mandate corresponding to which future payments (direct debit) are created and stored on the participant system for both parties (ODFI and RDFI).
10. The payment will be released on the collection due date (beginning of the session) as a normal Direct Debit transaction in case of mandate with fixed amount. ODFI can configure such that Direct Debit transaction requires manual authorization prior to submitting to the central system or can be automatically submitted to the central system depending on the banks internal policy.
11. In case of mandate with ceiling amount, direct debit transactions shall be initiated from creditors information (such as invoice details) which will be validated against the active mandate information.

3.2 Mandate Amendment

The customer can manage its mandate by requesting to amend such mandate information through his bank. Following steps shall be followed for mandate amendment:

1. A debtor or creditor customer shall request for modifying its own non-financial information through his bank. Financial information shall not be allowed for amendment.
2. Creditors information shall be amended by ODFI bank and Debtors information shall be amended by RDFI bank and shall not require approval from the other party.
3. It shall be the responsibility of the respective member banks to obtain and retain necessary supporting from its customer prior to such amendment.

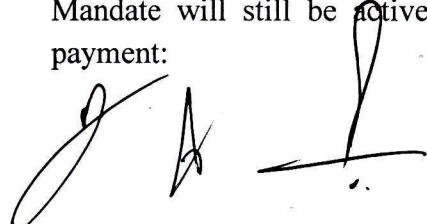
3.3 Mandate Termination

Mandate Termination refers to cancellation of an active mandate for a certain reason(s). Following steps shall be followed for mandate termination:

1. A debtor customer shall request for mandate termination through his bank at least three working days prior to payment due date.
2. Debtor bank shall terminate an active mandate in the system. No approval shall be required from creditor bank for such termination initiated by debtor bank.
3. It shall be the responsibility of the debtor bank to obtain and retain necessary supporting from its customer prior to such termination.

3.4 Stop of Mandate Payment

Stop of Mandate Payment refers to temporary halt of payments corresponding to a mandate, so that direct debit transaction will not be created on the due date. But the Mandate will still be active. Following steps shall be followed for stop of mandate payment:



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1. A debtor customer shall request for stop of Mandate Payment through his bank at least prior to due date.
2. Debtor bank shall stop the mandate payment in the system. No approval shall be required from creditor bank for such stop of mandate payment.
3. It shall be the responsibility of the debtor bank (RDFI) to obtain and retain necessary supporting from its customer prior to stop of mandate payment.

3.5 Mandate Policies

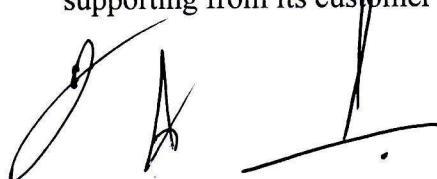
The Mandate Management shall have the following policies:

3.5.1 Mandate Initiation:

1. A creditor customer shall request for mandate initiation through his bank (ODFI) and an approval is required from debtors bank (RDFI).
2. Mandate initiated by ODFI shall be replied by RDFI within seven business days from the date of mandate creation in the system. Unattended Mandates shall be auto rejected by the system on the end of seventh day.
3. In case of mandate as a paper document, one set of physical mandate shall be retained by Creditor and another set by RDFI. Upon an official request (i.e. NRB, Court), the RDFI shall make available the physical mandate within six business days of the request made.
4. RDFI shall safely keep the mandate for at least seven years from the date of its approval except for the mandates under dispute.

3.5.2 Mandate Amendment:

1. A debtor or creditor customer can request for mandate amendment through his bank depending on the information to be amended.
2. Amendment request by RDFI for its Non-financial information including Debtors Customer Name, Address, Telephone/Fax/Email and Debtor Account Number shall not require an Approval from the Beneficiary (creditor or the creditor bank). Similarly, amendment request by ODFI for its non-financial information including Beneficiary Name, Address, Telephone/Fax/Email and Beneficiary Account Number shall not require an approval from the debtor or the debtor bank.
3. Amendment of financial information such as frequency of the payment, end date, currency and amount shall not be allowed. For any change in such information, mandate has to be terminated and initiated as a new mandate in the system.
4. Mandate amendment shall be made at least three business days prior to payment due date.
5. It shall be the responsibility of the respective members to obtain and retain necessary supporting from its customer prior to such amendment.



