

Know Your Customer Manual– 2014

(2nd Amendment on November 2017)



Approval Sheet

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1. Background

With the increase in terrorism, drug/human trafficking, embezzlement etc, money laundering activities are increasing across the globe, which has been a serious concern to the Banks and Financial Institutions (BFIs). The Bank staff should therefore recognize their prospective customers properly prior establishing the relationship and there should be appropriate system in place to monitor the transactions done by the customers to prevent the Bank from potential risks.

KYC procedures enable banks to know/ understand their customers and their financial dealings to be able to serve them better and manage its risks prudently. This is also in the interest of customers to safeguard their hard earned money

The Know Your Customer (KYC) Manual has therefore been developed and reviewed in order to establish operational procedures with the aim to consistently implement the Bank's policy on prevention of money laundering (Anti Money Laundering Policy) in practice across all businesses/branches within the Bank and to enable the bank to comply with statutory guidelines on Know Your Customer and prevention of money laundering.

This Manual is an integral part of Anti Money Laundering Policy of the Bank and pre-requisite for the banking business to ensure the proper control mechanism with due diligence and prevent illegitimate, illicit and unlawful transactions/activities. Recently, the Central Bank has revised the provision of Anti Money Laundering Policy which has imposed financial penalty and punishment to Bank as well as employees. Therefore it is essential that all staff members are fully aware of the processes/procedures set out in this Manual and AML Policy to implement it meticulously.

2. Objectives

- 2.1 To have appropriate system in place to identify and control the risks exposures in assets and liabilities management.
- 2.2 Verifying customer's identification process, understands the reason for a relationship, the true identity and beneficial ownership of accounts, nature of customer's business, identify the source of funds, and monitor suspicious transactions.
- 2.3 Prevent all illegitimate financial/business transactions like concealing of source of fund, money laundering, financing to terrorists, etc.
- 2.4 Protect Bank's reputation and prevent from potential risks by mitigating likelihood of Bank being used as channel for money laundering or other fraudulent activities.

3. Scopes and Applicability

This Manual incorporates and ensure the procedural compliance of "Assets (Money) Laundering Preventions Act, 2008 (2064) (2nd amendment 2070)", "Assets (Money Laundering Prevention Rule, 2016 (2073), Directives on Anti-Money Laundering and Combating Financing in Terrorism, Guidelines for Threshold Transaction Reporting (TTR) and Guidelines for Detecting Suspicious Transactions issued by Nepal Rastra Bank and Financial Information Unit (FIU). It is further concentrated to the best international practices, guidelines and recommendations related with KYC and AML/CFT.

This manual is applicable to all branches/units/department and subsidiaries of the Bank and is to be read in conjunction with the related guidelines and country circulars issued by the Bank in due course of time.

4. KYC Policy

The key components of KYC Policy is as followings

- ❖ Customer Acceptance Policy (CAP)
- ❖ Customer Identification Procedures (CIP)
- ❖ Monitoring of Transactions
- ❖ Risk Management.

4.1. Customer Acceptance Policy (CAP)

The guidelines for Customer Acceptance Policy (CAP) for the Bank are as below mentioned:

1. No account should be opened in anonymous or fictitious/benami name.
2. No account would be opened, if Bank is unable to apply appropriate customer due diligence measure.
3. For the purpose of risk categorization of customer, the relevant information shall be obtained from the customer at the time of account opening. While doing so, it shall be ensured that information sought from the customer is relevant to the perceived risk and is not intrusive.
4. Before opening a new account, necessary documents scrutiny process shall be conducted so as to ensure that the identity of the customers/entities/persons associated with the entities does not match with any person with known criminal background or with closed/expired entities such as individual terrorists or terrorist organizations etc. A list of persons with known criminal background or watch list/blacklisted persons/ entities as well as a list of persons involved in frauds and deliberate default as per information available with the Bank shall be used for this purpose.
5. Customer on whose behalf (i.e., Beneficial Owner), the accounts are maintained and operated; such information needs to be obtained while accepting the customer and capture the same in Bank's CBS.

6. A profile for each new customer shall be prepared based on risk categorization. The customer profile shall contain information relating to customer's identity, social/financial status, nature of business activity, information about clients' business and their location etc.
7. When the Bank is unable to apply KYC, the following steps shall be consequence as resulted
 - Will not establish a business relationship or carry out an occasional transaction with the customer,
 - Will not carry out a transaction with or for the customer through a bank account,
 - Will terminate all existing business relationship with the customer,
 - Should consider whether it should report to FIU Regulators, in accordance with guidelines.

4.2. Customer Identification Policy (CIP)

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Sufficient information needs to be obtained to the satisfaction, which is necessary to establish, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship.

After a prospective customer (individual, trust, or business entity) agrees to open an account and engage in a relationship with bank, the front office, sales, or relationship manager initiates the anti-money laundering/know-your-customer process. The front desk staffs/ KYC/AML Review Team conduct the KYC screening process before customer onboarding. At least, the front desk staff should compel to screening the Sanction List i.e. OFAC, UN, EU, HMT & PEPs. Moreover, the screening process covered to Individuals (Natural persons) & Legal Entities (Legal Entity Name and Natural person Controlling the Legal Entity) both should be screened with Watch list, Black list & Sanction list.

4.3. Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. Risk can be effectively controlled and reduced only if an understanding of the normal and reasonable activity of the customer is available to identify transactions that fall outside the regular pattern of activity. However, the extent of monitoring shall depend on the risk sensitivity of the account. Special attention shall be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. The AML Cell shall generate the alerts for all such transactions for all high risk accounts.

Ongoing due diligence with every client shall be exercised and the transactions shall be examined closely in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.

4.4. Risk Management.

Banks are exposed to the various risks like Reputation Risk, Compliance Risk, Operational Risk, and Legal Risk. Which arise out of Money Laundering activities and non-adherence of KYC standards.

- For the purpose of effective implementation of KYC policy and AML Standards, Anti Money Laundering team shall monitor transactions in all customer accounts on concurrent basis with AML software and IT support to meet the requirements of KYC policy and AML standards. For instance - periodic checking of customer database with the watch list will be done through system after the customer has been on boarded, monitoring of transactions in customer accounts based on customer profile, customer type, nature of business / profession, number and value of transactions, different types of transactions, monthly turnover in the account, very large / suspicious transactions, transactions in new / dormant accounts etc. and draw various reports from historic data based on parameters defined etc.
- All transactions of suspicious nature shall be reported to Head Office as and when the transactions are found to be suspicious by the branches/AML Cell. AML team of the Bank shall ensure that such reporting system is in place and shall monitor the generation and receipt of the reports.
- Bank shall review and set up various limits relevant for KYC and AML standards.
- Banks' Internal Audit and Compliance functions have an important role in evaluating and ensuring adherence to the AML policies and procedures. The compliance function would provide an independent evaluation of the Bank's own policies and procedures, including legal and regulatory Policy on KYC Norms and AML Measures requirements. Internal Auditors shall specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard.

5. Definition of Customer

For the purpose of KYC policy a 'customer' is defined as:

- ❖ A person or entity that maintains an account and/or has a business relationship with the bank;

- ❖ One on whose behalf the account is maintained (“Beneficial owner’ means the natural person who ultimately owns or controls a client and or the person on whose behalf a transaction is being conducted, and includes a person who exercise ultimate effective control over a legal person”);
- ❖ Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc as permitted under the law, and
- ❖ Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say a wire transfer or issue of high value demand draft as a single transaction

6. KYC Process

6.1 Broad Provisions

6.1.1 The Bank shall maintain clear identity of the persons while establishing any kind of business relationship with them or transacting the amount more than the limit at one or several transactions as prescribed by Nepal Rastra Bank (NRB) through notices, circulars or directives.

6.1.2 The Bank, while getting identification of the customer, shall require the person establishing business relationship or having transactions with the Bank to submit the documents as follows:

- a. In case of a natural person his/her name, family surname, copy of citizenship , passport, voters ID, driving license etc. including other necessary documents evidencing his/her permanent residential address and profession/business,
- b. Finger Print of natural person and account operator in case of legal person to be obtained at the time of account opening with the exception of minors.
- c. Verify beneficial Owners: A person who exercise ultimate effective control over a legal person, and individuals who hold a proportionate interest of 10% or more through ownership in the intermediate or ultimate holding company.
- d. In case of legal person except provided in (a) copy of the document certifying incorporation, establishment or registration of the institution, documents that presenting name, surname, address, profession, business of board of directors and executive director or proprietor of firm or partners of partnership firm,
- e. In case of business relation or transactions to be established or made on behalf of someone else, documents relating to principal's identity, address including power of attorney clarifying his/her business,
- f. Name, surname, address of close relative, person or institution benefiting from the transaction of the business relationship,

- g. In case of transactions made through negotiable instruments, name, surname and address of the issuer and payee of or from such instrument,
- h. Other documents as prescribed by the NRB, FIU and other regulatory authorities from time to time.

6.2 Obtaining information and documents

Bank obtains information and documents as per **Annexure - I**, as required, at the time of opening of accounts, extending credit facilities, issuing drafts or transferring the fund through TT / Swift or receiving funds through draft, TT/Swift or other means of fund transfer or doing any kind of transactions relating to money or its substitute and transactions relating to Letter of Credit and other various transactions.

"Transaction" means any act or agreement made in order to carry out any economic or business activities and also includes the transactions of purchase, sale, distribution, transfer or investment and possession of any assets.

6.3 Transactions through Bank Account

- 6.3.1 Bank shall encourage the customers to execute all the transactions through Bank account as far as possible. However, the Bank may accept the request from non-account holder customer b, of which upon submission of proper identification with following the simplified KYC process.
- 6.3.2 Fund transfer up to the threshold (as directed by NRB) can be entertained without routing through Bank account only upon submission of proper identification to withdraw the fund by the beneficiary. If it is beyond the threshold set by Central Bank (Nepal Rastra Bank) or government for payment of inward remittance should be made through account payee cheque only if the customer (beneficiary) has not maintained the account with the paying Bank.

6.4 Provision Regarding Wire Transfer

- 6.4.1 Bank shall obtain details information of originator and verify it's authentication for all type of wire transfer. Following details shall be considered as complete information of originator:
 - a. Name of originator,
 - b. Account number or unique transaction identification number
 - c. Address or date of birth & birth place or citizenship number or national identification number or customer identification number
 - d. Name and account number of beneficiary and unique transaction identification number in case of none account holder.

6.4.2 Bank shall compulsorily identify the details of originators in case of payment made through wire transfer of Rs. 75,000.00 or more. The Bank may provide relaxation in obtaining detail specified in section (c) as above, in case of wire transfer of below Rs. 75,000.00.

