



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

Administration Circular No: 56/2016

**Date of Issue: December 16, 2016
(Poush 1, 2073)**

Subject: Know Your Customer and Anti Money Laundering/Combating Financing in Terrorism Policy 2016

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

This is to inform all the staff members of NCC Bank that the Management Committee (Board) Meeting No. 587 held on November 28, 2016 (Marga 13, 2073) has approved the "Know Your Customer and Anti Money Laundering/Combating Financing in Terrorism Policy 2016".

The Know Your Customer and Anti Money Laundering/Combating Financing in Terrorism Policy 2016 has been attached herewith for your necessary record, information and implementation.


Ramesh Raj Aryal
Chief Executive Officer



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

Know Your Customer And Anti-Money Laundering/Combating Financing in Terrorism Policy 2016

*(Approved by the Management Committee Meeting No.587)
(Meeting held on November 28, 2016)*

November 2016



Section A: Procedures

1. Customer Due Diligence (CDD) / Know Your Customer (KYC)	Page 4
2. Customer Identification Procedures (CIP)	Page 4
3. Specific Identification Issues	Page 5
i) Trust, Nominee and Fiduciary Accounts:	Page 5
ii) Corporate Business	Page 5
iii) Politically Exposed Persons (PEP) and Associates and People in Influencing Positions (PIP) and Associates:	Page 5
4. Relation with Shell Company	Page 5
5. Refusal of Account Opening Request.	Page 5
6. Proper Record Keeping.	Page 5
7. Customer Acceptance Policy (CAP)	Page 5
8. Customer Transaction Monitoring Procedures (CTMP).	Page 7
9. Reporting of Suspicious Transaction.	Page 7
10. Risk Management (RM)	Page 8
11. Customer Awareness Mechanisms	Page 8
Opening Accounts and Required Documents.	Page 8
Acceptable Identification Documents	Page 8
12. Categorization of Account Based on Inherent Risks.	Page 8
13. Risk Mitigation for Political Exposed Person of High Value Customer	Page 9
14. Beneficial Owner.	Page 9
15. Certification of Document.	Page 9
16. Monitoring Graded Accounts	Page 10
17. Detection of Other Possible Money Laundering Transaction.	Page 10
18. Suspected Money Launder.	Page 10
19. Not to Violate Confidentiality	Page 10
20. Internal Reporting and/or Reporting to Financial Information Unit and Other Concerned Authority of Unusual Transactions	Page 10
21. Protection.	Page 11
22. Tipping Off	Page 11
23. Complete Record Keeping.	Page 11
24. Information to be Retained and Preserved	Page 12
25. Awareness and Training of Staff.	Page 12
26. Code of Conduct of Employees.	Page 12
27. Prevention and Cancellation	Page 13
28. Amendment	Page 13

Section B: Checks and Reviews

Branch Manager/Unit Head of the Bank shall be responsible for:	Page 13
Designated Compliance Officer (Branch/Unit) of the Bank shall be responsible for:	Page 13
Compliance Officer at Central/Head Office of the Bank shall be responsible for:	Page 13
All Employees of the Bank shall be responsible for:	Page 14
Internal Audit Unit of the Bank shall be responsible for:	Page 14

Preamble

The "Asset (Money) Laundering Prevention Act, 2008" prohibits banks to collect deposit (fund) from customers that have been generated from illegal source. Furthermore, Bank should ensure they are not used in helping customers to conceal, transform, transfer, hide its sources or misrepresent about it. Bank is required immediately inform details of such fund/transactions to the "Financial Information Unit (FIU)" and the concerned authority for controlling/monitoring deflection of currency or Money Laundering that has been established under the Act.

This Policy is guided by "Asset (Money) Laundering Presentation Act, 2008, "Asset (Money) Laundering Prevention; Regulation issued by Financial Information Unit and Directives on Anti-Money Laundering and Combating Financing Terrorism issued by Supervision Department as well guided by Recommendation issued by Financial Action Task Force

Introduction

1. Nepal Credit and Commerce Bank has a "Policy and Procedures on anti-Money Laundering of Nepal Credit and Commerce Bank" and "Know Your Customer Policy of Nepal Credit and Commerce Bank" approved by the 264th Board Meeting held on 17 April 2006.
2. This Amended Policy will be implemented immediately after Board approval and shall replace both previous "Policy and Procedures on anti-Money Laundering of Nepal Credit and Commerce Bank" and "Know Your Customer Policy of Nepal Credit and Commerce Bank".
3. After replacement of new policy, all jobs done and documents collected in accordance with the previous policies as mentioned under 2 above, will be considered to be done as per this policy also.
4. As per the need, this policy will be reviewed and new policy will be implemented after obtaining approval of the Board.