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3.5.3 Mandate Termination:

1. A debtor customer can request for mandate termination through their respective banks.
2. No approval shall be required for Mandate termination initiated by debtor customer.
3. Mandate termination request shall be sent at least three business days prior to payment due date.
4. It shall be the responsibility of the debtor bank to obtain and retain necessary supporting from its customer prior to initiating such termination request.

3.5.4 Stop of Mandate Payment:

1. The debtor customer shall initiate Stop of Mandate Payment request through his bank.
2. No approval from the creditor bank (ODFI) shall be required for Stop of Mandate Payment request.
3. Such request by the debtor bank (RDFI) shall be sent prior to payment due date.
4. If consecutive three direct debit payments corresponding to a mandate are rejected due to any business reason, system will automatically stop such mandate payment.
5. Such stopped mandate payment cannot be activated.

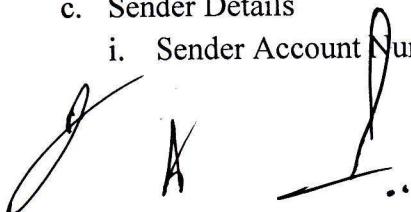
Issues in respect of any disputes or discussions between the Debtor and the Creditor in relation to a collection, amendment, termination or stop of mandate payment through a Mandate are outside the scope of NCHL-IPS Operating Rules.

4. Direct Debit Transaction

Mandate shall be mandatory to process a direct debit transaction through NCHL-IPS system. In order to initiate a Direct Debit transaction, Creditor must initiate a mandate and request their bank(ODFI) to create a mandate in the system that will have to be authorized by the relevant RDFI to debit its customers (Debtors) account once the payment instruction is due. (Refer to transaction workflow for Mandate for creating a Mandate in NCHL-IPS system). The originator of the Direct Debit transaction will be the creditor bank however transaction can also be initiated by the indirect or technical member.

ODFI and RDFI shall follow following steps while performing the outward Direct Debit payment transactions.

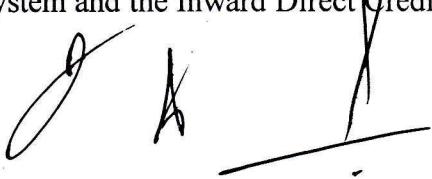
1. ODFI receives payment collections instructions from his customer to collect certain amount based on the mandate terms.
2. NCHL-IPS will validate the transaction automatically based on the mandate information. The required mandate information includes, but are not limited to, the following:
 - a. Amount
 - b. Currency
 - c. Sender Details
 - i. Sender Account Number



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- ii. Sender Account Name
 - d. Creditor's bank details
 - i. Creditor Account name
 - ii. Creditor Account name
 - e. Payment frequency
 - f. Expiry date
 - g. Purpose
 - h. Payment terms "ceiling or fixed"
 - i. Mandate collection date
 - j. Mandate identification Number
3. If there is any missing or mismatch of information, the Quality Assurance Officer (Checker) will return the payment instructions via the NCHL-IPS to the Maker for repair/correction.
 4. ODFI will submit the outward Direct Debit transactions in a batch to NCHL-IPS central system.
 5. NCHL-IPS will perform ISO and Technical validations on the received batch.
 6. NCHL-IPS will perform financial validations on the received batch and transactions including transactions limits and participants debit caps.
 7. NCHL-IPS records the transactions for netting and settlement purpose to be performed at the end of daily operations.
 8. NCHL-IPS automatically generates a status reports to indicate batches transactions' status after validating them and assigns a session ID for valid transactions.
 9. NCHL-IPS clears the payment transactions by updating the participants net positions and forward the transactions to RDFI.
 10. ODFI reads the received status reports to be aware of the submitted transactions' statuses.
 11. RDFI reads the received transactions from the clearinghouse for processing purposes.
 12. RDFI debits its customer account for accepted transactions.
 13. RDFI sends status reports to the clearinghouse to indicate either acceptance or rejection according to the response mode. Response mode of all Direct Debit transactions will be "Request/Reply" where in case explicit response is needed for both accepted and rejected transactions.
 14. For accepted transactions, ODFI shall credit its customer account after the final NCP settlement is confirmed at NRB.
 15. All the Direct debit transaction that are not replied by the Cut-off time will be auto rejected or auto rollovered according to the response mode.