Following arrangement shall be made in case of the agents:

- a. Implementation of anti-money (assets) laundering and terrorist activities program and monitoring of its effective implementation/compliance.
- b. Publish and update detail information of agents in Bank's website.

6.4.3 All other provisions shall be as per guidelines issued by NRB or other regulating authorities time to time.

Clarification: ‘

- 'Wire Transfer' means transfer of amount from one place to other using electronics medium. While transferring amount through wire transfer sender and receiver may be same or different person.
- 'Originator' means account holder or any persons who requests to the Bank for wire transfer transaction
- 'Beneficiary' means Ultimate recipient of the transferred money.

6.5 Verification / Certification of Copy Documents

6.5.1 Copy documents must be self-attested by the holder (and the owner, if different from the holder).

6.5.2 Copy documents must be verified by the authorized Bank official confirming/seeing with originals.

6.5.3 Copy of identification documents are to be marked "Verified with Original" after seeing original by authorized officials of the Bank as mentioned in 6.5.2 and external official / parties as specified in 6.5.6 below.

6.5.4 Documents submitted, including the identification documents, must be clear, legible and valid.

6.5.5 Following bank officials are authorized to verify copy documents:

- a. Staff at Customer Service Department
- b. Staff at cash department (verification of payee's ID for cash payment only)
- c. ARM/RM (Credit Departments)
- d. Staff of Deposit Marketing Department
- e. Staff of Trade Finance
- f. Staff of ADC Department
- g. Branch Managers
- h. Operations In-charges / Managers

i. Other staff above Supervisor level

6.5.6 The Bank will accept copy documents verified by following external persons/parties:

- a. Notary Public or Law Books Management Committee.
- b. Officials of Diplomatic Missions (embassies/consulates etc – with seal)
- c. Corresponding/Agency banks (subject to verification of signature and with seal)
- d. Direct Sales Agents or external company/party appointed by the Bank (subject to verification of signature).

6.6 Introduction of Accounts

6.6.1 All customer accounts should be introduced by existing customers or as specified below:

- a. Existing Account holder (subject to signature verification)
- b. Other banks (subject to signature verification/seal)
- c. Gazetted Officers of Government of Nepal (with seal)
- d. Introduction by Corresponding/Agency banks via letter (subject to signature verification) or authenticated SWIFT

6.6.2 Branch Managers and their delegates/designates are authorized to waive the requirement of account introduction on case to case basis, record of such waiver however should be mentioned in the application itself and signed by the authorized official.

6.7 Obtaining Credit Information

Credit information as per **Annexure- II** should compulsorily be obtained while extending the credit facilities to any individual, firm, company or organization.

7. Account Opening Process

7.1 Account Opening Form & KYC enquiry form

Complete account opening form along with other KYC information as necessary details for all new accounts based on the discussion/interview with the customers shall be filled-up and obtained. No account shall be opened without obtaining complete KYC information and documents along with completely filled-up account opening form. Bank shall also obtain detail information along with documents of actual owner, if found suspicious activity of the customer with high profile personality before establishing relationship. The KYC enquiry form as per **Annexure III** must also be completely filled-up at the time of opening the account.

7.2 Account Opening Procedure of Natural Person (including joint accounts)

7.2.1 Obtain complete Account Opening Form

7.2.2 Check and verify the following matters:

- a. **Date:** The date of account opening
- b. **Name:** Should exactly match with the Identification Certificate, i.e. Citizenship Certificate, Passport, Voter ID, Driving License etc.
- c. Documents expiry date, if any: e.g. expiry date of license, passport etc
- d. **Residential Address:** As per the Identification Certificate or as declared by the customer (It would be better to ask for the proof if it does not match with Identification Certificate (Like Utility Bill, etc).
- e. **Father's/Husband's name:** Should Match with Identification Certificate.
- f. **Details of undivided family member**
- g. **Nationality and date of birth:** Should be verified with Identification Certificate.
- h. **Identification Certificate number and date of issue/issued by/Issuing District:** The details mentioned in the account opening form should be verified with the original Identification Certificate.
- i. **Photograph:** Should be new one which matches with the appearance of the customer.
- j. **Employment Details:** Occupation and Employer should be mentioned.
- k. **Contact Details:** The contact details like telephone number, cell phone number, email address, fax numbers, etc should be obtained so that the customer could be contacted comfortably at the time of requirement.
- l. **Type of A/C and Currency:** It should be clearly mentioned type of account and currency.
- m. **Mode of account operations in case of joint accounts:** If Joint account is to be opened it should clearly be mentioned about how the account is operated.
- n. **Nominee:** In case the individual customer opening the individual account wish to keep nominee, must clearly mention the nominee detail. Otherwise, the blank space must be crossed. KYC information along with identification document of nominee must be attested by the accountholder and signature verification must be done by the staff. Other general procedures regarding nominee will be in line with account operation manual.
- o. **Signature of Applicant on the account opening form:** The applicant should sign on every page of the application.
- p. **Finger Print of Applicant on the account opening form:** The applicant should provide the finger print at the time of account opening

- q. **Source of Income:** Income source should be mentioned by the intending account holder compulsorily. If the staffs processing for KYC observe any doubt, the matter should be referred to higher official for further understanding.
- r. **Beneficiary's information:** If customers have a beneficiary (the person who is ultimate beneficiary, account being operated from him/her, ultimate controller of the entity if account holder is a legal person,), Information and documents relating with beneficiary shall be obtained and verified the same by using independent and reliable sources. Such information shall be input in CBS (such as citizenship number, address, registration number, license expiry date etc).
- s. **Expected Turnover:** It is mandatory to mention the expected annual turnover in the account and the transaction in all account must be within the amount mentioned as expected turnover.
- t. **Sanctioned Check:** Staff has to check the database maintained for the PEPs and Sanctioned List before opening the account. It has to be recorded in account opening form evidencing that it was checked with signature.

7.2.3 After completion of verification of account opening documents as described above, proceed for completing KYC Enquiry Form.

7.3 Account Opening Procedure of Legal Person

7.3.1 Obtain complete Account Opening Form

7.3.2 Check and verify, including others, the following on the account opening

- a. **Date:** The date should be of account opening date.
- b. **Name:** Name mentioned in the account opening form should exactly match with the registration documents.
- c. **Address:** Address should be checked with registered documents
- d. **Specimen signatures:** Specimen signatures should be carefully checked and the name of the authorized persons should be matched with that of minutes. Check that the authorized signatories appointed/designated by the board are in accordance with the Constitution/ Memorandum & Articles of Association/ Partnership Deed.
- e. **Finger Print of account operator:** Finger print of account operator should take at the time of account opening.
- f. **Type of currency (NPR/FCY):** In case of FCY, currency to be specified.
- g. **Expected Turnover:** It is mandatory to mention the expected annual turnover in the Account Opening Form and the transaction in all the account must be within the amount mentioned as expected turnover.
- h. **Documents expiry date:** Such as TAN, foreign exchange license etc

- i. Mandatorily obtain tax clearance certificate/ self-tax assessment of the immediately preceding fiscal year in case of legal entities. (Firms/Companies/other entities).So that, every legal person's document shall be review/renew in every year.
- j. In case of companies, KYC of director, account operator, CEO and major stakeholder (having stake of 10% or more) is required.
- k. In case such major stake holder is not an individual, then KYC of shareholders having share of 10% or more of the holding company is to be obtained.

7.3.3 Verify the validity of the documents as applicable:

Business entities need to be registered with Company Registrar Office or Department of Commerce or Department of Cottage and Small Scale Industries or Division Corporate Office or their representative office as applicable

- a. Registration/PAN Certificates/Operating License.

Few example of operating license requiring entities:

BFI:	Nepal Rastra Bank
Insurance :	Insurance Board
Medicine:	Department of Drug Administration
Manufacturing Industry:	Department of Industry
Press & Publication:	District Administration Office
Tours & Travels:	Department of Tourism
Remittance/Money Exchange:	Nepal Rastra Bank
Schools/College:	Education Dept./Office or Universities.
Aviation:	Civil Aviation Authority of Nepal
Hydro:	Nepal Electricity Authority
FM Radio:	Department of Information &Communication
Telecommunication:	Telecommunication Authority etc

- b. Check that the authorized signatories appointed/designated by the board are in accordance with the Constitution/ Memorandum & Articles of Association.
- c. The names and the stamp on the Specimen Signature Card as per the Board Resolution.
- d. The introducer's signature if the account has been introduced by an account holder. Verify Name, designation and stamp if account is introduced by a government officer.
- e. In case of request for FCY accounts, obtain NRB Foreign Exchange Permit/authority as applicable / Proof of FCY earning source.

- f. Copies of documents in case of institutions/ firms registered outside Nepal must be notarized by Public Notary or Banks.

After completion of verification of account opening documents as described above, proceed for completing KYC Enquiry Form.

7.4 Subsidiary Account

Following procedures should be fulfilled for opening the Subsidiary Account:

- Receive the account opening form
- Fulfill all the procedures as opening the master account (Refer above).

7.5 High Risk Accounts

High Risk accounts shall be opened only with the written consent of Head-Compliance or Chief Operating Officer (COO). Enhance Customer Due Diligence (ECDD) process shall be conducted for those customer who falls under high risk category. Transactions in high risks accounts must be monitored closely and any suspicious transaction must immediately be reported to AML Department.

7.6 Non Face-to-Face Accounts

Non face-to-face accounts shall not be opened. The intending account holder should put his/her signature in the account opening form / specimen signature card in front of the Bank official. However, verification of documents by officers of correspondent banks/agents whose signatures are verifiable by the Bank can be acceptable in exceptional instances.

7.7 Anonymous Accounts & Relationship with Shell Bank

Bank shall not open any anonymous accounts and shall not establish relationship with shell bank. Bank shall also not open the account mentioning the number only. Bank shall not allow opening fictitious account and account of shell bank. No account is opened in anonymous or fictitious/benami name.

7.8 Frequent closing & re-opening of Accounts

If any customer open the accounts and closes after a few months and opens again a fresh account and if such tendency is continued, such customer should be kept under suspicious accounts list and be monitored closely. An understanding of the reason for such request must be recorded in writing and kept in the customer's file.

7.9 Recording Details in CBS

Every details of account holder like Citizenship Number or Passport Number or Voter ID Number or Driving License Number, date of Birth (DOB), Nationality, Father or Mother Full Name, Issue or Expiry date of ID, Permanent address or employer address details etc have to be properly recorded in the CBS while opening account. No account should be opened or operated where KYC information is not updated in CBS. Branch Manager should make sure that information is updated on every newly opened account on end of the day. The above mention IDs are applicable for Nepali Citizen only.