Board is responsible for:

1. Anti-Money Laundering Policy and its amendment from time to time shall be approved by the Board. The Policy shall be implemented by the Management.
2. Effective implementation of the Policy will be reviewed by the Board at least annually and as and when Reputational and / or Financial Risk associated on the nature of transactions done by the customers, come into question.
3. Based upon feedback received from Bank Management, the Board shall provide necessary direction to the management as required.
4. The Board may require submission by the Compliance Officer of necessary reports to the Board through the Bank management, with respect to the Bank's compliance with requirements contained herein.
5. Board may provide to the Bank Management specific inputs regarding risk management Policies and Procedures with respect to ML/FT and as and when required.

Management Information system:

1. Nepal Credit and Commerce Bank will develop and implement Management Information System, which will be capable of collecting required information for detection and generating automatic indicators (red flag) of Suspicious Transactions for review.
2. Such reports will be made available as and when required or when Reputational and / or Financial Risk associated on the nature of transactions done by the customer to the Board through the Bank Management.



Section A: Procedures

Procedures

1. Customer Due Diligence (CDD) / Know Your Customer (KYC)

Nepal Credit and Commerce Bank has formulated KYC policy by incorporating the following key elements:

- a. Customer Identification Procedures (CIP)
- b. Customer Acceptance Policy (CAP)
- c. Customer Transaction Monitoring Procedures (CTMP), (on-going monitoring of accounts as per their risk grades
- d. Risk Management (RM)

2. Customer Identification Procedures (CIP)

The identity of Customers will be verified by using reliable, independent supporting documents or data or information. The designated staff will obtain sufficient information to establish the identity of each new customer along with the intended purpose of the relationship.

CIP is carried out to satisfy Nepal Credit and Commerce Bank along with the competent authorities that due diligence process have been carried out based on the risk profile of the customer. Depending upon risk perception, nature of information / documents required will also be collected.

Following key procedural guidelines are included in the CIP process:

- i) For the natural person, the designated Compliance Officer at the Branch/Unit of Nepal Credit and Commerce Bank will ensure that supporting identification documents of the customer's residential address / location and recent photograph are obtained to verify identity of the customer.
- ii) For a legal entity, Nepal Credit and Commerce Banks will deal only with the ones that are engaged in legitimate activity. Nepal Credit and Commerce bank will deal with a real or legally artificial person having proper identification and existence. Nepal Credit and Commerce Bank if needed will verify the identity of the person/s having power to operate their account of the legal entity.
- iii) The customer need to be physically present at Nepal Credit and Commerce Bank or its Branch or their contracted agent and have face to face contact/meeting with the designated staff or Compliance Officer at its Branch/Unit or designated staff of the agent. Compliance Officer of Branch/Unit to the extent possible will ensure that such contact or meeting is held. The original identification document will be verified during the same process. When it is not possible to have the contact/meeting and/or verify the original identification document during the process, the authorized staff will note down the same on the application for opening account.
- iv) In the case of joint accounts or account holders of whom the surname and/or address differs the recent name and address of all account holders will be verified and recorded.
- v) In case of the account operated by way of Power of Attorney, CIP and verification of residential address will be applied to both the customer and person authorized to operate the account.
- vi) Name, address, relationship and identification document and photograph of the guardian will be obtained along with the child's Birth Certificate for opening account of a "Minor".
- vii) Due diligence of the beneficiary ownership will be carried out in case of transaction on "Trust" and "Non Government Office" account.
- viii) Prior to establishing relationship with a customer, basic background information will be obtained with regard to nature of the customer's business and sources of income, expected level of turnover / transactions on the account and reasons for opening the account. A separate sheet as appropriate may be used for obtaining such information.

- ix) Information will be updated periodically post review for grading accounts and graded either High Risk or Low Risk Account.
- x) Transactions on accounts will be monitored for consistency with the expected normal activity as specified by the customer or subsequently updated by the Nepal Credit and Commerce Bank.
- xi) Opening of account for one off transaction will be avoided.
- xii) Any exceptions to customer identification procedures or cases not explicitly provided for will be approved by the Branch Manager or Unit Head with the consent of the Designated Compliance Officer of the Branch/Unit under intimation to the Compliance Officer at Head/Central Office. Reason/s of such exception will be documented.

