

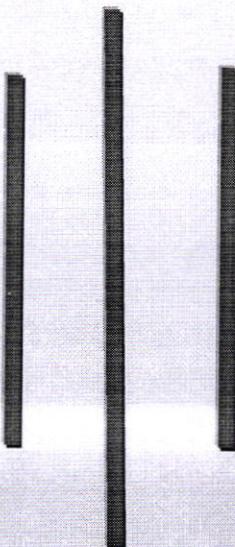


NCC Bank

नेपाल क्रेडिट एंड कमर्च बङ्क लिमिटेड
Nepal Credit & Commerce Bank Ltd.

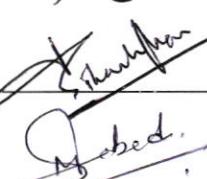
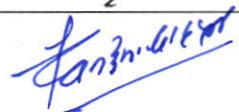
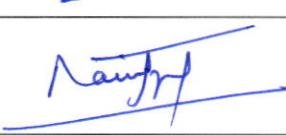
Your Business Bank

Credit Risk Management Procedural Guidelines - 2018



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

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Preamble

Preamble

This procedural Guideline has been prepared as a basic document for credit risk management of the Bank. Major areas related to credit operation and specific requirement to mitigate the risk are covered in this guidelines. Also, specific guidance has been provided in order to avoid the confusions among the staffs and ensure the uniformity on credit operations and documentations. The guideline will be helpful for the clear understanding of basic need of documents and information on credit management as well as set the bottom line for the credit risk management of the Bank. It is also expected that it will be supportive for strengthening the Internal Control system on credit management and mitigate the risk from credit operations as well.

The Guidelines is designed based on the past experience of the Risk Management Department as well as management and reflects expectations of management to mitigate the emerging risk. This policy represents a key element of uniform, constructive and risk aware credit culture throughout the Bank.

This Guidelines has further elaborated the provisions of the Credit Policy Guidelines, Risk Management Guidelines and includes the major provisions of Product papers, NRB Directives. Therefore, it is expected to assist the staffs on day to day operations of the Bank.

This document comes in force from the date of approval by the Chief Executive Officer of the Bank. All concerned engaged in credit operation and management within the NCC Bank shall adhere to it.

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1. Introduction

Credit Risk is the potentiality that a borrower or counterparty may fail to meet its obligations in accordance with agreed terms willingly or unwillingly. Credit risk is the major risk that banks are exposed to during the normal course of lending and credit underwriting. Credit risk arises from non performance by a borrower.

The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization. Credit risk may exist since establishing contract with the customer to end the relation with settlement of the loan.

This guideline has been developed for systematizing and facilitating the credit risk management policy of the Bank. Basic procedures to be applied for credit risk management starting from credit marketing, credit assessment, credit monitoring, credit control and credit settlements have been defined from credit risk management perspectives.

The procedural guidelines shall be applied upon the approval from Chief Executive Officer. This shall be applied inclusive with the Credit Policy Guideline and Credit Risk Management Policy of the Bank.

2. Objectives

The key objectives of the guidelines are:

- Clear understanding of basic need of documents and information on credit management
- Bottom line for the credit risk management of the Bank
- Strengthening the Internal Control system on credit management
- Mitigating the risk from credit operations
- Understanding the key theme of credit risk management of the Bank on practical level

3. General Credit Risk Procedures

A. Customer Information

Following information should have been taken while assessing all kinds of credit proposals, as the case requires:

- i. Name
- ii. Address
- iii. Contact Number
- iv. Registration Number/or Citizenship Number
- v. Type of entity and Nature of Business
- vi. Date of Registration / Renewal, if required.
- vii. PAN/VAT Certificate
- viii. Latest Tax clearance certificate and/or Updated Tax Clearance/ Tax Payments/ or E-statement of the firm/company
- ix. Share Holding detail/Share Lagat.