7.10 Source of Funds/Wealth

At the time of KYC enquiry, the interviewer shall establish the source of funds/wealth of customers. A valid source of funds/wealth could be:

- Employment Income/Funds (Salary/Allowances/Bonus/Pension/Provident Fund/Retirement Fund /Loan, etc)
- Rental Income
- Business Income
- Income from investments (interest/dividend etc)
- Inherited wealth (Ancestral)
- Income from self-employment (business/services/contract/consultancy/ professional services etc)
- Valid remittances from abroad (salary, fund transfers by family/relatives, sponsors etc)
- Sale of assets/properties/goods/commodities/shares etc
- Local and foreign remittances by family members/relatives or sponsors
- Business cash flow transactions (sales, borrowing, loan repayment, commissions, refunds etc).
- Donation
- Reward
- Retirement fund
- Gift
- Repayment received

7.11 Account Opening before completing KYC process

For the purpose of Account Opening before completing KYC process provision of Deposit Manual to be followed but subject to the compliance of NRB Directives and Circulars.

7.12 Responsibility

The responsibility of conducting KYC enquiry and completing the required documentation shall generally be of staffs engaged on account opening, his/her supervisors and Branch Manager. Respective relationship manager, marketing staffs, or other relevant staffs may support for obtaining KYC information marketed or come through them specially credit clients and corporate clients.

Central Operations Department and Chief Operating Officer shall ensure the execution of due KYC procedures and documentations on regular basis. The Bank have to complete the task of identification process of customer and a reasonable measures have to establish to find out the factual customer relationship with beneficial owners of the accounts by end of fiscal year 2075.

Similarly AML & Compliance department shall periodically monitor the compliance status and make updates the status to the respective branches and departments for needful action or corrections.

8. Transactions of Non- Accountholders

- 8.1 Non-acountholder customers are those who do not maintain an account with the Bank but avail of services over the counter, such as outward remittance, Foreign Exchange, encashment and purchase of travel card, etc. Exception to detailed KYC process is allowed for non-customer transactions totaling up to Rs one million (or equivalent) in a day in a branch staying within the NRB Circulars in regard to foreign currency transactions. Over the counter transactions and it must be ensured by following the simplified KYC process that details such as name, telephone number and address of the applicant are correctly recorded on the transaction application forms. It should be discouraged for entertaining the transactions above Rs one million to the non- accountholder customers. Operations In-charges / Managers / Branch Managers may allow above Rs one million also but after the obtainment of documents as required by statutory/regulatory directives, including “self-declaration” from depositor for transactions.
- 8.2 Above exception is not applicable if it is observed that frequent repeated transactions, although totaling below Rs one million in a day in a branch, are being requested by the same person/party.

9. Cash Deposit /Payment/Cheque Encashment Mechanism

- 9.1 An **identification document & purpose** must be obtained for third party cash deposit is required for any transaction that is above of one Lakh (>100,000).

- 9.2 If the customer himself /herself presented for cash deposit of Rs ten Lakh (= >1000,000) and above must be obtained the **sources of fund & purpose of deposit**.
- 9.3 If the customer himself /herself or 3rd party customer presented for cash withdrawal where amount is less than Rs ten Lakh (<1000,000), in such case the bank have to follow the practice of conformation taken from account holder for cash payment above of Rs five Lakh(>500,000) to mitigate the possible risk.
- 9.4 Any Payment of ten Lakh (= >1000,000) and above should be paid through account payee cheque or credit to related account only. However, those cheque issued in favor of non-individual (firm, company, institution or any offices) should be account payee only.
- 9.5 In case of genuine requirements for the cash payment of ten Lakh (= >1000,000) and above, that should be entertainment along with an application and indemnity letter from customer.

10. Threshold Transactions and Reporting

10.1 Submission of Threshold Report

10.1.1 A report should be prepared and submitted to the Financial Information Unit (FIU) with in Fifteen days from the date of transaction as per **Annex-IV**, if any customer's (individual, firm, company or organization) cash transactions volume is found to be equal to or in excess of Rupees one million per day, which includes both LCY & FCY transactions. Similarly , in case transactions related to exchange facility of foreign currency NPR worth of more than five hundred thousand on daily basis, that is also under scope of TTR Threshold Report.

Clarification: FCY transactions cover both of FCY cash & wire transfer.

- 10.1.2 Designated KYC Officer and Branch Manager/In-charge shall monitor such transactions, print a report and sign on the same on daily basis mentioning the source/detail, if any, of transactions.
- 10.1.3 AML/ Compliance Department shall compile the report and submit a synopsis to the Board on quarterly basis the total volume, number of customers in addition to forwarding the report to the FIU within Fifteen days from the date of transactions.
- 10.1.4 Even if the transaction volume is less than Rupees one million in case of NPR and less than and equivalent of NPR Five Hundred Thousand in case of Foreign currency but the same is found to be suspicious, a report of such suspicious transactions should be submitted to AML Department and subsequently AML Department shall send the same to FIU, if concluded to be suspicious.

10.2 Exemption to Submit Threshold Report

The transactions done through following Government bodies, Institutions, offices or persons are exempted from the threshold reporting to NRB.

- Offices, companies, organizations, corporations or agencies fully owned or majority owned by the Government of Nepal.
- Organization established under special Act.
- Inter-bank transactions and transactions of banks/FIs with Government bodies.
- Transactions of a public limited company with other public limited companies, Government and Governmental organizations and agencies, and companies/entities established under special Act
- Reinsurance transaction of insurance companies,
- Employee's transactions of banks and financial institution relating to the facilities provided by the Bank and Financial Institution,
- Transaction of loan provided by Bank to its customer.
- UN, Offices of UN, Specialized Agencies of UN and Donor Agencies,
- Diplomatic agencies and other Offices of foreign Government,
- Account to account fund transfer through cheque between Banks and Financial Institutions inside the Country.

11. Suspicious Transactions

Suspicious Transactions and reporting etc. relating to this is strictly confidential. Violation of it shall be called tipping off and subject to punishment by prevailing AML laws.

- 11.1 A report should be prepared and submitted to FIU by AML Department/AML Officer as soon as possible (within 3 days of begin aware of or having reliable source/basis for doubt) as per **Annexure-V** if any customer's (individual, firm, company or organization) transactions are found to fall under any of the following categories:
- a. Transactions not supported by general financial condition of the customers.
 - b. Transactions not matching with information provided by customers.
 - c. Abnormal income or income from business which is not possible to earn by conducting general course of business activities.
 - d. Abnormal changes or growth in financial and business transactions of the customers.
 - e. Transaction not supported by reliable sources of income.
 - f. Transactions conducted without considering customers due diligence process.
 - g. Transactions which directly or indirectly related to/helpful to terrorism and criminal activities,
 - h. Transactions promoting or inducing terrorism and criminal activities.
 - i. Transactions related to person, organization, institution falling under the list of Nepal Government & United Nations as Terrorist.

- j. Transaction which may be directly or indirectly related to person, organization or criminal activities relating to terrorism or any other person's transaction relating to it,
- k. Suspicious transaction in any way or transaction appears to be done with the purpose of money laundering, to incentivize criminal activities,
- l. Transaction appears, in any way, unrealistic or suspicious,
- m. Transaction of the person and organization who tries to do suspicious transaction,
- n. Other transactions prescribed by the FIU as suspicious nature transactions.

Some examples (which are for guidance only and absolutely for internal purpose, which, at any cost, should not be known to the customer) of abnormal/suspicious transactions are provided under **Annexure- IX**

- 11.2 It is the responsibility of the AML Department/AML Officer to ensure maintaining internal record of suspicious transactions as per **Annexure-VI**
- 11.3 The Designated AML Officer at Head Office and Branch Manager or his/her delegate/designate shall review suspicious/abnormal transaction every day and report to AML Department/AML Officer immediately if found any suspicious abnormal transactions immediately.
- 11.4 Branches should prepare the ECDD report as per **Annexure – VI** if any transactions are found to be suspicious or abnormal.

12. Record Retention

- 12.1 For all customer relationships, KYC documents must be held in file along with the account opening documents. In case of closed accounts/relationships, the account opening documents along with KYC documents must be held separately for a period of at least 5 years from the date of closure of accounts/relationship.
- 12.2 All KYC related reports such as on-going transactions monitoring, KYC reviews, and suspicious transactions reporting etc must be retained for a period of at least 5 years.

13. Know Your Employee (KYE) and Employee Account

- 13.1 Bank employees will conduct themselves in accordance with the highest ethical standards and the extant regulatory requirements and laws. Staff should not provide advice or other assistance to individuals who are indulging in money laundering activities.
- 13.2 Head Human Resources shall ensure that proper methodologies shall be followed as Know Your Employee (KYE) mechanism to ensure that unwanted individuals do not have access to the Bank by

way of employment. Head HR will also ensure that any prima facie suspicious activity/behavior from AML/CFT (Countering Financing of Terrorism) angle is reported to the Execution Officer/Compliance Department for finalization and reporting to FIU wherever required.

13.3 Staff Accounts are to be treated as customer accounts for KYE and on-going monitoring purposes.

13.4 Head HR shall be responsible for ensuring regular monitoring of staff accounts.

14. Account Risk Grading

All customer accounts and relationships shall be graded into low, medium and high risk accounts according to the assessment of level of KYC risk they carry and same shall be inputted in Bank's core banking System as per code (HR for high risk account, MR for medium risk account & LR for lower risk account) to identify the risk through the system itself. CSD staffs shall mandatory choose the given options while opening the account on the basis of the risk associated in account. Such risk categorization shall be same with one mentioned under KYC enquiry form as annexed under **Annexure-III & guidelines**. It is to be noted that the Risk Grade may go up and down based on the account monitoring. In such case and even in case where the Risk Grade does not move at all, the same has to be marked/recorded in the KYC enquiry form along with reason and date but without tempering the previous Risk Grade. Any up or down grading shall require approval from BM/BI or designate and same has to be implemented in system too. Further, care must be taken that the Risk Grading done by the Bank, being strictly confidential, shall not be disclosed to the customers, neither to unrelated staffs.

The processes of KYC risk categorization for accounts/relationships belonging to different lines of business are explained below which is illustrative only:

14.1 Low risk transactions / relationship (Category A)

The following customers/beneficiaries are under this Risk Grade:

- a. Who has disclosed information in public domain,
- b. Regulated, supervised and monitored,
- c. Except in the situation of falling under High or Medium Risk Grade; transaction related with other person, institution for whom FIU has not required reporting of threshold transaction,
- d. People belonging to lower economic strata of the society whose accounts show (or these are expected to show) small balances and low turnover.
- e. Accounts of Government/Statutory/Semi-government bodies/ corporations/agencies.
- f. Banks and Financial Institutions under Nepal Rastra Bank's regulation.
- g. Foreign Banks and Financial Institutions which are not from non-cooperative / watch list countries.
- h. Public Limited Companies listed with Nepal Stock Exchange.