3. Specific Identification Issues

- i) **Trust, Nominee and Fiduciary Accounts:** The designated Compliance Officer in the Branch/Unit will establish whether the customer is using name of another customer or person acting as a "front" or "on behalf" as trustee, nominee or other intermediary of the said person. If so, a satisfactory evidence of the identity of any intermediaries, and of the persons on whose behalf they are acting, as well as details of the nature of the trust or other arrangements will be sighted / established / held. Specifically, identification of a trust will include the trustees, settlers/grantors and beneficiaries.
- ii) **Corporate Business:** Compliance Officer will be vigilant in preventing corporate entities from being used by natural persons as a method of operating anonymous accounts. The Designated Compliance Officer in the Branch/Unit, in conjunction with the respective Unit Head / Branch Manager / Relationship Manager / Relationship Officer, will understand the structure of the company, determine the source of funds and identify the beneficial owners and those who have control over the funds.
- iii) **Politically Exposed Persons (PEP) and Associates and People in Influencing Positions (PIP) and Associates:** The Designated Compliance Officer in the Branch/Unit will gather sufficient information from a new customer, verify with the updated list of PEP/PIPs and Associates and also check with publicly available information. Bank cannot deny opening of account of such persons merely on the basis of being a PEP/PIP and Associates. Therefore, the risk category for such accounts would be ranked higher. However, once the person is identified as PEP/PIP or Associated the Designated Compliance Officer in the Branch/Unit will request to the customer itself to submit the source of funds before accepting the account. The Compliance Officer at Head / Corporate Office will be consulted in case of need. Decision to open the account for PEP/PIP will be taken by Corporate Office by Competent Authority. Such Competent Authority will be notify to all time to time.

4. Relation with Shell Company

Financial Institution will not be a Shell Company or located in Non-Cooperating Countries and Territories categorized time to time by FATF or other Regional Types of FATF such as APGA.

- i) Identity of any third party entities that will use the Financial Institution's services will be established / checked. The necessary information to be collected will be developed.
- ii) The Designated Compliance Officer of the Branch/Unit will develop time bound program to gradually complete CDD process for all existing customers.

Where the designated staff of the Branch/Unit is unable to apply appropriate CDD measures due to non-submission of information and /or non-cooperation by the customer he/she will have to discuss the same with Branch Manager/Unit Head and present it to the Designated Compliance Officer of the Branch/Unit or Competent Authority of Corporate Office for the final decision that needs to be communicated the customer.

5. Refusal of Account Opening Request

- a. When the staff designated to open new accounts, find sufficient grounds that the prospective customer is not disclosing the reason for opening account, transaction volume etc it will be referred to the Branch Manager / Unit Head and Designated Compliance Officer in the Branch / Unit. The Designated Compliance Officer, after consultation with the staff and Branch Manager/Unit Head can refuse the request for account opening. The decision of refusal will be properly documented. The basis of refusal of the account opening request will be



circulated to Branches and also informed to the Compliance Officer at Head /Central Office. If account of such person/entity is required to open, the Branch will obtain HO approval.

- b. Before arriving at the decision of refusing the request for account opening the Designated Compliance Officer in the Branch/Unit:
 - i. Will verify legal status of the person / entity against and the relevant identification documents.
 - ii. Will verify that any person purporting to act on behalf of a legal person/entity is authorized to identify himself/herself, verify the identity of that person, understand the ownership and control structure of the customer and identify the natural person/s that ultimately control the account or legal entity.
 - iii. Will check that the request is not from a Shell Company as Bank will not open account of such companies.
 - iv. The account opened by the Nepal Credit and Commerce Bank's agent will be treated as the account opened by the staff itself.

6. Proper Record Keeping

- a. To ensure that records remain up-to-date and relevant, there is a need for the Nepal Credit and Commerce Bank to undertake regular reviews of existing records. An appropriate time to do so is, when:
 - b. Any transaction above the threshold limit takes place
 - c. Throughput transaction exceeds
 - d. Number of transactions decreases/increases substantially
 - e. Documentation of customer change frequently / substantially, e.g. changes of account operator/s, shareholders, owners and address of customer etc.
 - f. All documents pertaining to transaction with the client will be retained for 5 years from the date of transaction and records pertaining to account opening will be preserved at least 5 years from the date of cessation of the transaction with the client.

7. Customer Acceptance Policy (CAP)

The Customer Acceptance Policy will not make the operations too restrictive and result in denying of services to general public. Nor will the Bank project any intrusive behavior on the transaction carried out by the client.