- x. Customer Identification (Registration, PAN, Address, Share lagat or declaration) of all shareholders holding 10% and more share of the borrowing company/firm. Further detailed information of all the Board of directors needs to be obtained.
- xi. Nature of business, catchment area, market share, experience on same line of business
- xii. Customer Group
- xiii. Key Person and Alternate Persons (alternate person is compulsory)
- xiv. Sister concern or associated persons

B. Credit Originations

Branch must receive sufficient information to enable a comprehensive assessment of the true risk profile of the borrower. At a minimum, the factors to be considered and documented in approving credits must include:

- i. Purpose of the credit and source of repayment;
- ii. Integrity, credibility and reputation of the borrower;
- iii. Borrower's repayment history and current capacity to repay, based on historical financial trends and cash flow projections;
- iv. Forward-looking analysis of the capacity to repay based on various scenarios and factors both quantitative and qualitative;
- v. Legal capacity of the borrower to assume the liability.
- vi. Borrower's business expertise and the status of the borrower's economic sector and its position within that sector.
- vii. The adequacy and enforceability of collateral or guarantees.
- viii. Compliance of Credit Policy Guidelines (CPG), Product Papers, Credit Strategies, Regulatory Directives/Circulars and prevailing Laws of Nepal.

C. Facilities Proposal

Credit proposal must incorporate at least following along with the given format of Credit Appraisal Memo (CAM).

- i. Requested credit facilities
- ii. Total credit exposure with single obligor (Group sheet)
- iii. Separation of Funded and Non Funded facilities
- iv. Clearly mentioned inner or outer limit
- v. Obligor must be taken as per the record of Core Banking System. It is the responsibility of concerned Branch Manager to identify the obligor exposure. If group is not updated in CBS, it has to be first updated before forwarding the particular proposal.
- vi. While proposing the limit, previous usages has to be considered duly for new limit setup
- vii. Each facility should be at least accommodate with Limit, Purpose, Tenor, Charges, Interest Rate, Draw down and mode of disbursements.

D. Credit Risk Grading

- i. Each credit proposals should have the borrower's credit risk grading as per Internal Credit Risk Grading Manual of the bank. Proposal shall not be accepted without risk grading.
- ii. Credit risk grading of the client should be recorded in the Core Banking System and periodically monitored.

E. Share Register/Share Lagat

- i. Share lagat should not be older than three months on the initial loan application and for each time of renewals, declaration from the borrower regarding the shareholding pattern to be obtained.
- ii. Offer letter should mention a clause that client cannot change the shareholding pattern without the pre-consent of the Bank.
- iii. Share lagat to be obtained on the initial loan processing should be certified by official of Company Registrar office.

F. Credit Information and Blacklisting

- i. Branch should not propose the credit proposal without taking the Credit Information (CI) of the borrower
- ii. CI is must on new, renewal, enhancements and restructuring/rescheduling of loan of Rs 10 lakhs and above.
- iii. Blacklisting should be checked even on the loan below Rs 10 lakhs.
- iv. Karja Suchana is mandatory even on the 100% cash security loan.
- v. Fresh Karja Suchana should be obtained on each proposal. On exceptional condition, karja suchana can be considered of last 3 months but it has to be ensured that the borrower is not blacklisted at present.
- vi. Credit information should be obtained from the concerned BFI's incase over dues have been found in CIC report.
- vii. Statement of Loan Account of the borrower should be scrutinized incase borrower is availing the loan from other BFI's.
- viii. CI report of the borrower and guarantors is mandatory.
- ix. Proposal should be sent to Corporate office along with CI for approval purpose

G. Know Your Customer (KYC) and Anti Money Laundering (AML)

Following documents and information have to be obtained while assessing and proposing the credit facility for the approval

- i. Copy of Citizenship certificate of Borrower, Personal Guarantors, Collateral Owner
- ii. Copy of Citizenship certificate of Shareholders holding 10% and more shares of the company
- iii. Copy of Firm or Company registration certificates (Not expired)