The Outward Direct Credit payment instruction, Outward Standing Order instruction and Outward Direct Debit payment instruction is processed by the branch itself through NCHL IPS system and the Inward Direct Credit Payment Instruction, Inward Standing Order Instruction and



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Inward Direct Debit Payment Instruction which comes through NCHL IPS system are processed by Centralized Clearing Unit (CCU).

Accounting Entries:

1. For Outward Direct Credit Transaction done by Branches

The branches shall pass the following entry after receives payment instruction from the Customer to transfer fund from the customer's bank account to beneficiary account(s) at another bank:

Customer's A/c Debit

Outward Direct Credit A/c at Branch Credit

2. For Outward Standing Order Transaction done by Branches

The branches shall configure the following Standing Order Transaction in Pumori System after approved the standing order instruction and stored on the participant system.

Customer's A/c Debit

Outward Standing Order A/c at Branch Credit

3. For Outward Direct Debit Transaction done by Branches

The branches shall pass the following Outward Direct Debit Transaction after the final NCP settlement is confirmed at NRB.

Outward Direct Debit A/c at Branch Debit

Customer's A/c Credit

1. For Inward Direct Credit Transaction done by Centralized Clearing Unit (CCU)

CCU shall pass the following entry after the final NCP settlement is confirmed at NRB:

Inward Direct Credit A/c at Corporate Debit

Customer's A/c Credit

2. For Inward Standing Order Transaction done by CCU

CCU shall configure the following Standing Order Transaction in Pumori System after receipt of the approved standing order instruction from NCHL IPS system and final NCP settlement is confirmed at NRB.

Inward Standing Order A/c at Corporate Debit

Customer's A/c Credit

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3. For Inward Direct Debit Transaction done by CCU

CCU shall pass the following entry after acceptance of the received transactions from the clearinghouse.

Customer's A/c	Debit
Inward Direct Debit A/c at Corporate	Credit

System Entry for Netting of NCHL-IPS transaction with NCHL made by CCU:

Total Outward Direct Credit A/c Maintained at Branches	Debit
Total Outward Standing Order A/c Maintained at Branches	Debit
Total Outward Direct Debit A/c Maintained at Branches	Credit
Total Inward Direct Debit A/c Maintained at Corporate	Debit
Total Inward Direct Credit A/c Maintained at Corporate	Credit
Total Inward Standing Order A/c Maintained at Corporate	Credit
IDT A/c Treasury Maintained at Corporate (IPS)	Debit or Credit

Centralized Clearing Unit shall advise Treasury Department for net effect in NRB account.

System Entry for settlement of NCHL-IPS transaction made by Treasury:

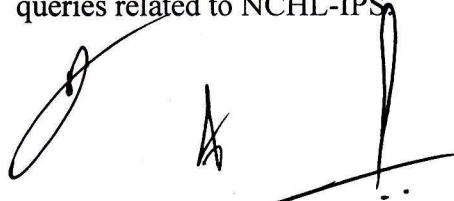
NRB KTM maintained at Corporate	Debit/ Credit
IDT A/c – Treasury Maintained at Corporate (IPS)	Debit/ Credit

Netting of ECC Transaction with Branch

For the Final settlement of IPS transactions with Branch, CCU will debit Outward Direct Credit A/c, Outward Standing Order A/c maintained at Branches and credit Outward Direct Debit A/c maintained at Branches. The reconciliation of Outward Direct Credit Account, Outward standing order A/c and Outward Direct Debit A/c maintained at branches is the responsibility of Branch itself.