Nepal Credit and Commerce Bank has developed a clear CAP by laying down the following explicit criteria for accepting customers:

- i) Account will be opened only in the natural or artificial person's name. The name will be exactly the same and consistent with the one appearing in the identification document i.e. as per the Citizen Certificate/Passport for Nepali and for Indian Citizen as per Certificate issued by Indian Embassy and for Refugee as per Refugee ID issued by NCHR. No account will be opened in anonymous or fictitious/blank name(s) or with confidential account number.
- ii) For other Citizens valid Passport with Visa for Nepal will be an identification document.
- iii) Minimum required information and documents will be obtained from the customer for opening account, purchasing of foreign draft, transferring funds by any media, accepting funds from any media or carrying out transaction.
- iv) No account will be opened by an intermediary for third person.
- v) Bank will not encourage customer to open an account through Inter-net base.
- vi) No account will be opened for non-face-to-face customer

8. Customer Transaction Monitoring Procedures (CTMP)

Ongoing monitoring is an essential element of effective CDD process. Compliance Officers can effectively control and reduce their risks only if they have an understanding of normal and reasonable activities of a customer so that they have the means to identify irregular pattern of transactions. However, the extent of monitoring will depend on the risk sensitivity of the account. Compliance Officers, at Branch Level will pay special attention to all complex, unusually large value and/or unusual pattern of transactions that have no apparent economic or visible lawful



purpose. The concerned Branch Manager or Unit Head may be prescribed with threshold limits, if required, for any accounts and pay particular attention to the transactions which exceed these limits. This will be explicitly reflected in the CDD form.

Followings are the Illustrative examples of activities that do not make economic or commercial sense and therefore require special attention of the Compliance Officer/s:

1. Transactions that involve large amount of cash inconsistent with normal and expected activity of the customer.
2. Very high account turnover inconsistent with the balance maintained.
3. All transactions of Rs.1 million and above.
4. Any other activity that requires the Compliance Officer to be alert e.g. a transaction above threshold limit, thru put transactions etc.
5. Substantial rise or fall in the number of transactions.

Banks will develop a clear CTMP by laying down the following explicit criteria:

- a. High-risk accounts will be closely monitored. All Designated Compliance Officers of the Branch/Unit will set key risk indicators for such accounts, taking note of the background of the customer viz. sources of funds, type of transactions involved and other risk factors. They will also put in place a system of periodic review of risk category of accounts and need for applying enhanced measures of due diligence. Furthermore, they will ensure that a record of transactions in the accounts is maintained and preserved and any transaction of suspicious nature is reported to the Compliance Officer at Head/Central office immediately.
- b. Designated Compliance Officers of the Branch/Unit will ensure that their branches continue to maintain proper record of all transactions of Rs.1 million and above. The teller processing cash transaction of Rs. 1 million or above may seek help of his/her supervisor/Designated Compliance Officer of the Branch/Unit for getting additional information from the customer regarding the source/utilization of fund.
- c. Bank will endeavor to make automated the internal monitoring system process for identifying suspicious transaction and reporting such transactions to the concerned.
- d. There will also be an effective process of immediate reporting of suspicious transaction to the Compliance Officer stationed at Head / Central Office of the Bank.

9. Reporting of Suspicious Transaction

The staff identifying suspicious transaction(s), as mentioned in Act and Financial Information Unit's guidelines will immediately and directly report to the Compliance Officer or Designated officer for such job and stationed at Head / Central Office with details. The same will also be brought to the notice of Management, through Compliance Officer at Head Office.

The Designated Compliance Officers at Branch/Unit level will immediately inform the Compliance Officer stationed at Head / Central / Office with regard to the following:

- i. Suspicious transaction (as mentioned in FIU guidelines)
- ii. Unusual increase or decrease of transactions.
- iii. Receipt of funds Higher Value (e.g.above Rs. 5 million) from abroad though remittance or any other method,
- iv. Sources of funds not clear or undisclosed,

After the existing accounts are grouped according to the risk category, the Designated Compliance Officer of the Branch/Unit will closely monitor, them, as and when required. Transactions in the existing accounts (including the ones falling under single group as per NRB directive), will be continuously monitored by the Designated Compliance Officer of the Branch/Unit and any unusual pattern in operations of the account will trigger a review by him/her. It may be ensured that all existing accounts of companies, firms, trusts, charities, religious organizations and other institutions are subject to minimum CDD standards which will establish the identity of natural/legal person and beneficial owners.

10. Risk Management (RM)

Nepal Credit and Commerce Bank will ensure that they have effective CDD program and procedures which is the basic foundation of the risk management process with respect to the AML/KYC. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. The Designated Compliance Officer of Branch/Unit in consultation with the Compliance Officer at Head/Central Office may devise procedures for creating risk profiles of existing and new customers and apply appropriate Anti Money Laundering measures keeping in view of the risks involved in their transaction, account or business relationship:

a) Customer Awareness Mechanisms

- b) Implementation of CDD procedures requires the Designated Compliance Officer of Branch/Unit to demand certain information from customers which may be of personal nature or have never been asked for before. This may sometimes lead to queries from customers on its motive and purpose.