- iv. Copy of Permanent Account Number (PAN)
- v. Copy of Memorandum of Association (MOA) and Articles of Association (AOA)
- vi. Both permanent and correspondent address
- vii. Copy of License (not expired) if the business firm needs special licensing for operations
- viii. Recent passport size photo of Borrowers and Personal Guarantors
- ix. Details of branches and address
- x. Audited financial statements of previous fiscal year
- xi. Tax clearance Certificate of previous fiscal year
- xii. Partnership deed of partnership firm
- xiii. Authority delegations of board or management committee for credit facility and account operations
- xiv. Name, Position, Spouse, Father, Grandfather, Permanent Address, Correspondent Address, Telephone number, Mobile Number, E-Mail of Directors or Members of Management Committee, Authorized persons, Chief Executive of the borrower company or firm.
- xv. Name, Position, Spouse, Father, Grandfather, Permanent Address, Correspondent Address, Telephone number, Mobile Number, E-Mail of the persons holding 10% and more share of the borrower company.
- xvi. Name, address and registration of foreign parent company (if applicable)
- xvii. Business objectives to be legal

H. Net Worth

- i. CAM must incorporate the net worth of Borrower and Guarantors.
- ii. Borrower's net worth disclosure should be supported by the documents up to the reliable extent. For example: if share investment is shown, documents can be obtained from D-MAT register. Land and building is shown, documents like revenue payments, land ownership certificates, building construction certificate can be taken from the borrower.
- iii. In case of Personal Guarantor, self declaration of net worth (as per bank's format) to be obtained compulsorily.
- iv. A declaration shall be taken whether the borrower falls under the related party or not.

I. Security Documents

- i. Following documents shall be taken as the security documents of the loans
 - i. Offer Letter
 - ii. Loan Deed
 - iii. Mortgage Deed
 - iv. Promissory Note
 - v. Hypothecation Deed

- vi. Rokka Letter
- vii. Land Ownership Certificate
- viii. Net Worth Details
- ix. Personal Guarantees
- x. Corporate Guarantees
- xi. Valuation report
- xii. Insurance Policy with original cash receipt
- ii. All the security documents along with the original CAM and Other approval memo should be kept on the fire proof cabinet with the dual custody.
- iii. Security documents movements from fire proof cabinets should be recorded in the register.
- iv. Security documents should be revisited and ensure the completeness while renewing the credit facility and that has to be mentioned on CAM that all previous security documents are intact.
- v. There should be proper handover and takeover of security documents while changing the key custodian of fire proof cabinet.

J. Account Monitoring

Following information should be the integral part of CAM

- i. Due or overdue, if any, should be disclosed on the Credit Appraisal Memo (CAM), both of the group exposure and concerned borrower.
- ii. Penalties paid during the period should be mentioned in the CAM. The reasons of overdue may be stated for justifying the proposal.
- iii. Interest and installment payment history, in case of existing borrower, should be mentioned in the CAM.
- iv. Account performance in other bank in case of multiple banking.
- v. Limit utilization during the review period.
- vi. Number of Dr. and Cr. Transactions except the transaction of loan repayment or interest payments
- vii. Comparison of business turnover with bank account turnover and justification if deviates significantly.
- viii. Number of LC and Guarantee business and amount involved

K. Business Inspection and Drawing Power

- i. Credit proposal for all fresh, renewal and enhancements has to be proposed only after Business inspection and Current Assets Verifications.
- ii. Business Inspection report must incorporate the photograph of Business and Stocks.
- iii. NCA details provided by the borrower should be verified by the branch staffs on every three months.

- iv. If the real estate collateral coverage (by FMV) on the total funded credit exposures is below 75%, NCA detail should be obtained on monthly basis and it has to be assessed on off site. However, business inspection can be conducted on every three months.
- v. Receivables should be obtained having ageing upto 30 days, 60 days, 90 days, and above 90 days. Receivables above 90 days should not be considered for calculation of NCA. If ageing is not given, receivables should not be considered for NCA.
- vi. CAM submitted for renewal or enhancement should incorporate the information of business inspection, NCA verifications at least of previous four quarters. If the enhancement is to be done within a year of first sanction, NCA of all previous quarters need to be provided in the following format.

NCA Date	Business Inspection Date	Approved DP %	Drawing Power Rs	Loan Outstanding on NCA date	Short/Excess
.....
.....
.....
.....

- vii. Stocks should be separated as moving and non-moving/obsolete. Client has to declare in case that there are no obsolete stocks.
- viii. Stock details should include at least the quantity and unit price of the goods. Unit price to be taken cost price not the selling price.
- ix. If the value of NCA on audited financial statement deviates substantially from the average value of quarterly NCA provided by the borrower, reason for such deviations should be specifically mentioned in CAM.