- i. All other relationships with borrowing facilities for which the KYC process is completed in the loan/limit approval process. The Credit Application (CA) needs to certify that required KYC process has been completed and all relevant documents have been obtained.
- j. International non-government organizations, International charity organizations, UN bodies, International development agencies, Embassies/diplomatic missions/consulate offices (except those of non-cooperative and watch list countries/high risk countries).
- k. All such accounts/customers as classified by Financial Information Unit (FIU) Nepal as Low Risk Accounts/customers etc.
- l. Accounts/customers have annual turnover below 1 lakh (<100,000)

Note for Low Risk category customers

Simplified Customer due Diligence (SCDD) process shall be conducted for those customers who fall under low risk category

14.2 Medium Risk Transactions / relationship (Category B)

The following customers/transactions are under this Risk Grade:

- a. Transaction which may happen due to misuse of technology. For example Debit Card, e Banking, Mobile Wallet etc.
- b. Transaction of Firm, Company, Institution or business person who do not require disclosing or who do not disclose self-financial condition regularly,
- c. Transaction of nonprofit oriented domestic and foreign Non-Governmental Organization and relating to persons associated with it,
- d. Transaction with National security bodies.(eg Nepal Army, Police forces),
- e. Individuals and persons engaged in Business,
- f. All other accounts which do not fall in either Low Risk Accounts/Relationship categories or High Risk Accounts/Relationship should be categorized as Medium Risk Accounts/Relationship,
- g. All such accounts/customers as classified by Financial Information Unit (FIU) Nepal as Medium Risk Accounts/customers etc.

14.3 High Risk Transactions / relationship (Category C)

The following customers/transactions are under this Risk Grade:

- a. Transaction and transaction relating to directly or indirectly assisting terrorism, terrorist activities, terrorist organization, organized crime, narcotic drugs or any other type of criminal activities,
- b. Nepali or foreign citizens who are categorized as PEPs and, as far as information is available, their family, close relative or firms, company or association/institution associated with them,

- c. Transaction of Firm, Company, Institution or business person who has no regulating or monitoring body,
- d. Transaction which could happen non-face to face,
- e. Transaction of non-resident customer,
- f. Transaction with the Citizen or other person or Institution who has not met the required standard in regard to stop money laundering and terrorist activities,
- g. Transaction with the Citizen or other person or Institution of the Country which is banned or warned financially by United Nations or other Inter Governmental International Organization,
- h. Customers covered in mass media as involved in money laundering and other financial crime,
- i. Understood/heard to be involved in evasion/misappropriation of tax, custom, fees or other revenue and other persons involved in any way with them,
- j. Transaction with offshore bank and financial institution,
- k. Inter-Country transaction,
- l. Transaction with domicile or others of the country determined to be non-cooperative by Financial Action Task Force or Citizens or others of the Country which has not followed the required standard to stop financing in terrorist activities,
- m. Transaction with Country, Citizen or Organization of the Country which is not cautious in knowing customers (KYC),
- n. Transaction relating to those who are warned by the Regulators of different Nations,
- o. All deposit accounts (including accounts used for servicing of consumer loan accounts) of persons/institute involved in activities/businesses considered to be particularly vulnerable to money laundering risk such as network marketing.
- p. All such accounts/customers as classified by Financial Information Unit (FIU) Nepal as High Risk Account/customers.
- q. Fraudulent transaction or suspicious fraudulent transaction or attempt of fraudulent transaction reported in the past etc.
- h. Business where transaction frequently happens in cash
- r. High net worth customer
- s. Any doubtful and unclear transactions of account holder, where the ultimate beneficiary's involvement is hidden.
- t. Transaction of business or business persons who are not regulated and are non-financial institution such as Casino, Land & Building, Precious Stone/Metal, Travel Agencies,

Note for High/ Medium Risk category customers

- **Enhance Customer Due Diligence (ECDD) process shall be conducted for those customer who falls under medium risk & high risk category**

14.4 Residual Guideline

Without diluting the customer/transaction categorically kept under the respective Risk Grading as above, for other customer/transaction, which does not fall under any of the above category specifically, the following shall be a basis to grade the Risk:

- Low Risk:** Debit or credit summations of Individuals below Rs.10 million and Organizations, Business Enterprises and Companies below Rs.20 million yearly,
- Medium Risk:** Debit or credit summations of Individual above Rs.10 million and below Rs. 20 million and Organizations, Business Enterprises and Companies above Rs. 20 million and below Rs.30 million yearly,
- High Risk:** Debit or credit summations of Individuals above Rs 20 million and Organizations, Business Enterprises and Companies above Rs. 30 million yearly.

Clarification: For existing accounts summation for last year will be considered and for new accounts projected level will be considered. Loan accounts and other accounts related with the loans & Balance transfer from main account to nominee account at the time of maturity, (i.e. Fixed Deposit amount transfer to nominee account after maturity) shall not be considered for this process.

14.5 Risk Identification, Evaluation and Risk Details

Bank shall identify and evaluate the risk of Money (assets) laundering or terrorist activities based on geographical location, profession or business, scope, customer, service or product, transactions, distribution channel etc.

While identifying and evaluating the risk, the basis of national risk assessment and the risk assessed by the Central Bank also shall be considered in to account

15. Monitoring

- 15.1 Branch shall collect and update the customer's information continuously and shall ensure that Risk Grading of all customer accounts should be in tacked.
- 15.2 Periodic Reviews and Renewals (**Low, Medium, and High-Risk Customers**)

Branches should have to review and conduct the process of customer due diligence (CDD) as per following frequencies:

- **High-risk accounts:** Periodic AML KYC reviews should be at least conducted every 6 months

- **Medium-risk accounts:** Periodic AML KYC reviews should be at least performed every 12 months
- **Low-risk accounts:** Periodic AML KYC reviews should be at least performed every 24 months

The Bank should apply due diligence (CDD) measure based on the risk assessment; thereby enhanced customer due diligence (ECDD) process is to be followed to high/medium risk accounts as prescribed below **Annexure – VI**

15.3 AML Monitoring system: Bank has used software for transaction surveillance for AML and KYC purpose. The automated surveillance system shall generate the report with various information like High value of transaction, High volume of transaction, High frequency transaction, cash unusual transaction, transactions on High Risk accounts. Branch/Compliance department shall monitor the transaction of exceeding threshold limit through AML software system which shall assist in identifying the unusual account and further study of overall transaction of the customers.

16. Reporting to FIU-Nepal

- 16.1 A risk summary report of customers covering all risks shall be sent to NRB on a half yearly basis within 15 days from the end of the month.
- 16.2 Annual Report to be prepared by the Compliance Department within two months after elapse of the fiscal year and same to be reported to NRB within 7 days from report preparation
- 16.3 Quarterly review status of AML compliance report to be prepared by AML Department and submitted to senior management as well as Board.

17. Watch List Database

- 17.1 AML Department shall centrally maintain a data base of name, address and other available details of Politically Exposed Persons, persons/institutions believed to be involved in terrorist activities (as announced by UN/Other International Authorities and/or as circulated by regulatory/statutory authorities), persons/institutions enquired by various statutory investigative authorities, account encountered fraudulent transaction or suspicious fraudulent transaction or attempt of fraudulent transaction in the past and details of accounts declined by the Bank in the Intranet.
- 17.2 All branches shall refer this data base prior to opening any account, use the data base as reference for Risk Grading.
- 17.3 Account of persons/institutions believed to be involved in terrorist activities (as announced by UN/Other International Authorities and/or as circulated by regulatory/statutory authorities) should not be opened.

18. Audit /Training & Awareness and responsibilities

- 18.1 AML/Compliance Department shall be responsible for conducting regular training and awareness to Branch Managers / Operations In-charges / Managers/Others as appropriate.
- 18.2 Central Operation Department and COO shall ensure the compliance of AML and KYC to the Bank as per primary lines of responsibilities.
- 18.3 Branch Managers/Operations In-charges shall be responsible for providing training to the staff working under them for meticulous implementation.
- 18.4 Internal Audit Department shall be responsible for ensuring the audit of implementation of KYC process effectively.

19. Correspondent Banking and Relationship with Local BFIs

Since requirement to have a proper understanding on the AML system of a particular Bank or Financial Institution has been a global phenomenon, for correspondence banking relationship, the Bank has to have satisfied response to the Questionnaire enclosed in **Annexure- VII**. In case of Local BFIs, a Copy of their AML policy shall be retained before establishing relationship with them.

20. Relationship with different organization

To establish relationship with different local entities like: Money Changers, Money Remitters / Transferors, Travel agents, Casinos, Co-operatives, Government Agencies, Lawyers / Notaries / Lekhapadi Professionals, Auditors, NGO/INGO, Real estate companies, Precious metals and stones and jewelers traders, Securities firm, Charities etc, that are directly indirectly regulated based on their transaction nature, declaration regarding implementation of KYC/AML act, policy and procedure shall be taken and before establishing the relationship declaration as per **Annexure VII** shall be acquired. In case of cross border relationship with Money remitters, transferors, moneychangers' etc, copy of AML policy shall be obtain.

21. KYC Compliance for existing Accounts

All the accounts to be opened henceforth as well as the accounts opened prior to issuance of this Manual are required to be fully KYC compliant in terms of AML Policy and KYC Manual. Whilst the process of making existing non-compliant accounts KYC compliant is going on since last several quarters/years but since still there some gaps, inter alia, Risk Categorization, which shall be filled on an urgent basis and confirmation to this effect must be submitted by the Branch.

22. Management of Dormant /Passive /Inactive/ WAUN Account

In view of the increase in the number of the unclaimed deposit accounts with banks year after year and the inherent risk associated with such account, considering the fact, the bank should have to play a more proactive role in finding the whereabouts of the account holders whose accounts have remained inoperative.

Furthermore, the segregation of the dormant natured accounts is from the point of view of reducing risk of frauds, record keeping and periodic review of accounts. The classification is only to bring to the attention of dealing staff, the increased risk in the account. The transaction may be monitored at a higher level both from the point of view of preventing fraud and making a Suspicious Transactions Report. However, the entire process should remain un-noticeable by the customer. Therefore, the following guideline has been rolled for management of the dormant and unclaimed accounts.

22.1 Dormant accounts -An account is considered dormant/passive when there is no customer initiated activity or contact for an unbroken period of six months constitutes dormancy. The account holder of their respective would have to comprehensively identify considering the inherent risk associated with such deposits before the re-establishment of account.

22.2 Revival of Dormant accounts - Operation in dormant accounts shall only be allowed after due diligence as per risk category of the customer. Due diligence means ensuring the identity of the payee/customer based on latest KYC documents (branches shall obtain latest address proof, id proof, passport size photograph and profile), verification of the signature, genuineness of the transaction etc.