Opening Accounts and Required Documents

- a) While opening an account, the concerned staff may obtain information that deemed necessary to understand the nature and transaction of the customer viz. full name of the account holder, current address and place of work etc. as well as verified copy of the customer identification document as per by stating "authenticated true copy of the original".
- b) All subsequent changes in the information provided on account holders will be updated regularly. In case of a firm or a company the date of renewal of the firm/company will be recorded and tracked.
- c) Nepal Credit and Commerce Bank will always rely on the account holder's name exactly as in the customer identification document. In case of married women who wish to add the spouse's surname such surname will be stated in brackets after the maiden name and surname as appearing in the identification document.

For Artificial Person minimum required documents as prescribed by Nepal Rastra Bank through directives time to time will be collected and verified with the original.

Acceptable Identification Documents

Banks and Financial institutions will obtain copy of identification documents of customers duly notarized / Certified by other Bank or Financial Institution / Government authorities or physically verified by authorized staff of the Bank itself:

- a) Citizenship certificate
- b) Valid passport
- c) Identification certificate issued by respective embassies/consular office in case of foreign nationals.
- d) Certificate issued by District Administration Office, Metropolitan Office, Village Development Office identifying the person and his/her address with photograph.
- e) In case of legal person or any other organization: Valid Certificate of Incorporation, Income Tax or PAN Registration, Certificate of Registration with District Administration Office or any other issued by Competent Authority.
- f) Minimum documents/certificate as specified by NRB from time to time will be obtained in all cases.

11. Categorization of Account Based on Inherent Risks

While opening account, customers will be categorized as:

- i) **Low Risk (Category A)**
- ii) **High Risk (Category B).**

The basis for categorization will be illustrated time to time by the Nepal Credit and Commerce Management i.e. depending upon the volume of turnover, social and financial status, etc.

12. Risk Mitigation for Political Exposed Person of High Value Customers

Banks will exercise reasonable care for opening accounts for PEPs. Banks will obtain risk-based due diligence information on PEPs that provide for appropriate scrutiny and monitoring. While opening of an account for PEPs the following procedure will be adopted:

- a) Identify the account holder and beneficial owner, through identification document submitted.
- b) Seek information directly from the account holder and beneficial owner regarding possible PEP status.
- c) Laundering associated with these jurisdictions.
- d) Obtain information regarding employment, including industry and sector and the level of risk for corruption associated with the industries and sectors.
- e) Check references, as appropriate, to determine whether the account holder and beneficial owner is or has been a PEP.
- f) Identify the account holder's and beneficial owner's source of wealth and funds.
- g) Obtain information on immediate family members or close associates either having transaction authority over the account or benefiting from transactions conducted through the account.
- h) The account opening of the PEPs shall be done by the higher authority

13. Beneficial Owner

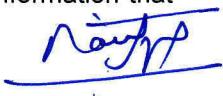
Identify the account holder's and beneficial owner's country(ies) of residence and the level of risk for corruption and money

To enable categorization of customers:

1. Documentation and other information will be collected in respect of different categories of customers depending on the perceived risks and keeping in mind of the requirements.
2. Decision for refusing the request to open an account in absence of required documents, will be made only by the Designated Compliance Officer of the Branch/Unit with recommendation of the Branch Manager / Unit Head / Relationship Manager. However, if an account has been opened with an understanding that the required document will be submitted later and such account(s) are required to be closed, as the client refused to submit the required document or was unable to verify the identity and/or due to non-reliability of the data/information furnished, the account will be closed only after obtaining approval of the Designated Compliance Officer with information to the Branch Manager / Unit Head/Relationship Manager or Compliance Officer at Corporate Level. Furthermore, debit transactions on such account will be blocked until the deficiency is met. If the documents are not received within one month the process for closure of account will automatically be initiated. In all cases, the account will be closed within three months of its opening if the account cannot be regularized..
 - (a) Circumstances, in which a customer is permitted to act on behalf of another person/entity, will be clearly spelt out in conformity with the established laws and practices.
 - (b) Before opening a new account, if necessary, checks will be made to ensure that the identity of customer does not match with anyone with known criminal background or with banned entities viz. individual terrorists or terrorist organizations, etc. with UN SANCTIONS List and or, SDN list.
 - (c) If deemed necessary, existing customer list will be verified with UN Sanctions List and or, SDN List and with other deemed appropriate.

14. Certification of Documents

- (a) A staff or a group of staff will be designated in Branches / Units, to certify the documents submitted by customers. The designated staff will verify their copies against the original documents and affix his/her signature as confirmation of such verification. Short signature should be avoided for identifying the verifying person later.
- (b) A profile of customers' identity, social/financial status, and nature of business activity, expected volume of transaction and turnover and the location of the customer will be prepared for High Risk customers. The nature and extent of due diligence will depend on the risk perceived for prevention of Money Laundering. However, while preparing customer profile the Designated Compliance Officer of the Branch/Unit will exercise care to seek only relevant information that



is applicable to the risk category. The customer profile will be a confidential document and details contained therein will not be divulged other than for the banking purpose.

