**Appendix IV (A): Provisions Specific to Credit Vertical**

*This policy shall be read in line with the overall Delegation of Authority (DOA) policy of the Bank. This policy is an annexure to the credit policy and the overall DOA policy of the Bank.*

1. **Introduction**

**Definition**: The Authority Matrix defines the authority delegated to CEO and the management as well as the credit committees.

**Purpose:** Purpose of the delegation of authority is to efficiently and prudently carry out credit/lending activities of the Bank. The delegation matrix (DM) should also enhance or improve the accountability of decision making bodies of the Bank.

**Scope:** The delegated authorities are based on the approved organizational structure of BNBL. Whenever there is a change to the management and staff structure, these authorities shall be reviewed and updated accordingly.

**Amendments:** The CEO as chairperson of the ECC shall have the authority to change and approve the delegation matrix for credit sanctioning within the limits delegated to him/her by the Board.

Changes to Policy or to authority levels for decisions related to matters other that credit approval i.e. write offs, suspensions, auctions must still be referred to the Board unless stated otherwise in the policy.

**Responsibilities of Signatories**:

The Bank’s Board and shareholders expect managers involved in credit to diligently investigate, analyze, and make decisions based on their experience and training.

Signing officers are responsible for ensuring completion of a thorough credit analysis before signing and ensure there are no generic and vague statements made to avoid responsibility.

1. **Types of Authorities**

|  |  |  |
| --- | --- | --- |
| **Authority** | **Description** | **Responsibility** |
| **Approve** | Implies discretionary authority in specific credit activity provided that the decision is in line with adopted policies, procedures, rules, and regulations. | * A decision based on the professional judgment and comments and inputs given by the officers/managers who recommend/concur the proposal. * State grounds for declining a proposal * State grounds for approving a proposal that is not recommended by lower approving bodies. |
| **Recommend** | Applies to the power to recommend a proposal on a specific credit activity subject to review (and change, if required) by the higher authorities before they are endorsed or approved. | * Recommendation based on professional and unbiased judgment of the proposal. * State well-justified grounds for recommending or not recommending a proposal. |
| **Concur or Review** | Refers to the authority that establishes the extent of required review/verification, based on risk  Considerations, to certify that the transaction is accurate & genuine. | * Verification of pre approval documents and concurrence to the legality of the proposal. |
| **Propose** | Applies to the authority that initiates a process/activity and prepares the relevant documents. | * A thorough assessment of the proposal with complete due diligence and well justified grounds. |

Application of the above authorities will be based on the type of credit activity being carried out.

1. **Delegation of Authority Matrix**
   1. **Development and Amendments to Credit Policies and Procedures**

|  |  |  |
| --- | --- | --- |
|  | **Title** | **Authority** |
| Fees, Charges, Commission | ECC | **Approve & Endorse** |
|  | HOCC | Review/Recommend |
|  | HoD | Propose |
| Credit Procedures | ECC | **Approve & Endorse** |
|  | HOCC | Review/Recommend |
|  | HoD | Propose |
| Credit Policies | BCIC/Full Board | **Approve & Endorse** |
|  | ECC | Review/Recommend |
|  | HOCC | Propose |

* 1. **Credit Sanctioning**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **COMMITTEES** | | **DELEGATION OF AUTHORITY - CREDIT SANCTIONING** | | | | |
| **Committee** | **Members** | **Limit** | | **Title** | **Authority** | **Decision** |
| **Fund-Based** | **Non Fund-Based** |
| BCIC | Chairperson | Above 100 million |  | **BCIC** | **Approve** | **Unanimous** |
| Member Director |
| Member Director |
| CEO (Member Director) |
| Dy.CEO (Management Representative) |
| CCO (Permanent Management Representative) |
| Company Secretary (Member Secretary) |
|  | | | | | | |
| ECC | CEO | Up to 100 million | Above 60 million | **CEO** | **Approve/Recommend** | **Sole** |
| Dy. CEO |  | | | | |
| COO | Up to 40 million | Up to 60 million | **Dy. CEO** | **Approve/Recommend** | **Sole** |
| CCO | COO (CRO in absence of COO) | Recommend |  |
|  | | | | | | |
| HOCC | CCO | Up to 20 million | Up to 40 million | **CCO** | **Approve/Recommend** | **Sole** |
| Head, Credit |  | | | | |
| Up to 10 million and LTDF of any amount appraised at HO | Up to 20 million | **Head, Credit** | **Approve/Recommend** | **Sole** |
| Head, Legal | Head, Legal | Recommend |  |
| Legal Officer (Loans Appraised at HO) | Concur |  |
| Credit Officer (Loans Appraised at HO) | Propose |  |
|  | | | | | | |
| BCC | Branch Manager | Up to 2.5 to 5 million and LTDF of any amount | Up to 10 million | **Branch Manager** | **Approve/Recommend** | **Sole** |
| BCI/BOI | Recommend |  |
| BCI/BOI | Legal Officer | Concur |  |
| Credit Officer | Propose |  |
| EOI |  | | | | |
| Up to 0.5 million (GE and Standard loans) |  | **EOI** | **Approve** | **Sole** |
| Credit Officer | Credit Officer | Propose/Recommend |  |

Approval of non-fund based credits is delegated to the ECC/CEO as per the limits specified in the DM. This includes approval of Business Advantage Card (BAC) limits.