L. Collateral Valuation and Inspection

- i. Collateral should be inspected by the bank staff on both new credit proposal and before renewal in line with the Valuation Guidelines of the Bank.
- ii. Collateral shall be visited at least by the two staffs and one of which must be Branch Manager or Credit in-charge.
- iii. Collateral Inspection Report should be prepared as per the format provided on Valuation Guidelines of the Bank.
- iv. Collateral Valuation Report and Collateral Inspection report should have image of the proposed collateral.
- v. Collateral valuation job should be given to the listed valuator of the Bank. The task of valuation should be given on the rotation basis by the branches among the listed valuator of the Branch.

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- vi. Valuators shall be selected and listed by assessing their work experience, competency and team strength. Agreement shall be signed with the valuator on specific format.
- vii. Loan can be assessed and even approved on the basis of preliminary valuation report. However, limit should be inserted only on getting final valuation report. Branch should read the final valuation report with all exceptions and limiting factors for accepting as collateral.
- viii. In case of value differences on final valuation and preliminary valuations significantly, it should be acknowledged by credit chain and get approval before limit insertion.
- ix. Second hand vehicles and equipments should be valued by the authorized valuator.
- x. Branch shall discourage the practice of doing the revaluation of the property by the same valuator as far as possible.
- xi. If the collateral offered by the borrower is located at other distance location other than loan originating branch, such collaterals needs to be inspected by the Branch Manager or Credit In-charge of the nearby branch.
- xii. Any proposal, where applicable, without Collateral Inspection Report shall not be entertained for further assessment.

M. Income Source

- i. Income sources should be segregated into Stable, Growing, Deteriorating, Inconsistent or Non predictable and should be mentioned in the CAM.
- ii. Rental income should be evidenced with the rental agreements along with at least 1 witnesses and Land ownership certificate of the property. Rented property must be visited by the branch officials and tenants should be ensured as per the provided rental agreements for the rental income Rs 50K and more. The site visit information should be recorded on the CAM on income source justification part.
- iii. Vehicle income should be supported with the Blue Book of all the vehicles taken for income compulsorily. Proposal shall not be forwarded without obtaining these documents.
- iv. Salary income should be accepted with the valid and justifiable ground on the prevailing market situations. If provided salary income is between Rs 25,000 to Rs 50,000 per month, it has to be crossed verified with the employer about the employment status. The call has to be recorded in the income certificate copy and mention how was the response.
- v. In case, the provided salary is in excess of Rs 50,000, bank statement of salary account evidencing the salary should be obtained. Incase if bank statement is not provided, TDS submission evidence needs to be obtained from employer.
- vi. Remit voucher/slip should be obtained as an evidence of Remittance income. Visa copy should also be obtained as evidence. Appointment letter of foreign employer may be obtained on best effort basis wherever possible. Further, account statement can be taken for the reference.

- vii. If income sources are shown as dividend income or share trading, the investments or trading proof has to be obtained.
- viii. In case of business income, last year audited financials, if fiscal year end elapsed by six months, to be taken along with the current year projected financials. If audited financial is not prepared, provisional financial should be taken for income assessment. Such business needs to be inspected by the branch officials and BIR to be submitted along with the CAM.
- ix. Tax amount to be paid should be calculated as per prevailing Income Tax Act and should be deducted while calculating the uncommitted income.

N. Financial Presentation and Interpretations (Business Loan)

- i. Complete set of financial statement should be obtained along with supporting schedules and notes to account.
- ii. At least Two Years audited and Three Years projected financial should be taken for new loan proposals and renewal of existing credit facilities.
- iii. Cash Flow should be prepared as an integral part of CAM and assessed for ensuring the repayment capacity of the borrower.
- iv. Dual financial should be strictly avoided. Only one financial should be taken for the credit assessment of the same period considering the tax assessment.
- v. A declaration should be taken from the borrower that there is no any dual financial of same period and that has to be incorporated in Offer Letter.
- vi. Projected financial statement covering the loan tenure should be obtained in case of Term loan proposal on project loan.
- vii. Proper explanation/justification should be provided where the financial figures as well as indicators are abnormal/ beyond the standard.
- viii. Financials should be duly signed by the proprietor or Chairman or Executive Committee or Chief Executive of the entity