15. Monitoring Graded Accounts

- i. The Designated Compliance Officer of Branch / Unit of a Bank or financial Institution will review the accounts within time frame as stated in the following clauses and submit reports to the Compliance Officer stationed at the Head / Central Office.
- ii. Customers' accounts graded under Low Risk will be reviewed on annual basis, CAT B on quarterly basis or as prescribed by the directives issued by Financial Intelligence Unit from time to time.
- iii. Movement in the account will also be monitored for origination and application of fund from/to the account as per internal guideline prescribed time to time.
- iv. Nepal Credit and Commerce Bank will be vigilant in case of frequent or large value movements of funds in any account irrespective of its category.

16. Detection of Other Possible Money Laundering Transactions

- (a) Any non account holder who wishes to pay by cash for transfers / drafts, the Branch/Unit of the Bank will verify identity of the customer in all cases where the value of a transaction (single or combined in a day) reaches or exceeds Rs. 1 million or equivalent. In this context, the identification process normally entails obtaining customer details such as name and full address of beneficiary, physical verification of customer's original identification document and copy of the same signed by him/her and the concerned staff involved in processing the transaction.
- (b) In case of receipt of transfers/drafts to be paid in cash or near cash instruments to non-account holders the Branch/Unit of Nepal Credit and Commerce Bank will verify identity of the customer in all cases where the value of a transaction (single or cumulative of all transactions of the day if exceeds Rs. 1 million in a day) reaches or exceeds Rs. 1 million or equivalent in the similar process as stated in the previous paragraph.
- (c) In the case of cash or funds from near cash instrument is to be deposited into an existing account by a person(s) whose name does not appear on the mandate for that account, or are not the usual employees or messengers of the account holder, particular care will be exercised. All staff handling such transaction will ensure that it is legitimate.
- (d) If it appears that a transaction is carried-out on behalf of another person, vigilance is required i.e. it becomes necessary to carefully identify the person transacting on behalf of such other person and record his/her details on the document.

17. Suspected Money Launder

In case of a suspected money laundering transaction, the identity of the customer will be verified and escalated to Management Level and if deemed necessary the same will be reported to FIU.

18. Not to Violate Confidentiality

Investigation Officer or staff or person involved in the investigation and inquiry processes of AML/KYC and CDD will not violate confidentiality that evolves during the course of such investigation and inquiry or performing his/her duty, unless any prevailing law requires doing so.

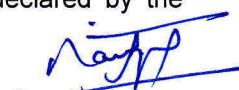
19. Internal Reporting and/or Reporting to Financial Information Unit and Other Concerned Authority of Unusual Transactions

Nepal Credit and Commerce Bank's their staff, irrespective of the working area responsible, shall be personally obliged to report any unusual transaction suspecting to money laundering activity that has been happening in the Bank.

The Designated Compliance Officer of Head / Central Office of Nepal Credit and Commerce Bank will report details of suspicious transactions to the Board of Directors, Nepal Credit and Commerce higher Management, if such transactions exposes Reputational Loss or Financial Loss to the Bank, as per the Directive issued by Nepal Rastra Bank and/or any other concerned authority. Summary of such information will be published in the Annual Report.

Recognition and reporting of suspicious transaction / details are as follows:

- (a) Staff will be continuously alert to identify/track unusual or suspicious transactions or activities viz. activity that appears to be inconsistent with the ones that have been declared by the



customer or have a relation with drug trafficking / terrorism / other crimes, structuring of transactions to obscure/evade audit trails or identification or record keeping etc. some of the examples of the suspicious transaction.

- (b) Staff will promptly report in writing to the Designated Compliance Officer of the branch/unit if there is any suspicious case. The Compliance officer shall review it and determine whether a report will be filled with FIU or any competent authority.
- (c) Nepal Credit and Commerce Bank will have to fully cooperate with all law enforcement agencies and their investigations within the scope of applicable laws and in consultation with their Legal Department.
- (d) In order to facilitate further inquiries by the concerned authorities all unusual transactions have to be handled with utmost care. Nepal Credit and Commerce Bank's employees will never let the customer know about stage of the process of inquiry and investigation.
- (e) Applying vigilance about customer is not only the sole responsibility of the staff designated to open account or Branch Manager. It applies to all the staff of Nepal Credit and Commerce Bank.
- (f) In case the Financial Information Unit or any competent authority issues a decision to freeze any account, it will be for a period not exceeding the days stated in the law or regulations. Interest, if applicable will be paid on such account at the prevailing rate. Upon completion of the stated period the Financial Information Unit or competent authority will take a decision to lift the freeze, even if no response is received from the supervisory authority of country from where the transfer was received.
- (g) Nepal Credit and Commerce Bank staff who fails to report unusual and suspicious transaction will be penalized in accordance with the prevailing laws and regulations.