Contact

Branches are advised to contact Branch Operations Department and IT Department for any queries related to NCHL-IPS



Name/Logo of Originating Bank

NCHL-IPS Mandate Form (Sample)

(As per NCHL-IPS Operating Rules 9.8.3)

Mandate Reference Number: _____

Date:

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 DD MM YY

I/We hereby authorize to debit my account maintained with my bank/ FI to credit account of _____ Name of Beneficiary/ Credit Service provider with an amount for payment towards the Service/Scheme/Plan provided by you/your Company as mentioned below.

Section 1: Mandate Information

Payment Type: <input type="checkbox"/> Fixed <input type="checkbox"/> Ceiling	Start Date: <table border="1" style="display: inline-table;"><tr><td> </td><td> </td></tr></table> DD MM YY													End Date: <table border="1" style="display: inline-table;"><tr><td> </td><td> </td></tr></table> DD MM YY												
Payment Frequency:	Purpose: <input type="checkbox"/> Utility <input type="checkbox"/> Installment <input type="checkbox"/> Fee <input type="checkbox"/> Insurance <input type="checkbox"/> Credit Card <input type="checkbox"/> Others																									
<input type="checkbox"/> Every _____ Week <small>(Pre-printed for specific Creditor)</small> <input type="checkbox"/> Every _____ Month <input type="checkbox"/> Every _____ Year																										
Amount of / up to: _____	<small>Amount in words</small>	<small>Amount in figure</small>																								

Section 2: Creditor Information (Beneficiaries/ Payee)

Creditor Name: <small>Pre-printed for specific Creditor</small>	Branch: <small>Pre-printed for specific Creditor</small>
Creditor Bank/FI: <small>Pre-printed for specific Creditor</small>	
Creditor Account: <small>Pre-printed for specific Creditor</small>	
Service Type: <small>Identification No. of Purpose</small>	Service ID: <small>Identification No. of Purpose</small>
Contact Details: Address: <small>Pre-printed for specific Creditor</small>	
Tel: _____	E-mail: _____

Section 3: Debtor Information (Customer/ Payer)

Debtor Name: _____	Branch: _____
Debtor Bank/FI: _____	
Debtor Account: _____	
Debtor Id Type: <small>Identification No. of Debtor</small>	Debtor Id No: <small>Identification No. of Debtor</small>
Contact Details: Address: _____	
Tel: _____	Mobile: _____
	E-mail: _____

Terms and Conditions:

1. I/We shall be responsible for any amendment in my/our contact details through my/our bank/FI and request for such amendment shall be made at least three days prior to payment due date. Amendment in any other fields of the mandate shall not be allowed.
2. I/We understand that no authorization from me/us shall be required for any amendment of beneficiary/ creditor/ service provider's contact details as mentioned above through their bank/FI.
3. Termination/ Stop of Mandate Payment shall be initiated by me/us, if required, through my bank/FI as per my bank's internal policy at least three days prior to payment due date.
4. Beneficiary/Creditor/Service provider shall be authorized to disclose the invoice/ billing amount to their bank/FI to initiate the payment on the basis of this mandate.
5. The validity of this mandate shall remain active till the end date mentioned above or as and when terminated by me/us in writing.
6. I/We shall agree with this Mandate form as a standard form of contract in accordance with NCHL-IPS Operating Rules and prevailing laws of Nepal.

Declaration:

I/We hereby declare that the particulars given above are correct and complete. If the transactions are delayed or not effected at all for any reasons of incomplete or incorrect information and/or delay in the payment and/or interruption of the service/ Scheme/ Plan due to amendment, termination or stop of mandate payment, I/We would not hold the Creditor/ Service Provider/ Participant Banks (creditor and debtor banks/FIs) responsible. I/We have signed two copies of this mandate after having understood the terms and conditions and agree to discharge the responsibility expected of me/us.

Debtor (Customer/ Payer)	Creditor (Beneficiary/ Payee)
Signature	Signature & Stamp

(Signatures as per the Bank/ FI account record)