



NCC Bank
नेपाल क्रेडिट एंड कमर्स बैंक लि.
Nepal Credit & Commerce Bank Ltd.

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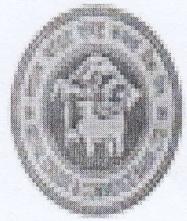
Subject: Reconciliation Guidelines - 2017

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

This is to inform all the Staff Members of Nepal Credit & Commerce Bank Ltd. that the Management has approved the Reconciliation Guidelines-2017, which is attached herewith for immediate implementation.

All the concerned Staff members are instructed to follow the guidelines. The Internal Audit Department, Compliance Unit and Operation Risk Unit shall monitor the aspects of implementation of the guidelines.

**Ramesh Raj Aryal
Chief Executive Officer**



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Your Business Bank

Reconciliation Guidelines

2017



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Approving Table

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Approved by:	Ramesh Raj Aryal	Chief Executive Officer	

1. Introduction

Reconciliation is the process of identifying the differences between two sets of account heads having interrelated transaction. It is the post verification process of transactions to avoid errors & to rectify the error, if any. Reconciliation is taken as a major tool that is taken for strengthening the internal control system of the Bank. It can make sure the efficient operations risk management system of the Bank.

Numerous transactions are carried out on Banks on daily basis, that are related to deposit or withdrawal, loan disbursement or settlement, inward remittance, outward remittance, transactions through cards, mobile and internet banking, transactions related to procurement of logistics and assets etc. Some transactions are executed on cash basis while some transactions are executed as receivables or payables for future date. This guideline outlines the procedures and requirements of reconciliation of various accounting titles and ensures the intact error free accounting.

2. Objectives of Reconciliation

The guideline has been formulated with the objectives of:

- a. Identifying the errors that may occur in accounting.
- b. Identifying the frauds both internal and external.
- c. Ensuring that the transactions recorded are prudent, authentic and accurate.
- d. Updating and making due track and changes of receivables and payables.
- e. Ensuring that dividend record and payments are accurate.
- f. Protecting from the risk and losses from the point of operation risks, reputational risks and legal disputes.
- g. Keeping transparent and clean books of accounts.
- h. Preventing from any fraudulent activities.
- i. Identifying the unsettled transactions, enlisting these transactions and settlement of these transactions in a systematic manner.

3. Possible Risk/Consequence of Non-Reconciliation

a. Financial Risk:

If accounts are not reconciled properly, there may be possibility of payment to the wrong customer/ wrong amount/ double payment etc, which could lead the bank to financial loss as the bank need to compensate to the customer and may have to bear legal/administrative costs to recover and settle the transaction.

b. Reputational Risk:

Some transactions may have direct/indirect transaction impact to customer accounts and any transactions un-reconciled/pending in reconciliation may impact on customer account too. In such cases, customers may complain publicly and when such news is published / broadcasted through mass media, customers may form negative perceptions about the bank and loose confidence.

c. Business Risk:

Error or non identification of error transactions may lead to reputational risk. Reputational Risk further leads to Business Risk when existing customer start to break the relationship and prospective customer avoid establishing new relationship, it would have a direct impact to the Bank's business.

d. Administrative & Legal Hassle

Sometimes, wrong customer may get the credit and sometimes customer may get credit of wrong amount. If such issue could not be identified immediately due to lapses in reconciliation, bank may have to face various administrative & legal hassles to recover the amount from wrongly credited customer.

e. Improper Fund Management

Fund Manager may not have exact information about the fund position in bank accounts due to wrong entry and thereby delay/lapses in reconciliation, which can lead to excess or under funding in the account. Under funding in Nostro account may cause non-execution of transaction instruction, resulting heavy penalty in the form of overdrawn charge, which



again invites reputational risk. Likewise, excess funding in Nostro account may cause opportunity loss for generating revenue by investment.

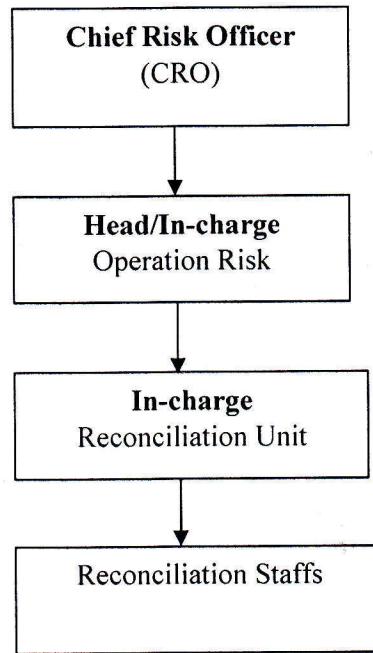
f. Possibility of Fraudulent Activity

If reconciliation is not carried out properly/timely, the environment of weak internal control may encourage fraudulent transactions by Bank staff/outsider so could not identify the fraud on a timely manner.