O. Security Mortgage/Pledged/Store

- i. Land and building should be mortgaged at Malpot office before disbursement of loans.
- ii. Mortgage value of proposed collateral should be clearly mentioned on CAM itself.
- iii. Mortgage value should not be less than the loan amount except exceptionally exempted from competent authority.
- iv. Loan enhancements should be executed with the mortgage/remortgage of collateral upto enhanced amount except exceptionally exempted.
- v. Secured Transaction Registry (STR) needs to be completed prior to the disbursement of facilities in case Stocks and Receivables are being considered as security.
- vi. Gold/silver should be kept in vault with dual control
- vii. Physical share certificate taken as security should be kept on fire proof cabinet with dual control. Certificate of lien over demat has to be obtained for share pledged.

P. Loan Documentation Checklist

- i. A checklist shall be prepared and maintained in each loan file both for the operating file and security documents file.
- ii. The checklist should be signed by Relationship Officer/Manager and Branch Manager both before execution of facility.
- iii. The checklist should be taken as the key document of the credit file.

Q. Non Funded Facilities

- i. Approval for Bid Bond (BB), Performance Bond (PB), Advance Payment Guarantee (APG), Suppliers Credit Guarantee (SCG) and other Guarantee should be taken separately.
- ii. If guarantees are to be used interchangeable, it has to be mentioned specifically on CAM. Without approval, no guarantee can be used interchangeably.
- iii. Approved limit of one party can only be used for itself and Joint Venture, subsidiary and sister concerns but should be mentioned in the CAM, however, CIC report is must in such cases. The approved limit cannot be used for third party. If the limit is to be used for third party, separate approval needs to be obtained. Third party appraisal is must with the proper KYC and basic acceptable credit quality.
- iv. Advance Payment Guarantees outstanding has to be justified by the Net Current Assets and Work-in- Progress of particular project.
- v. Branch has to assess the use of APG project wise on semi annual basis. It has to be incorporated on CAM for new loan, renewal, enhancements or for other proposals. The format to be used is as under for APG justifications: -

Particular	Project-A	Project-B	Project-C	Total
NCA (A)	*****	*****	*****	*****
APG (B)	*****	*****	*****	*****
OD/Demand Loan (C)				*****
Total of APG and OD/Demand Loan (D)= (B+C)	*****	*****	*****	*****
NCA required for OD/Demand Loan (E)	*****	*****	*****	*****
Remaining for APG (F)=(A-E)	*****	*****	*****	*****
APG Short or Excess (G)= (F-B)	*****	*****	*****	*****

*Note: NCA also includes work in progress.

- vi. Branch should obtain the project progress report on quarterly basis from the clients who are availing Bank Guarantee facilities of more than 1 billion. The report has to be

- reviewed by branch manager and noted as justifying the existing credit exposure of the Bank.
- vii. Quarterly progress report and work in hand has to be obtained from the client for all kinds of non funded business monitoring purposes.

R. Credit Pricing and Waivers

- i. Interest rate should be as per the latest published rate of the Bank. Any deviations on the published rate need to be specifically justified.
- ii. Deviations/waiver on the pricing has to be clearly justifiable and beneficial to the Bank. It has to be approved by the specially delegated authority.
- iii. Fees and commissions shall be as per the Standard Tariff of Charges of the Bank. If any deviations/waiver needed, it has to be specifically justified and get approved from specially delegated authority for the same.
- iv. No waiver is entertained if not mentioned in CAM under waiver section. It is not considered if mentioned in other parts or paragraphs.

S. Deviation Approvals

- i. Each deviation of existing policies and procedures has to be explicitly mentioned on the Waiver/Deviation paragraph (recommended section). Any differences not included in the waiver part shall not be taken as approved.
- ii. Non compliance with prevailing laws and NRB Directives cannot be justified for waiver.