22.3 WAUN (Whereabouts unknown) accounts In case the whereabouts of the customers are not traceable for longer period, the bank should have to contact the persons who had introduced the account holder. If there is no introduced person, in such case the concern staff of the bank is responsible for contacting the account holder telephonically in case his telephone number / Cell number has been furnished, otherwise, the bank have to deliver the letter on his/her corresponding address.

22.4 Management of WAUN (Whereabouts unknown) accounts -Those accounts which have not been operated upon over a period of ten years should be segregated and maintained in separate ledgers and same should be published in every 5 years on the national newspaper and bank website.

22.5 Unclaimed Accounts: Accounts shall be classified as unclaimed account if the same is not operated for 20 years and more from the date of last operation. Similarly, term deposit account shall be classified as unclaimed deposit if the same is not renewed / withdrawn after 20 years or more from the date of

maturity. Balance of such accounts shall be transfer to the banking development fund at Nepal Rastra Bank and same notice with detail information should be published on website of bank for public information.

Dormant/WAUN types of accounts are kept under HR (High Risk) categories due to inherent risk associated with such accounts and frequently closely monitored after in activate status.

23. Offence and Punishment

Most of global incidents in banking industries related to fine are relevant to AML failures. The most commonly publicized penalties for compliance failure are monetary fines. In this regard, the NRB has also imposed financial penalty and punishment to Bank as well as employees. Therefore it is essential that all staff members are fully aware of the processes/procedures set out in this Manual and AML Policy to implement it meticulously.

Referred to NRB Directives # 19 (18.2) imposed financial penalties for non-compliance of provision of Assets (Money) Laundering Preventions Act, 2008 (2064, 2nd amendment 2070)", "Assets (Money Laundering Prevention Rule, 2016 (2073) and other related international practices, guidelines and recommendations related with KYC and AML/CFT.

24. Clarification and Exception

CEO has the authority to clarify any kinds of clarification on this Manual and may approve any exception in the same manner. Compliance officer support and take initiation for such clarification facilitation.

25. Repeal and Savings

This is the 2nd amendment of the KYC Manual, 2014. All activities carried out as per the KYC Manual 2014 is deemed to have been done as per this amended manual.

26. Review/Amendment

Bank shall review/ amend the manual as and when required due to changes in assumptions/rules and regulations.

Annexure- I

KYC Documents Requirement

A) Client having account relationship:-

Documents/Information to be obtained	
1. Account Type: Individual/Joint Accounts for Nepali Citizens	
1.	Full Name
2.	Gender
3.	Date of Birth
4.	Nationality
5.	Detail Permanent address
6.	Details Residential and Correspondence address
7.	Minimum one valid identification document required from below listed documents
I.	Citizenship
II.	Passport
III.	Voter's Identity
IV.	Driving License
8.	In case minors
I.	Birth Registration Certificate / Minor Certificate
II.	Identification of the guardian/conservation any one from below listed documents
a.	Citizenship
b.	Passport
c.	Voter's Identity
d.	Driving License
9.	In case of non-citizenship holder of Nepali- the recommendation letter from Rural Municipality/Municipality/Sub-Metropolitan City/Metropolitan City is required.
10.	Permanent account Number (PAN) Certificate if required
11.	Full name of father and mother or any of both of them (Note- Bank may require the detail information of undivided family members)
12.	Occupation /Business Details
13.	Name, Address, Contact Number, Position, expected annual income/remuneration and other related information is required in case of employed /self employed

14. Required Documents

- a. Recent Passport size Photograph(s)
- b. Copy of Identification documents
- c. Copy of staff ID card (If employed)
- d. A copy of permanent account Number (PAN) Certificate if available
- e. Copy of Birth Certificate (In case of minor)
- f. Other any required documents

15. In case of material difference is observed in customer identification process, the applicant's present image/photograph is not similar or difficult to identify as compared with image / photograph of valid identification document which is provided by an applicant. In such situation the bank may require additional latest valid document to verify the identification process.

16. Self-delegation from account holder, if PAN, Telephone number, email, profession is not available.

17. Address Verification document (document evidencing the confirmation of the address. Such documents could be: Utility Bill, if required road map of the client's resident to be prepared after visiting to the customer's resident, Polling ID card, Land Ownership Registration Certificate, self-drawn location map by the customer)

18. For those customers group who have to follow Enhance Customer Due Diligence (ECDD) process need to provide the copy of citizenship of undivided family members as well.

19. In case of refugees, need to provide ID card issued by Nepal Government or other authorized agencies

20. Annual expected turnover in account

21. Completed Account Opening Form

22. Completed KYC Enquiry Form

2. Account Type: Sole Proprietorship/ Partnership Accounts

- 1. Name & Address of the firm
- 2. Full address of registered Office
- 3. Full address of corporate Office
- 4. Copy of Registration Certificate or Certification of Incorporation
- 5. Copy of Tax Registration Certification or PAN as applicable
- 6. Business/Nature of Business
- 7. Business areas

8. Details address of major Branches/ offices if any
9. Yearly expected turnover in account
10. Details information of proprietor ,partner & account operator (Name, address designation, surname, spouse name, father name, grandfather name)
11. Recent photograph and copy of citizenship/passport of proprietor, partners & account operator
12. Latest audited financial statement
13. Tax clearance certificate/ self-tax assessment of the immediately preceding fiscal year
14. Copy of Partnership Deed (for Partnership Accounts)
15. Power of Attorney for account operation in case of Partnership Account, if applicable
16. Operating License (for example: for Pharmacy, Contractors etc.)
17. Completed KYC Enquiry Form
18. Completed Account Opening Form
19. Other any required documents

3. Account Type: Private and Public Limited Companies

1. Company's Name
2. Full address of Registered Address
3. Full address of Corporate Office
4. Copy of Registration Certificate or Certification of Incorporation
5. Copy of Tax Registration Certification or PAN as applicable
6. Business/Nature of Business
7. Business areas
8. Details address of major Branches/ offices if any
9. Yearly expected turnover in account
10. Details information of Directors, Executive Committee Members, Chief executive, account operator (Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
11. Details information of major shareholder having stake of 10% or more (Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
12. Recent photograph and copy of citizenship/passport of Directors, Chief executive & account operator
13. In case such major shareholder is not an individual, then detail information of shareholders having stake of 10% or more of the holding company is to be obtained.

(Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)

14. Latest audited financial statement
15. Tax clearance certificate/ self-tax assessment of the immediately preceding fiscal year
16. Name and address of foreign holding company in case of subsidiary company
17. Board Resolution for account opening & Power of Attorney for Account Operations
18. Board decision in regard of authority delegation to Chief executive or any other officer for financial transactions
19. Copy of Memorandum and Articles of Association
20. Copy of Operating License, if applicable
21. NRB Foreign Exchange Permit for FCY accounts
22. Completed Account Opening Form
23. Completed KYC Enquiry Form
24. Other any required documents
25. No regulatory requirement to provide registration Certificate or Certification of Incorporation for those institutions established under provision of especial Act

4. Account Type: Clubs, Associations, Committee, Society, NGOs, etc

1. Name
2. Full Address (At the time of registration)
3. New Address (In case of address change/other than registered address)
4. Copy of Registration Certificate or Certification of Incorporation
5. Copy of Tax Registration Certification or PAN as applicable
6. Business/Nature of Business
7. Business areas
8. Details address of major Branches/ offices if any
9. Yearly expected turnover in account
10. Details information of Chief executive and account operator (Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
11. Detail information of Member of Executive Committee, Trustee, Controller, Conservation/Shelter(Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
12. Recent photograph and copy of citizenship/passport of Chief executive & account

operator

13. Latest audited financial statement
14. Copy of Registration Certificate
15. Copy of Constitutional Documents
16. Power of Attorney regarding account operation and financial transactions
17. Member of Executive Committee decision for account opening
18. Operating License, if applicable
19. Completed Account Opening Form
20. Completed KYC Enquiry Form
21. Other any required documents

5. Account Type: Co-Operatives

1. Name of the Institution
2. Full address of Registered Address
3. Full address of Corporate Office
4. Copy of Certificate of Registration/Incorporation.
5. Copy of Tax Registration Certification or PAN as applicable
6. Business/Nature of Business
7. Business areas
8. Details address of major Branches/ offices if any
9. Yearly expected turnover in account
10. Details information of Directors, Chief executive, account operators (Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
11. Recent photograph and copy of citizenship/passport of Chief executive & account operator
12. Latest audited financial statement
13. Tax clearance certificate/ self-tax assessment of the immediately preceding fiscal year
14. Bylaw (*Biniyam*) of the institution
15. Copy of Registration Certificate
16. Board decision for account opening & Power of Attorney regarding account operation and financial transactions
17. Completed Account Opening Form
18. Completed KYC enquiry form

19. Other any required document

6. Account Type: Trust

1. Name of the Trust
2. Full Address (At the time of registration)
3. New Address (In case of address change/other than registered address)
4. Copy of Registration Certificate or Certification of Incorporation
5. Copy of Tax Registration Certification or PAN as applicable
6. Business/Nature of Business
7. Business areas
8. Details address of major Branches/ offices if any
9. Yearly expected turnover in account
10. Details information of Trustee/Executive Committee Members, Chief executive, account operator (Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
11. Recent photograph and copy of citizenship/passport of Board of Trustee , Chief executive & account operator
12. Latest audited financial statement
13. Tax clearance certificate of the immediately preceding fiscal year
14. Copy of Constitution
15. Copy of Trust Deed
16. Copy / Certified Extract of Board / Committee Resolution
17. Board of Trustee decision for account opening & Power of Attorney regarding account operation and financial transactions
18. Completed Account Opening Form
19. Completed KYC Enquiry Form
20. Other any required documents

7. Account Type: School/College

1. Name
2. Full Address (At the time of registration)
3. New Address (In case of address change/other than registered address)
4. Copy of Registration Certificate

5. Copy of Tax Registration Certification or PAN as applicable
6. Business/Nature of Business
7. Business areas
8. Details address of major Branches/ offices if any
9. Yearly expected turnover in account
10. Details information of Directors, Executive Committee Members (including Principal), Chief executive, account operator (Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
11. Recent photograph and copy of citizenship/passport of Chief executive & account operator
12. Latest audited financial statement
13. Tax clearance certificate of the immediately preceding fiscal year
14. Copy of Memorandum and Articles of Association
15. Copy / Certified Extract of Board / Committee Resolution
16. Board decision for account opening & Power of Attorney regarding account operation and financial transactions
17. Certificate of Approval of Institution/Affiliation (operating License).
18. Completed Account Opening Form
19. Completed KYC Enquiry Form
20. Other any required documents

8. Account Type: International Non-Governmental Organizations (INGOs), Development Agencies/Organizations, Bilateral, Multilateral Organizations.