4. Reconciliation Structure

The basic structure and practices in the Bank for smooth and regular functioning of the reconciliation shall comprise at least;

Reporting Structure



a. Reconciliation Unit

There shall be an independent Reconciliation Unit in the Bank that looks after the entire reconciliation functions of the Bank. The staffs of Reconciliation Unit shall report to In-charge Reconciliation Unit. The In-charge of Reconciliation Unit shall have direct reporting relationship with Head/In-charge, Operation Risk as assigned. The independent Reconciliation Unit shall exercise its independent judgment while carrying out its duties.

b. Standard Reconciliation System/Practice

Reconciliation Unit shall use a robust Reconciliation System practice in order to timely identify and reconcile the unsettled transactions. The system or practices shall be effectively communicated with the branches/ department to identify every financial and non-financial unsettled issue to reconcile them. The System shall be capable of generating periodic reconciliation reports. Reconciliation system shall have a mechanism for communication, reminder, follow up and reporting the achievements to higher authority.

c. Access to Information

Reconciliation Unit shall have the right to inquire for information on any financial and non-financial transaction done by the Bank that falls under the scope of reconciliation. Reconciliation Unit may ask for information regarding originator of transaction, beneficiary of transaction, documents supporting transactions, validity of the transaction, transaction details etc.

d. Reporting System

There will be defined reporting system that the reconciliation unit follows on its day to day functioning. Reporting would be on higher authorities for the periodical performance updates and follow ups to the branches and departments for the issues identified as un-reconciled for long time or unsettled issues continued for long time.

5. Work Scope

Reconciliation Unit shall identify those areas in the Bank that are required to be reconciled due to the nature of the transactions. Reconciliation shall enlarge the scope of its work depending upon the requirement of the Bank. It shall be the responsibility of Reconciliation Unit to inculcate every area of the Bank in its sphere where there are cases of un-reconciled or unsettled transactions. The areas of the Bank that are to be covered under the scope of reconciliation are as follows:

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a. Inter Department Accounts, Inter Branch Account and Parking Account

These are the accounts which are used by branches to temporarily park funds, and then inform/instruct the other branch/ departments to carry out certain financial transaction out of the fund parked. The purpose of same is to park funds on temporary basis only and should be settled on the same day of parking, i.e. effort should be made such that this account should be “NIL” on daily basis. However, due to unavoidable circumstances such as un-identified customer, incomplete approval or incomplete supporting details, it may not be possible to settle the transaction parked in such account on same day in few cases. In such circumstances, this account should be settled on the next working day but Chief Operating Officer’s approval is must to continue on parking account. The maximum allowable time to settle the parked fund is 3 working days.

b. Nostro/Bank Accounts

Banks normally maintain bank balance in other domestic and foreign banks. These bank balances in other banks are used for settlement of transactions. Settlements are done on the basis of instructions through swift/demand draft etc, provided by the Bank. It is always necessary to check transactions in domestic or foreign Nostro accounts and ensure that only the genuine transactions have been executed through these accounts. It is also necessary to check transactions in Nostro Accounts to ensure there are no any unsettled transactions in these accounts for a long time.

c. Other Assets and Other Liabilities

Other assets like receivables, advances, prepaid expenses. Deposits, sundry etc. shall be monitored through the exhibit taken from the account or finance department. Other liabilities include Account Payable, Draft Payable etc. Reconciliation obtains the exhibit from account or finance department on monthly basis and examine it for identifying if any long pending are remained or not. Finance & account department must prepare the exhibit on monthly basis and provide to the reconciliation unit.

d. Dividend Payables

Dividend payables are reconciled on monthly basis taking report of dividend payable and paid during the period from concerned department. Dividend payable shall be recorded on year wise periodical basis and reconciliation is done accordingly separately.

e. ATM, Card and Remittance

Concerned department like: Card, Remittances, transaction banking conducts the reconciliation on periodical basis as defined in concerned manuals or responsibilities as assigned. Reconciliation unit obtains the reconciliation sheet or report from concerned department/functions and review its accuracy, regularity and items continuity on the reconciliation sheet. It is the monitoring functions that ensure the effectiveness of reconciliation function on respective department or function of Card, ATM and remittance.

f. Others

The Chief Risk Officer may define and prescribe the other scope for the Reconciliation unit and Branches on need basis.

6. Reconciliation Frequency and Responsibility

Reconciliation Unit and the responsible departments shall conduct the reconciliation function of the Bank on following frequency:

S No.	Heads	Interval	Responsibility
1	Nostro Accounts	Weekly	Reconciliation Unit
2	NRB Accounts (HO)	Weekly	Reconciliation Unit
3	NRB Accounts (Branches)	Monthly	Respective Branch
4	Local Bank Accounts (HO)	Monthly	Reconciliation Unit
5	Bank Accounts (Branches)	Monthly	Respective Branch
6	Inter Branch or Other Settlement Accounts	Daily	Reconciliation Unit
7	Parking Accounts	Daily	Reconciliation Unit



8	Dividend Payable Account	Monthly	Reconciliation Unit
9	Other Financial Accounts (Exhibit) Review	Monthly	Account Department: Prepare the Exhibit. Review by Reconciliation Unit
10	Card/ATM related Payables/Receivables	Daily/Weekly	Card/ Respective Department Review by Reconciliation Unit on monthly basis.
11	Remittance	Daily	Remittance Dept.
12	ATM Teller Cash	Daily	Respective Custodian/Branch Review by Recon. Unit on monthly basis

7. Follow Up

Reconciliation unit makes follow ups to the concerned department or branches for the issues remained pending on the reconciliation report. Such follow ups will be continued till the settlement of the items. Branch Operation Department and COO shall need to be informed about the follow ups taken on reconciliation to keep track and needful supervision of settlements.