T. Location Map/Photo

- iii. While processing a proposal for a loan, branch requires to draw a location map clearly showing the location of the property/collateral with its area and a photograph of the property/business so that the property/collateral could be easily identified. (Google map)
- iv. In the location map, location of the property with its directions i.e. North, South, East and West should be clearly mentioned. The location map should be signed by two officials who have visited the site.
- v. Location map should be continued from the nearer famous/well known place (landmark) and distance of property from such places to be mentioned..
- vi. Credit proposal should not be accepted without proper location map.

U. Audit Comments and Implementations

- vii. Branch has to continuously review and implement/update the internal audit, external audit, NRB inspection or other special audit comments related with the credit.
- viii. Audit remarks shown on particular credit file has to be mentioned in credit proposal of that client along with the present implementation status. If it is not shown, it would be taken as not having any audit comments. Its responsibility goes on concerned relationship officer/manager and branch manager.

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V. Credit Processing and Correspondent

- i. Credit processing and approving system must be routed through at least two staffs from branches including BM. If BM is on leave, two officials including officiating BM to submit the proposal. Such proposal needs to be endorsed by BM after resuming his duties.
- ii. All kinds of correspondence related with the credit to customer, government officials or other external agencies should be done signed by at least by two officials.

W. Credit Administration

- i. Branch must maintain the credit file update with all the relevant information, financials, tax certificates and other relevant documents.
- ii. Loan documents and credit security documents should be prepared on the given standard format in all branches.
- iii. Branch should send notices to remind the expiry date to the customer before 45 days of expiry. The notice should be received by the client.
- iv. Renewal/enhancement of credit proposals should be known and acknowledged by the personal guarantors or other guarantors who are directly liable for the credit regularization and settlements.
- v. Deviations implementations or conditional approvals should be on the good track for follow ups.
- vi. Branch must ensure the implementations of conditional approvals or deviation approvals.
- vii. Centralized Credit Operation Department must monitor and prepare the report of deviations and conditional approvals. Branch should maintain the register for such purpose in order to facilitate the timely implementation and monitoring.
- viii. Credit administration assumes authority to return the file if the credit proposal has directly non compliance issues and these are not addressed in the CAM.
- ix. Other functions as mentioned on Credit Administration Manual, CPG, Product Papers and Credit Strategies of the Bank.

X. Loan Disbursements

- i. All loans shall be disbursements in the customer accounts. No cash shall be provided on loan sanctioning.
- ii. Overdraft loans are implemented after the loan limit assignments.
- iii. Term loan are disbursed on work/project progress basis. If term loan is sanctioned on already developed/constructed assets, it can be disbursed at once but for the project/assets under construction, loan shall be disbursed on progress basis. Branch staff at least must visit the project/assets before disbursements on each time.

Y. Updates on CBS

- i. Branch should completely fill up all the required fields on CBS.
- ii. CCOD and credit monitoring departments should monitor that the fields are properly filled up. Any changes in existing information should be timely updated on the system.

Z. Credit Rating of Borrower

- i. In case of fresh sanction/ renewal of loan of the firms/companies with total exposure exceeding NPR 500 million, credit rating of the firm/companies provided by the Credit Rating Agency should also be obtained and it should be considered during credit assessment. Branches should forward the such credit proposal only after obtaining the credit rating of borrower.

4. Credit Risk Parameter on Specific Loan Types

A. Home Loan

- i. Ensure upfront equity on every disbursement of home loan
- ii. Home loan financing for building construction should be on the phase wise based upon work completion.
- iii. Progress report should be verified by authorized valuator at least on final disbursements.
- iv. Home loan to be provided on the security of land or Land and building.
- v. Building insurance is must on the loan financing for home construction/purchase.
- vi. Naksa pass from concerned authority is must for home loan financing. No proposal should be forwarded/recommended without the Naksa pass of building in case of building construction financing.
- vii. In case of already constructed building, building construction completion certificate is must.
- viii. Building construction completion certificate should be obtained within Six months of final disbursements.
- ix. Personal Residential Home Loan up to 15 million should be considered for financing on Home Construction or Home/Apartment purchase.