1. Name
2. Full Address (At the time of registration)
3. New Address (In case of address change/other than registered address)
4. Copy of Registration Certificate
5. Copy of Tax Registration Certification or PAN as applicable
6. Business/Nature of Business
7. Business areas
8. Details address of major Branches/ offices if any
9. Yearly expected turnover in account
10. Detail information of Directors, Trustee, Controller, Conservation/Shelter, Chief Executive, Country Representative and account operators (Name,

permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)

11. Recent photograph and copy of citizenship/passport of Chief executive , Country Representative & account operator
12. Latest audited financial statement
13. Tax clearance certificate of the immediately preceding fiscal year
14. Copy of agreement with Social Services National Coordination Committee /Social Welfare Committee (if applicable)
15. Copy of agreement with Nepal Government (if done)
16. Reference letter from related Country or Embassy(for those international Organization who are not granted approval from Nepal Government)
17. Registration documents and Constitution of the organization,
18. Mandate given by the organization for opening an account and transaction
19. Copy of Memorandum and Articles of Association
20. Completed Account Opening Form
21. Completed KYC Enquiry Form
22. Other any required documents

9. Account Type: Foreign Individuals

1. Full Name
2. Nationality
3. Permanent & Correspondence address
4. Contact address in Nepal
5. Family member details
 - Regulatory Requirement -Full name of father and mother or any of both of them
 - Other family details- Full name and address of grandfather and spouse
6. Copy of valid Visa & Passport
7. Detail information of Visa & Passport
8. Employment details (if employed)
9. Reference letter from employer (if employed)In case of Non passport holder of Indian citizens, other authenticated identification documents issued by Indian Government is required (Subject to bank's satisfaction). If, necessary, the bank may demand for letter/registration proof from Indian embassy as well.
10. Birth Certificate (in case of minor) along with identification of the guardian who will operate the account.

11. Recent Photograph
12. Completed Account Opening Form
13. Completed KYC Enquiry Form
14. Refugee card issue by GoN in case of refugee
15. Other any required documents

10. Account Type: Foreign Companies

1. Full Name
2. Full address of Registered Address in foreign country
3. Full address of Corporate Office in foreign country
4. Full Address of foreign company in Nepal
5. Kind of foreign company operating in Nepal (Branch , Liaison, Project or any other) Copy of Registration Certification or Certification of Incorporation
6. Copy of Registration or Certification of Incorporation in Nepal ,if any
7. Business/Nature of Business
8. Business areas
9. Details address of major Branches/ offices if any
10. Yearly expected turnover in account
11. Copy of Memorandum and Articles of Association
12. Board Resolution for account opening & Power of Attorney for Account Operations
13. Details of personal information of foreign company's director & Chief executive (Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
14. Details of personal information of Country Representative or account operator (Name, permanent/corresponding address, email, phone/cell number, designation, Spouse name, Father name, Grandfather name)
15. Copy of identification document, citizenship/passport and recent photograph of two main officials of foreign company, Country Representative and account operator.
16. Latest audited financial statement
17. Tax clearance certificate/ self-tax assessment of the immediately preceding fiscal year
18. Board decision in regard of authority delegation to Chief executive or any other officer for financial transactions
19. Full Address of Contact Person in Nepal,
20. Completed account opening form

21. Completed KYC Enquiry Form

22. Other any required documents

11. Account Type: Diplomatic Mission /Embassy

1. Name
2. Full Address
3. A letter from Embassy/Mission to open account
4. Power of Attorney
5. Name, address, telephone number of account operators
6. Copies of identification document and photograph of account operators
7. Completed account opening form
8. Completed KYC Enquiry Form

12. Account Type: Non Resident Nepali (NRN)

1. Full Name
2. Gender, Date of Birth and Nationality
3. Complete Permanent address in foreign country, residential and correspondence address of Nepal
4. Full name of father and mother or any of both of them
5. Name of grandfather
6. Name of spouse for married status
7. Copy of valid passport
8. A copy of income sources documents
9. Appointment letter/agreement letter of employer (if employed) Birth Certificate (in case of minor) along with identification of the guardian who will operate the account
10. Recent Photograph
11. NRN Identity Card
12. Completed account opening form
13. Completed KYC Enquiry Form
14. Other any required documents

13. Account Type: Banks & Financial Institutions (regulated by Nepal Rastra Bank)

1. Name & Full Address
2. Telephone/Fax number, email/website address
3. Copy of the Institution's License
4. Copy of Registration Certification or Certification of Incorporation

5. Copy of Memorandum and Articles of Association
6. Copy of Permanent Account Number(PAN) Certificate
7. Copy / Certified Extract of Board Resolution
8. Power of Attorney
9. Name, address and telephone number of Board of Directors and main officials.
10. Completed account opening form
11. Completed KYC/AML Questionnaire
12. Completed KYC Enquiry Form
13. Latest audited financial statement
14. Personal details of account operator & a copy of identification

14. Account Type: Government Departments or their Agencies, Statutory Corporations

1. Name
2. Full Address
3. Telephone/Fax number, email address
4. A request letter signed by a Gazetted Officer from the respective Government Department/ Corporation with Official Seal.
5. Board Resolution (in case of Corporation)
6. Power of Attorney
7. Valid Identification documents & Personal details of main signatories
8. Completed account opening form
9. Completed KYC Enquiry Form

(B) Customer having no account relationship: - The Bank shall preserve the name and address and Identification documents (with proper original verification) of the Customer after confirming the same or the Customer requesting for Outward Remittance or request to obtain inward remittance in the Customer's name.

**Annexure- II
Credit Information**

Prabhu Bank,
..... Branch
.....

Dear Sirs,

Following are the details of our credit facilities with other banks/financial institutions as on

Names of other Banks/FIs from where credit facilities availed	Total Limits/ Outstanding Date*: *(Should be not older than last quarter-end; last month-end preferred)		Overdue Yes/No (If yes, specify date)	Security Details		
	Limits	Outstanding		Nature of Security (a)	Details (b) (Location/name of guarantors, etc.)	Remarks / other info.
1. Bank						
• Working Capital Loans						
• TR Loan						
• Other Loans						
• Non Funded facilities						
Total						
2. Bank						
• Working Capital Loans						
• TR Loan						
• Other Loans						
• Non Funded facilities						
Total						

Please attach additional sheets in case of insufficient space or for additional details of security and other remarks, if any.

- a. Please mention as appropriate: Current Assets, Fixed Assets, Land & Building, Personal Guarantees, FDs, Bonds, Cash, Others, etc.
- b. Location/Plot No /Amount/Names of guarantors, etc.

I/we confirm that the information provided above is correct. In case of mis-representation and/or the information provided is proved to be incorrect I/we assume full responsibility for any consequences thereof and agree that the Bank may prosecute me/us as per prevailing law.

Authorized signatory:

Annexure- III

KYC Enquiry Form

(to be updated before opening account)

S. N.	Details	Response/observation		
1.	Name of Prospective Customer (Individual/Firm/Company)			
2.	Type of Account/ Currency			
3.	Occupation/ Nature of Business.			
4.	Whether prospective customer falls under restricted group, UN sanction list ,individual, organization as per NRB AML Directive 2, non cooperative countries & in the Bank's watch list or not?	Yes ()	No ()	
5.	Has customer addressed & identification documents furnished properly?	Yes ()	No ()	
6.	Does date of birth match with identification documents?	Yes ()	No ()	
7.	Does the address match with Identification address?	Yes ()	No ()	
8.	If address does not match, have the recent address verifying documents been furnished?	Yes ()	No ()	NA()
9.	Has the Income sources of fund been disclosed?	Yes ()	No ()	
10.	Has power of attorney/ mandate been given? If yes, has the adequate identification documents/relationship between account holder & Mandate holder been mentioned?	Yes ()	No ()	NA ()
11.	Has the nominee (in case of individual account holder) & relationship with nominee been mentioned?	Yes ()	No ()	NA ()
12.	Have all KYC process completed?	Yes ()	No ()	
13.	If KYC process has been partially completed, when the remaining documents shall be completed?	By	NA ()	
14.	In which category of risk this account falls?	High ()	Medium ()	Low ()
15.	If high Risk account? Why this account needs to be opened? (If not applicable, please tick			<input type="checkbox"/>
16.	Overall remarks/ recommendation of interviewer:			

Name of Interviewer (Staff)

Operations In-charge / B M

Date.....

Note: - Written consent of Head-Compliance/Senior Management (prior open to account) is required to open high risk account.

Annexure- IV

Threshold Transaction Report (TTR) Submission

Name of reporting institution:

S N	Name and address of the person holding account (including legal)	Branch	Date of Transaction	Nature of Transaction	Account Type & No	Amount Involved	Source of Fund	Remark

Signature:
 (Compliance Officer or authorized officer)
 Designation:
 Phone:
 Email:
 Fax:
 Date:

**Annexure- V
STR Form**

Suspicious Transaction Report (STR)

A. Reporting Institution :

1. Name of the Institution/Branch:

B. Details of Customer :

1. a. Name of Main account holder's customer:
b. Related Party/ies

a.	
b.	

:

2. a. Permanent Address:
b. Present Address:

a.	
b.	

3. Profession (As per KYC):

4. Nationality :

5. Other account(s) number (if any):

6. Other business (if any):

7. a. Citizen No./ PP No./ other ID No.
Regd. No
b. Issue Date & Place
c. Issuing Agency/ Authority

a.	
b.	
c.	

8. a. Father's Name
b. Mother's Name
c. Spouse Name
d. Grand Father
e. Chairman/ MD/ Proprietor

a.	
b.	
c.	
d.	
e.	