Loans to related parties have to be approved by ECC/CEO irrespective of the amount and by the BCIC if the amount exceeds 1% of capital fund (for employee) and 5% of capital fund (for significant owner and director).

Definition, restriction on lending, and aggregates of loans for deriving the limits to related parties are spelled in the RMA Prudential Regulations 2002 (Section 2.2 and 2.3).

Renewal of limit based advances is to be approved as per the Delegation Matrix (DM) up to ECC/CEO.

The Board Credit and Investment Committee will approve credit facilities (fund-based) with a borrower’s aggregate exposure exceeding Nu.100 million and the proposed facility has to be project-based. This will also include real estate development projects and working capital loans for projects.[[1]](#footnote-1)

All standard loans irrespective of the aggregate exposure of the borrower, will be approved as per Delegation Matrix within the management. Standard loans include:[[2]](#footnote-2)

* Transport
* Machinery & Equipment
* Personal
* Government Employee
* Consumer
* General Business Loan
* Overdraft
* Housing (except real estate development projects)
* Loans to purchase shares/securities
* Loan Against Term Deposit
  1. **Modification of Credit Terms**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Modification** | **Propose** | **Recommend** | **Approve** |
| 1 | Restructuring | CO | BM, CH, CCO, Dy. CEO | CEO or BCIC (limit as per DM) |
| 2 | Rescheduling\* |  |  |  |
| 2.1 | Extension of Maturity Date | DM | DM | DM up to CEO |
| 2.2 | Reduction of Maturity Date | CO | CO | EOI/BM/CH |
| 2.3 | Reduction of EMI/Maturity Date on bulk payment/predated payments | No approval required | | |
| 2.4 | Change in payment due dates within maturity date | CO | CO | EOI/BM/CH |
| 3 | Reduction of sanctioned amount | CO | CO | EOI/BM/CH |
| 4 | Loan transfer | DM | DM | DM |
| 5 | Reduction of credit limit | CO | CO | EOI/BM/CH |
| 6 | Purchase of vehicle less than loan limit | CO | CO | BM/CH |
| 7 | Release or Release & Replacement of security | DM | DM | DM up to CEO |
| 8 | Capitalization of Interest |  |  |  |
| 8.1 | Loan amount within initial sanctioned limit | DM | DM | DM up to CEO |
| 8.2 | Loan amount exceeding initial sanctioned limit | DM | DM | DM |
| 9 | Renewal | DM | DM | DM up to CEO |
| 10 | Settlement Account Change | CO | CO | EOI/BM/CH |
| 11 | Any other modification of terms[[3]](#footnote-3) | DM | DM | DM up to CEO |

**DM** – proposal, recommendation, and approval will be same as that of credit sanctioning.

* 1. **Suspension**

|  |  |  |
| --- | --- | --- |
| **Limit** | **Title** | **Authority** |
| Above 75 million | BCIC | **Approve** |
| Suspension Committee | Recommend |
| BCC | Recommend |
| CO/LO/LA/CMO | Propose |
| Up to 75 million and cases through court order | Suspension Committee | **Approve** |
| HOCC | Recommend |
| BCC | Recommend |
| CO/LO/LA/CMO | Propose |

Recommendation by BCC is not applicable to proposals initiated at Head Office.

**5.5** **Auction**

Auction of any amount will be initiated and coordinated by the Legal Department at the Head Office and approved by the Auction Committee.

* 1. **Write Offs[[4]](#footnote-4)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Conditions** | **Limit** | **Title** | **Authority** |
| Due Process of Law | Any Amount | ECC | **Approve** |
| HOCC | Recommend |
| BCC | Recommend |
| LO/LA/CMO | Propose |
| Committee Discretion (Other Grounds) | Above 200,000 | Full Board | For Ratification |
| BCIC | **Approve** |
| ECC | Recommend |
| HOCC | Recommend |
| BCC | Recommend |
| LO/LA/CMO | Propose |
| Up to 200,000 | ECC | **Approve** |
| HOCC | Recommend |
| BCC | Recommend |
| LO/LA/CMO | Propose |

The BCIC may forward the proposal to the full Board for approval if a decision cannot be reached, depending on the complexity of the case and amount to be written off.

1. Amended in August, 2018 [↑](#footnote-ref-1)
2. Amended in August, 2018 [↑](#footnote-ref-2)
3. Amended in August, 2018 [↑](#footnote-ref-3)
4. Limit amended in August, 2018 [↑](#footnote-ref-4)