B. Hire Purchase Loan/Auto Loan

- i. Every second hand vehicle financing exceeding the age of one year should be valued by the authorized/competent/independent valuator.
- ii. New vehicle financing should be done on the basis of tax invoice of the vehicle and same should be documented.
- iii. Loan should be disbursed under the hire purchase or auto loan after obtaining the insurance even though the secondary collateral is available.
- iv. Vehicle status should be taken at least annually about its operating conditions, locations of operations, possessions, bluebook renewal status and ownership of the vehicle.

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- v. Hire Purchase loan for the purpose of Public Transportation shall be provided only to the companies registered under the Company Act as per Yatayat Bebasthapan Karyabidhi Nirdeshika 2074.

C. Margin Lending

- i. Share should be accepted of listed companies, companies having positive net worth, Bank and Financial Institutions having adequate capital adequacy, audit completed within one year of fiscal year end.
- ii. Margin lending cannot be extended/enhanced reevaluating the already pledged shares
- iii. Margin lending can be provided lower of 50% of latest market price or closing price of 180 working days for ordinary shares..
- iv. Valuation of promoter shares shall be 50% of 180 working days average price of ordinary share or closing market price of promoter share; whichever is lower. Loan can be provided up to 50% of the valued amount.
- v. Margin call should be made if the share value is down by more than 20%. Margin call to be made to deposit the deficit amount within 7 days.
- vi. Customer should deposit the deficit margin latest by 35 days; else recovery procedure to be initiated immediately.
- vii. If the current share value is more than 1.6 times the loan outstanding, it does not require for margin call.
- viii. Promoter holding more than 1% promoter shares cannot pledge more than 50% of total promoter shares held for margin lending.
- ix. Margin lending can be renewed on the regular status and no interest dues/over dues.

D. Personal Loan

- i. Personal loan should be provided for specific objectives and uses. The purposes must be mentioned on CAM.
- ii. Loan should be justified by the reliable income source.
- iii. Personal loan provided on the security of land and building should require the security coverage same as required for real estate loan as per the NRB Directives.
- iv. Permanent Account Number (PAN) is mandatory for the personal loan Rs 10 millions and above on individual. If group exposure is Rs 10 million and more, then PAN is mandatory for the personal loan even below 10 million.
- v. Personal Overdraft Loan and other Personal Loans without clear purposes can be provided maximum up to Rs 50 Lakhs.

E. Working Capital or Business Overdraft Loan

- i. Self declaration must be obtained about the loan and facilities taken from other Banks and Financial Institutions.

- ii. The validity of self declaration should be checked with the Credit Information report. If any differences are found, it has to be corrected or justified in the CAM.
- iii. There should be pari-passu agreement with the other lending BFIs if loan is extended Rs 10 million and above.
- iv. For sanction or renewal of Working Capital Loan exceeding NPR. 250 Million, the details of Current Assets and Current Liabilities submitted by borrower should be certified by the Auditor.
- v. No objection letter should be taken from other BFIs if the loan is below 10 million in case of multiple banking.
- vi. Insurance of stocks is must if the loan is provided on the security of stocks and receivables.
- vii. Insurance of stock should cover at least the average stock or loan amount whichever is lower.
- viii. Loan exceeding one billion or more must be executed through consortium arrangement if the borrower is availing multi banking facilities.
- ix. Tenure of Trust Receipt Loan, bill discounting or other import loan should be maximum up to 120 days. Incase, TR loan is provided for goods imported under usance LC, 120 days also include the credit period provided by the supplier under usance LC.

It is applicable to Cash Credit, Demand Loan, Short Term Loan, Trust Receipt Loan etc

F. Client Orientation

Branch Manager or Relationship officer must educate the customer while signing offer letter or before disbursement of loans with the following knowledge sharing:

- i. The loan disbursed needs to be used for the purpose as mentioned in the loan application and offer letter.
- ii. The bank shall frequently visit the business site.
- iii. All the reports as required by the bank on regular basis should be submitted within the timeframe given by the bank.
- iv. All the covenants mentioned in the offer letter of the bank must be strictly complied with.
- v. All the business related transactions must be routed through the bank.
- vi. Prohibition of diversion of fund in other business