9. Date of birth (Natural Person)/
Date of establishment (Legal Person):

C. Detail of Customers :

1. Account Number:

2. Nature of the account:
(Current/savings/loan/other, pls. specify)

3. Nature of ownership:
(Individual/proprietorship
/partnership/ company/other, pls. specify)

4. Names of Prop./ Directors/ Partners etc.

5. Date of A/C opening

6. Other account(s) number (Related Parties):

D. Transaction

a. Transaction Details Account wise)

Account No	Year	Total Trans No	Total Dr. Amount	Total Trans No	Total Cr. Amount	Closing Balance
Total						

Please fill the transactions from opening to present date, Total of Dr. & Cr. (No of Amount) exclude returned cheques/ reverse entries/any other correcting items.

b. Details of Top 10 deposits (Last One Year)

S N.	Date	Cheque/Voucher No	Payee	Amount	Remarks

c. Details of Top 10 withdrawal (Last One Year)

S N.	Date	Cheque/Voucher No	Payee	Amount	Remarks

d. Details of Loan and any other business and transactions with BFI

e. Person and Transaction Tree or Map

E. Reasons for Considering the transactions as unusual /suspicious?

- Summary of suspicious activities:
- Analysis of Examination:
- Possible Linkage:

F. Suspicious Activity Information/ Typology

Summary characterization of suspicious activity/ please specify the typologies (As per Act and FATF Guideline):

a. Corruption/Gratuity	<input type="text"/>	g. Identity Theft	<input type="text"/>
b. Cheque fraud	<input type="text"/>	h. Terrorist Financing	<input type="text"/>
c. Tax evasion	<input type="text"/>	i. Structuring	<input type="text"/>
d. Loan fraud	<input type="text"/>	j. Mysterious	<input type="text"/>
		Disappearance/behavior	<input type="text"/>

e. False statement

k. Counterfeit instrument

f. debit/ credit or other card fraud

l. Misuse of Position or Self

Others (Please Specify:

G. Has the Bank/FI taken any action in this context? Give details.

Signature (Compliance Officer or Authorized Officer) :

Name :

Designation:

Phone:

Fax :

Email

Date:

Annexure- VI
ECDD Review Form

Enhanced Customer Due Diligence (ECDD) of High Risk Accounts
For the Quaertry of FY 20..../ 20.....

Branch Name:

IN compliance with NRB Directive No. 19.2 and KYC Manual 9.6, ECDD has been conducted on the high Risk Account as below:

Customer Name:

Deposit Type	Main Code	Total DR Trans. No.	Total CR Trans. No.	DR Transaction Amt	CR Transaction Amt	Remarks, If any on Trans.

Update as Yes or NO and Remarks on the following information:

S.No	Information	Yes	No	Remarks
1	Is the customer Politically Exposed Persons (PEPs)? if yes, Provide the name of immediate family members and close associates.			
2	Is the customer ultimate beneficial owners of the account? If No, who controls the account.			
3	Is the customer linked to higher-risk countries or Business Sectors?			
4	Are KYC documents complete with latest KYC Form and Formalities?			
5	Are the transactions normal as per the customer status as presented while opening account?			
6	Is income source disclosed by customer at the time of deposit transaction?			
7	Does Business nature of customer justify the transactions number and volume?			
8	Is the account Frequently opened and closed by the customers?			

9	Is branch inconvenienced with client dealing and transactions nature?			
10	Is client or its transactions notified or observed as suspicious?			
11	Are the frequencies of transactions justifiable?			
12	Is customer transferring amount from one account to another frequently with the aim of concealing/layering the transaction?			
13	Is customer conducting transaction below threshold limit(7 to 9.99 lakh a day) regularly with the aim of escaping from TTR?			
14	Have the customer documents periodical relevance like: registration, audited financials, license etc updated up to this year?			
15	Are you comfortable to continue business with the customer in terms of AML and Suspicious transactions status?			
16	Is the account duly approved by competent authority while opening? If Yes, who has approved?			

Remarks if any:-

--

.....

 CSD Staff/ In charge
Prepared By

.....

 Operation In charge
**Reviewed & supported
 By**

.....

 Branch Manager
Approved By

Annexure- VII

AML Questionnaire for correspondent bank

Questionnaire for Correspondent Banking

<u>PART 1 -GENERAL INFORMATION</u>			
A)	Name of Organization:		
B)	Registered Office at:		
C)	Head office at:		
D)	E-mail:		
E)	Website:		
F)	Name of anti-money-laundering officer with tel. Fax, e-mail:		
G)	Name of supervisory organization in your country:		
H)	If FI is publicly traded, name of exchange		

PART 2 -GENERAL AML POLICIES, PRACTICES AND PROCEDURES:
(ANSWER YES/NO)

	YES	NO	REMARKS
Has the Country in which you are located established laws designed to prevent money laundering?			
Has your institution developed written policies documenting the processes that they have in place to prevent, detect and report suspicious transactions' that has been approved by senior management/ board of FI.			
In addition to inspections by the government supervisors/regulators, does the FI client have an internal audit function or other independent third party that assesses AML policies and practices on a regular basis?			
Does the FI have a legal and regulatory compliance program that includes a designated officer that is responsible for coordinating and overseeing the AML framework?			

Does the FI have a policy prohibiting accounts/relationships with shell banks? (A shell bank is defined as a bank incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated financial group.)			
Does the FI have record retention procedures that comply with applicable law? If yes how long?			
Has your institution been subject to any investigation, indictment, conviction or civil enforcement action related to money laundering and terrorism financing in the past five years.			
Does your country adhere to the 40 anti-money laundering recommendations and 9 special terrorist financing recommendations developed by the financial action task force (FATF)?			
Does the FI's AML policies and practices being applied to all branches and subsidiaries of the FI both in the home country and in locations outside of that jurisdiction?			

PART 3 -Risk Assessment

Does the FI have a risk-based assessment of its customer base and their transactions?			
Does the FI determine the appropriate level of enhanced due diligence necessary for those categories of customers and transactions that the FI has reason to believe pose a heightened risk of illicit activities at or through the FI?			

PART-4- Know Your Customer, Due Diligence and Enhanced DueDiligence

Has your institution implemented systems for identification of its clients, including client information in case of recorded transactions, account opening such as family name/ name of the firm, activities/ job, nationality , street address, tel. Number, country/ state that issued it			
Does your institution have procedures to establish a record for each client noting their respective identification documents			

and know your client information collected at account opening? Are copies of identification documents retaining in your possession for reference?			
Does the fi collect information and access its FI customer"s aml policies or practices?			
Does the FI have policies covering relationships with Politically Exposed Persons (PEP's), their family and close associates?			
Does your institution take steps to understand the normal and expected transactions of its customers based on its risk assessment of its customers based on its risk assessment of its customers?			
Does the FI have procedures to establish a record for each new customer noting their respective identification documents and 'Know Your Customer' information?			
Does the FI have process to review and, where appropriate, update customer information relating to high risk client information?			

Part 5 -Reportable transactions and prevention and detection of transactions with illegally obtained funds.

Does your institution have policies for the identification and reporting of transactions that are required to be reported to the authorities			
Does your institution screen transactions for clients or transactions the financial institutions deems to be of significantly high risk that special attention to such customer or transactions is necessary prior to completing any such transaction?			
Does your institution have procedures to identify transaction structured to avoid large cash reporting requirements?			
Does your institution have policies to reasonably ensure that they will not operate with or on behalf of shell bank throught any of its account?			

Part 6 -Transaction Monitoring

Does the fi have a monitoring program for suspicious or unusual activity that covers funds transfers and monetary instruments (such as travelers checks, money orders, etc)?			
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--

Part 7- AML Training

Does your institution provide aml training to relevant employees that include identification and reporting of transactions that must be reported to govt. authorities, examples of different forms of money laundering involving the bank products and services and internal policies to prevent money laundering?			
Does the fi retained records of its training sessions including attendance records and relevant training material used?			
Does your institution communicate new AML related laws or changes to existing aml related policies or practices to relevant employees?			
Does your institution have an established audit and compliance review function to test the adequacy of AML and terrorist financing procedures?			
Does the fi employ agents to carry out some of the functions of the FI and if so does the fi provide AML training to relevant agents that includes identification and reporting of transactions that must be reported to government authorities, examples of different forms of money laundering involving the FI's products and services and internal policies to prevent money laundering?			

Part 8 Documents to be enclosed in support

Bank licenses :		
CDD guidelines/ AML policy :		

.....
(SIGNATURES)

NAME OF PRINCIPAL/COMPLIANCE OFFICER : _____

FI NAME : _____

LOCATION : _____

TEL : _____

FAX : _____

E-MAIL : _____

DATE-

Annexure- VIII

Declaration letter

Date:

Prabhu Bank Limited

..... Babar Mahal,

Kathmandu

Sub: Declaration

I/We (on behalf of the..... Institution) hereby declare that all the rules and regulation related with Anti Money (Assets) Laundering and its Acts (Anti Money Laundering Act issued by Nepal Government and regulator) fully abided by us/our institutions.

Authorized signature /

Company seal

Annexure- IX

Some Examples of Abnormal/Suspicious Transactions

A. Knowledge of Reporting or Record Keeping Requirements

1. Customer attempts to convince you not to complete any documentation required for the transaction.
2. Customer makes inquiries that would indicate a desire to avoid reporting.
3. Customer has unusual knowledge of the law in relation to suspicious transaction reporting.
4. Customer seems very conversant with money laundering or terrorist activity financing issues.
5. Customer is quick to volunteer that funds are “clean” or “not being laundered.”
6. Customer appears to be structuring amounts to avoid record keeping, Customer identification or reporting thresholds.
7. Customer appears to be collaborating with others to avoid record keeping, Customer identification or reporting thresholds.
8. Customer performs two or more cash transactions within 24 hours where each transaction is just below the threshold.
9. Customer shows uncommon curiosity about internal systems, controls and policies.

B. Identity Documents

1. Customer provides doubtful or vague information.
2. Customer produces seemingly false identification or identification that appears to be counterfeited, altered or inaccurate.
3. Customer refuses to produce personal identification documents.
4. Customer only submits copies of personal identification documents.
5. Customer wants to establish identity using something other than his or her personal identification documents.
6. Customer’s supporting documentation/application lacks important details such as a phone number.
7. Customer inordinately delays presenting corporate documents.
8. All identification presented is foreign or cannot be checked for some reason.
9. All identification documents presented appear new or have recent issue dates.
10. Customer presents different identification documents at different times.
11. Customer alters the transaction after being asked for identity documents.
12. Customer presents different identification documents each time a transaction is conducted.
13. Customer provides false information or information that is unreliable.

14. Customer spells his or her name differently from one transaction to another.

C. Cash Transactions

1. Customer starts conducting frequent cash transactions in large amounts when this has not been a normal activity for the Customer in the past.
2. Customer frequently exchanges small bills for large ones.
3. Customer uses notes in denominations that are unusual for the Customer, when the norm in that business is different.
4. Customer presents notes that are packed or wrapped in a way that is uncommon for the Customer.
5. Customer deposits musty or extremely dirty bills.
6. Customer makes cash transactions of consistently rounded-off large amounts.
7. Customer consistently makes cash transactions that are significantly below the reporting threshold amount in an apparent attempt to avoid triggering the identification and reporting requirements.
8. Customer presents uncounted funds for a transaction. Upon counting, the Customer reduces the transaction to an amount just below that which could trigger reporting requirements.
9. Customer conducts a transaction for an amount that is unusual compared to amounts of past transactions.
10. Customer frequently purchases foreign currency drafts or other negotiable instruments with cash when this appears to be outside of normal activity for the Customer.
11. Customer asks you to hold or transmit large sums of money or other assets when this type of activity is unusual for the Customer.
12. shared address for individuals involved in cash transactions, particularly when the address is also for a business location does not seem to correspond to the stated occupation (for example, student, unemployed, self-employed, etc.)
13. Stated occupation of the Customer is not in keeping with the level or type of activity (for example a student or an unemployed individual makes daily maximum cash withdrawals at multiple locations over a wide geographic area).
14. Cash is transported by a courier.
15. Large transactions using a variety of denominations.