20. Protection

In case if any loss occurs to anyone because of submission of information to the Financial Information Unit or any competent authority or other entity required by law or Act staff and officials of the Bank will not be held liable for such consequences and the Bank will take the responsibility of covering all tangible in intangible costs to defend him/her, legally or otherwise arisen from such reporting.

21. Tipping Off

- i. Any information provided to the Financial Information Unit or disseminated to staff or representative while in normal course of business or in the process of providing it to any investigating units will not be disclosed to anyone except mandatory as per the prevailing law.
- ii. Any employee who tips off the customer that their account is under surveillance will be held liable for punishment as per to the personnel policy of the Bank on the ground of smuggling out of information and provision made in the law / Act.

22. Complete Record Keeping

- (a) Customer identification document as prescribed time to time internally or as per Directives issued by Nepal Rastra Bank will be held in all customer files. It is the responsibility of the Designated Staff of the Branch / Unit to ensure this. If for any reason the customer identification requirements are not met in full and the Bank is still satisfied that the requirements of legislation are met reasons for the same will be documented by the Designated Compliance Officer of the Branch/Unit.
- (b) Customer identification documents will be retained for at least 5 years after closure of the account. The transactions detail will be kept at least for 5 years from the date of the transactions. Transactions detail more than 5 years may be destroyed, if any inquiry is not made to the particular transaction.
- (c) Records of all suspicion reports and reports to the Financial Information Unit and/or other concerned authority will be safely maintained. Where a suspicion report does not result in a report to the Financial Information Unit or other authorities the reason for such decision will be documented.



- (d) Records of all trainings provided to staff will be maintained. It will also include date, nature and name of staff that have attended the training. The staffs that have received the training will sign the record.

23. Information to be Retained and Preserved

Banks and Financial Institutions will take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows the data to be retrieved whenever required.

Following information will be maintained with respect of transactions:

- a) nature of transaction.
- b) amount and currency in which it has been denominated
- c) date on which it has been carried out
- d) parties to the transaction
- e) source of fund for Rs.1 million or above

The Designated Compliance Officer of Branch/Unit will ensure that records pertaining to identification of the customer and his/her address obtained while opening the account and/or during the course of business relationship are properly preserved for at least 5 years after the close of the relationship. The identification records and transaction data will be made available to the concerned authorities upon request.

24. Awareness and Training of Staff

- (a) All staffs will be aware of the statutory and regulatory obligations. Therefore, the Designated Compliance Officer at Head / Central Office or person assigned by Compliance Officer at Head/Central Office, will be responsible for conducting ongoing employee training program so that all related staff are adequately trained on the AML/KYC and CDD policies/procedures. The training requirements may be different for the frontline, compliance and staff dealing with new customers. However, initial training will be provided to all staff with regard to money laundering and financing activities related to terrorism and means to control or counter them. They will be regularly updated and/or upon any change of responsibilities.
- (b) Staff will sign a memorandum form upon attending the trainings confirming that they have read and understood the employer's Anti-Money Laundering related policies and procedures.
- (c) Staff's knowledge will be periodically checked by their employer with regard to AML/KYC and CDD policies and procedures.

25. Code of Conduct of Employees

- i. Staff of Nepal Credit and Commerce Bank filing suspicious report will not tip off. He/she needs to maintain the following code of conduct:
 - a) Will not inform/warn the customer about the suspicion.
 - b) Will not talk/disclose with other staff or friends or family members.
 - c) Will comply with the instructions of competent authority and department/unit head to which he/she reports.
 - d) Will assist and cooperate during investigation process.
- ii. The code of conduct has three aspects:
 - a) Relationship with the customer will not be damaged / disturbed if the authorities recognize the transaction to be bona fide.
 - b) If a customer or his/her transaction is identified as the one involved in money laundering or a part of its process the authority will be in a better position to arrest him/her and there will be less chance of erosion of evidences.
 - c) Staff failing to report suspicious and unusual transaction will be held liable and is subjected to for punishments i.e. legal and/or disciplinary actions as deemed necessary.

26. Prevention and Cancellation

This Policy and Procedure document is intended to supplement the directives on Prevention of Money Laundering issued by Financial Information Unit / Supervision Department Nepal Rastra Bank. However, provisions under the said directive shall prevail in case of any contradictions.

Similarly, the directives or guidelines of Nepal Rastra Bank or Financial Information Unit issued from time to time with regard to AML/KYC or CDD shall also prevail and be integral part of this document.