The process of follow up with Branches/ Departments to settle the un-reconciled items in parking accounts or the inter-branch account as follows:

Follow-up	Process
1 st Follow-up	a) E-mail follow up Cc: to Branch Operation Department
2 nd Follow-up	a) Reminder through E-mail and Phone Call Cc: to Branch Operation, COO and CRO
3 rd Follow-up	a) Reminder through Email and Phone Call Cc: to Branch Operation, COO, CRO, DCEO and CEO

Handwritten signatures of three individuals are present here, likely representing different bank officials or departments.

A handwritten signature of a fourth individual, possibly a higher-level executive, is located at the bottom right.

Hold on Follow Ups

The follow up shall be discontinued when the unsettled transactions are settled. The follow up shall be temporarily held when the concerned branch/ department provides a written statement justifying the reason for non-settlement of the transaction and assures the reconciliation unit by providing the date the transaction shall be settled by passing entry in the system. Such duration of temporary halt in follow up shall be for a maximum period of 30 days.

8. Reporting

Reconciliation Unit shall prepare and submit daily, weekly and monthly reconciliation reports to higher authorities for its information and review.

a. Daily report:

Reconciliation Unit shall reconcile and prepare daily report on General IBT accounts, parking accounts and daily reconciled items. The reports shall be generated by consulting with concerned departments and at the day end, the daily report required to be submitted up to CRO for review, if any pending remained.

b. Weekly report

Reconciliation report on Nostro accounts, NRB account (HO), Card/ATM shall be prepared on weekly basis and submitted to CRO through Head/In-charge Operation Risk for review. If any unsettled issue found in the report, the issue shall be resolved instantly.

c. Monthly report

Reconciliation Unit shall prepare monthly reconciliation report on NRB accounts of branches, Local & International bank accounts (HO) and Branches, Dividend payable accounts and other financial accounts as specified in no.6. and the reports submitted to CRO for review.

Besides, covering daily, weekly and monthly reconciliation report a comprehensive report shall be prepared on monthly basis by the unit. The updates of Reconciliation Unit shall be submitted to Chief Executive Officer through Chief Risk Officer on a monthly basis,



containing the monthly progress on the activities of the Reconciliation. Also, the updates on performance of Reconciliation Unit shall be provided to Risk Management Committee through Risk Management Sub-Committee on a quarterly basis.

Pending items shall be reported with the following ageing:

- ❖ 0 To 30 Days
- ❖ 31 To 90 Days
- ❖ 91 To 180 Days
- ❖ 181 To 365 Days
- ❖ Above 365 Days

9. Roles and Responsibilities of Reconciliation Unit

Staffs at Reconciliation Unit who has been entrusted with the reconciliation function shall have the following roles and responsibilities:

- a. Carry out the duty of reconciliation on a daily basis, retrieve account statements, prepare reconciliation summary in the designated format and disseminate the reconciliation statement to concerned branches/ departments.
- b. Monitor the transactions that are carried out in every account, look for possibilities of suspicious transactions/offensive transactions, make enquiries with the concerned branch/department staffs, ask for relevant documents.
- c. Follow up with the concerned branch/department to settle the un-reconciled issues through telephone or email, as required.
- d. Update to Supervisor and other reporting authorities with the progress achieved in the daily activities or with the pertinent issues on reconciliation activities periodically on a specified time interval in the designated formats.
- e. Suggest and maintain the accounting heads that has to be brought under reconciliation.
- f. Circulate the general advises, guidelines and forms/format to branches time to time for improving the reconciliation system.
- g. Suggest to concerned branch and department for the appropriate adjustment of pending issues.
- h. Keep track of implementation, remarks/instruction of higher authorities over the issues raised on reconciliation report.
- i. Other roles and responsibilities assigned by competent authorities time to time.





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10. Implementation and Review

This Reconciliation Guidelines shall be reviewed annually and updates of reconciliation function will be incorporated accordingly. The implementation level and effectiveness would be the key basis of performance measurement of the reconciliation functions and staffs working thereon.

Internal audit and compliance shall periodically check the implementation of this guideline.

Three handwritten signatures or initials are present in blue ink. From left to right: 1) A signature that appears to be 'CSH' with a diagonal line underneath. 2) A signature that appears to be 'D' with a small checkmark below it. 3) A signature that appears to be 'Rajendra' with a diagonal line underneath.