27. Amendment

Subject to the prevailing laws, directives, rules and regulations of the country or Nepal Rastra Bank or Financial Information Unit the processes mentioned herein will be revisited regularly by on required basis. The Bank may develop /amend / revise it's the Policy and Procedure.

Section B : Checks and Reviews

Branch Manager/Unit Head of the Bank shall be responsible for:

- a. Ensuring effective implementation of policy and procedures to protect the Bank against money laundering activities.
- b. Assigning a dedicated staff to ensure anti-money laundering policy and procedures are implemented in every processes e.g. from account opening to transactions tracking.
- c. Preparing suspicion reports and taking related actions promptly.
- d. Implementing policies and procedures effectively as communicated by the Compliance Officer at Central/Head Office from time to time.
- e. Ensuring that the reporting is in compliance with the "Asset (Money) Laundering Prevention Act, 2008", Directives issued by Nepal Rastra Bank and Guidance issued by Financial Information Unit time to time.

Designated Compliance Officer (Branch/Unit) of the Bank shall be responsible for:

- a. Ensuring the CDD and KYC procedures and fully implemented at the Branch/Unit.
- b. Deciding on refusal of opening an account.
- c. Signing off on deviations on any standard procedure to a particular case with justifications.
- d. Providing necessary information to the Compliance Officer at Central/Head Office of the institution. He/she will also be responsible to be vigilant for tracking suspected transaction.
- e. Informing all suspected transactions to the Compliance Officer at the Head Office level.

Compliance Officer at Central/Head Office of the Bank shall be responsible for:

- a) Working as a focal point and liaison with Financial Information Unit for effective implementation of this policy.
- b) Implementing Rules, Directives, Orders, Circulars under 'Asset (Money) Laundering Prevention Act, 2008' and other related Acts of the country effectively.
- c) Carrying out proper identification of customer by himself/herself or through other designated staff at the Branch / Unit level.
- d) Updating documents collected in the process for identification of customers, through Branch / Unit Compliance Officer.
- e) Updating record of transactions above the threshold limit and suspicious nature, through Branch / Unit Compliance Officer.
- f) Providing information to the concerned authority as per the existing laws.
- g) Keeping abreast of all technical and regulatory developments on money laundering related matters and advising concerned staff of any changes required in the policies or procedures.
- h) Updating policies and procedures to reflect changes in statutory and regulatory obligations emanating from the Financial Information Unit and/or any law or regulations of the country.
- i) Ensuring that all staffs are aware of their responsibilities and obligations, adequately trained in relevant aspects of anti-money laundering processes.
- j) Ensuring that policies and procedures are operating effectively and reporting are regular and within the set timeframe.
- k) Approving all departures from procedures and recording the reasons as to why the Bank is satisfied that its legal and regulatory obligations are fulfilled notwithstanding such departures.
- l) Reviewing all suspicious transaction reports submitted by the Branch and reporting to Financial Information Unit and authority for controlling deflection of currency or documenting why it is not necessary to report a particular case.





- m) Representing his/her the Bank to all external agencies in the country and aboard on money laundering related matters, ensuring that all reasonable requests for information from them are complied with promptly, subject to the Bank's legal responsibilities on customer confidentiality.
- n) Complying with any legal processes served the Bank in connection to money laundering in consultation with its legal advisers.
- o) Preparing and submitting reports, as and when required, to the Board of the Bank through Nepal Credit and Commerce Management with regard to Customer Due Diligence and Money Laundering related matter.
- p) Submitting report to the authority as required by the "Asset (Money) Laundering Prevention Act, 2008", Directive issued by Nepal Rastra Bank and Guidance issued by Financial Information Unit time to time.

All Employees of the Bank shall be responsible for:

- a) Reading and ensuring that they understand the policies and procedures, signing to acknowledge it.
- b) Complying with Anti-Money Laundering policy and procedures including in respect of customer identification, account monitoring, record keeping and suspicion reporting etc.
- c) Being alert at all times to the possibility of money laundering and reporting suspicious or unusual transactions to the concerned Compliance Officers.
- d) Making effective use of training and seeking additional trainings whenever necessary.
- e) Being aware that violation of money laundering legislation can involve personal penalties including fines or imprisonment or both and breaches of procedures set out in the policy of the Bank may be construed as gross negligence attracting disciplinary actions as per the rules and regulations of the institution.

Internal Audit Unit of the Bank shall be responsible for:

- a) Auditing compliance of statutory and regulatory obligations in respect of money laundering policies, procedures and controls by the Bank.
- b) Auditing effectiveness of internal controls designed to counter against the risk of becoming involved in money laundering by the Bank.