D. Economic Purpose

1. Transaction seems to be inconsistent with the Customer's apparent financial standing or usual pattern of activities.
2. Transaction appears to be out of the normal course for industry practice or does not appear to be economically viable for the Customer.

3. Transaction is unnecessarily complex for its stated purpose.
4. Activity is inconsistent with what would be expected from declared business.
5. A business Customer refuses to provide information to qualify for a business discount.
6. No business explanation for size of transactions or cash volumes.
7. Transactions of financial connections between businesses that are not usually connected (**for example, a food importer dealing with an automobile parts exporter**).
8. Transaction involves non-profit or charitable organization for which there appears to be no logical economic purpose or where there appears to be no link between the stated activity of the organization and the other parties in the transaction.

E. Address

1. Customer does not want correspondences to send to home address.
2. Customer repeatedly uses an address but frequently changes the names involved.
3. Customer's home or business telephone number has been disconnected or there is no such number when an attempt is made to contact Customer shortly after opening account.
4. Normal attempts to verify the background of a new or prospective Customer are difficult.
5. Customer uses aliases and a variety of similar but different addresses.
6. Customer hesitates to provide his easy address and contact.

F. Physical backgrounds and Personal behaviors

1. Customer has only vague knowledge of the amount of a deposit.
2. Customer presents confusing details about the transaction or knows few details about its purpose.
3. Customer appears to informally record large volume transactions using unconventional bookkeeping methods or "off-the-record" books.
4. Customer appears to be acting on behalf of a third party, but does not tell you.
5. Customer is nervous, not in keeping with the transaction.
6. Customer is involved in activity out-of-keeping for that individual or business.
7. Customer insists that a transaction be done quickly.
8. Inconsistencies appear in the Customer's presentation of the transaction.
9. The transaction does not appear to make sense or is out of keeping with usual or expected activity for the Customer.
10. Customer attempts to develop close rapport with staff.
11. Customer pays for services or products using financial instruments, such as money orders or traveler's cheques, without relevant entries on the face of the instrument or with unusual symbols, stamps or notes.

G. Criminal backgrounds

1. Customer admits or makes statements about involvement in criminal activities
2. Customer is accompanied and watched.
3. Customer is nervous, not in keeping with the transaction.
4. Customer over justifies or explains the transaction.
5. Customer is secretive and reluctant to meet in person.
6. Information that a Customer is the subject of a money laundering or terrorist financing investigation.
7. Information that a Customer is suspected of being involved in illegal activity.
8. A new or prospective Customer is known to you as having a questionable legal reputation or criminal background.
9. Customer offers money, gratuities or unusual favors for the provision of services that may appear unusual or suspicious.
10. Transaction involves a suspected shell entity (that is, a corporation that has no assets, operations or other reason to exist).

H. Transactions Involving Accounts

1. Customer appears to have accounts with several financial institutions in one area for no apparent reason.
2. Customer conducts transactions at different physical locations in an apparent attempt to avoid detection.
3. Opening accounts when the Customer's address is outside the local service area.
4. Opening accounts in other people's names.
5. Opening accounts with names very close to other established business entities.
6. Attempting to open or operating accounts under a false name.
7. Account with a large number of small cash deposits and a small number of large cash withdrawals.
8. Funds are being deposited into several accounts, consolidated into one and transferred outside the country.
9. Customer frequently uses many deposit locations outside of the home branch location.
10. Multiple transactions are carried out on the same day at the same branch but with an apparent attempt to use different tellers.
11. Activity far exceeds activity projected at the time of opening of the account.
12. Establishment of multiple accounts, some of which appear to remain dormant for extended periods.
13. Account that was reactivated from inactive or dormant status suddenly sees significant activity.
14. Reactivated dormant account containing a minimal sum suddenly receives a deposit or series of deposits followed by frequent cash withdrawals until the transferred sum has been removed.
15. Unexplained transfers between the Customer's products and accounts.

16. Large transfers from one account to other accounts that appear to be pooling money from different sources.
17. Multiple deposits are made to a Customer's account by third parties.
18. Deposits or withdrawals of multiple monetary instruments, particularly if the instruments are sequentially numbered.
19. Frequent deposits of bearer instruments in amounts just below the threshold.
20. Unusually large cash deposits by a Customer with personal or business links to an area associated with drug trafficking.
21. Regular return of cheques for insufficient funds.
22. Correspondent accounts being used as "pass-through" points from foreign jurisdictions with subsequent outgoing funds to another foreign jurisdiction.
23. Multiple personal and business accounts are used to collect and then funnel funds to a small number of foreign beneficiaries, particularly when they are in locations of concern, such as countries known or suspected to facilitate money laundering activities.
24. Customer appears to have recently established a series of new relationships with different financial entities.

I. Extra-territorial Transactions

1. Customer and other parties to the transaction have no apparent ties to Nepal.
2. Transaction crosses many international lines.
3. Use of a credit card issued by a foreign bank that does not operate in Nepal by a Customer that does not live and work in the country of issue.
4. Cash volumes and international remittances in excess of average income.
5. Excessive demand for migrant remittances from individuals or entities based on migrant worker population.
6. Transactions involving high-volume international transfers to third party accounts in countries that are not usual remittance corridors.
7. Transaction involves a country known for highly secretive banking and corporate law.
8. Transactions involving any countries deemed by the Financial Action Task Force as requiring enhanced surveillance.
9. Foreign currency exchanges that are associated with subsequent wire transfers to locations of concern, such as countries known or suspected to facilitate money laundering activities.
10. Deposits followed within a short time by wire transfer of funds to or through locations of concern, such as countries known or suspected to facilitate money laundering activities.

11. Transaction involves a country where illicit drug production or exporting may be prevalent, or where there is no effective anti-money-laundering system.
12. Transaction involves a country known or suspected to facilitate money laundering activities.

J. Transactions Related to Offshore Business Activity

For any individual or entity that conducts transactions internationally should consider the following indicators:

1. Accumulation of large balances, inconsistent with the known turnover of the Customer's business, and subsequent transfers to overseas account(s).
2. Frequent requests for traveler's cheques, foreign currency drafts or other negotiable instruments.
3. Loans secured by obligations from offshore banks.
4. Loans to or from offshore companies.
5. Offers of multimillion-dollar deposits from a confidential source to be sent from an offshore bank or somehow guaranteed by an offshore bank.
6. Transactions involving an offshore "shell" bank whose name may be very similar to the name of a major legitimate institution.
7. Unexplained electronic funds transfer by Customer on an in-and-out basis.
8. Use of letter-of-credit and other method of trade financing to move money between countries when such trade is inconsistent with the Customer's business.
9. Use of a credit card issued by an offshore bank.

K. From a separate perspective

1. Personal Transactions

- a. Customer appears to have accounts with several financial institutions in one geographical area.
- b. Customer has no employment history but makes frequent large transactions or maintains a large account balance.
- c. The flow of income through the account does not match what was expected based on stated occupation of the account holder or intended use of the account.
- d. Customer makes one or more cash deposits to general account of foreign correspondent bank (i.e., pass-through account).
- e. Customer makes frequent or large payments to online payment services.
- f. Customer runs large positive credit card balances.
- g. Customer uses cash advances from a credit card account to purchase money orders or drafts or to wire funds to foreign destinations.
- h. Customer takes cash advance to deposit into savings account.
- i. Large cash payments for outstanding credit card balances.

- j. Customer makes credit card overpayment and then requests a cash advance.
- k. Customer visits the safety deposit box area immediately before making cash deposits.
- l. Customer wishes to have credit and debit cards sent to international or domestic destinations other than his or her address.
- m. Customer has numerous accounts and deposits cash into each of them with the total credits being a large amount.
- n. Customer deposits large endorsed cheques in the name of a third-party.
- o. Customer frequently makes deposits to the account of another individual who is not an employer or family member.
- p. Customer frequently exchanges currencies.
- q. Customer frequently makes automatic banking machine deposits just below the reporting threshold.
- r. Customer's access to the safety deposit facilities increases substantially or is unusual in light of their past usage.
- s. Many unrelated individuals make payments to one account without rational explanation.
- t. Third parties make cash payments or deposit cheques to a customer's credit card.
- u. Customer gives power of attorney to a non-relative to conduct large transactions.
- v. Customer has frequent deposits identified as proceeds of asset sales but assets cannot be substantiated.
- w. Customer acquires significant assets and liquidates them quickly with no explanation.
- x. Customer acquires significant assets and encumbers them with security interests that do not make economic sense.
- y. Customer requests movement of funds that are uneconomical.
- z. Customer makes unusually large bill payments.
- aa. High volume of wire transfers are made or received through the account.

2. Corporate and Business Transactions

- a. Accounts are used to receive or disburse large sums but show virtually no normal business-related activities, such as the payment of payrolls, invoices, etc.
- b. Accounts have a large volume of deposits in bank drafts, Manager's cheques, money orders or electronic funds transfers, which is inconsistent with the customer's business.
- c. Accounts have deposits in combinations of monetary instruments that are atypical of legitimate business activity (for example, deposits that include a mix of business, payroll, and social security cheques).

- d. Accounts have deposits in combinations of cash and monetary instruments not normally associated with business activity.
- e. Business does not want to provide complete information regarding its activities.
- f. Financial statements of the business differ noticeably from those of similar businesses.
- g. Representatives of the business avoid contact as much as possible, even when it would be more convenient for them.
- h. Deposits to or withdrawals from a corporate account are primarily in cash rather than in the form of debit and credit normally associated with commercial operations, without necessary information.
- i. Customer maintains a number of trustee or customer accounts that are not consistent with that type of business or not in keeping with normal industry practices.
- j. Customer operates a retail business providing cheque-cashing services but does not make large draws of cash against cheques deposited.
- k. Customer pays in cash or deposits cash to cover bank drafts, money transfers or other negotiable and marketable money instruments.
- l. Customer purchases cashier's cheques and money orders with large amounts of cash.
- m. Customer deposits large amounts of currency wrapped in currency straps.
- n. Customer makes a large volume of seemingly unrelated deposits to several accounts and frequently transfers a major portion of the balances to a single account at the same bank or elsewhere.
- o. Customer makes a large volume of cash deposits from a business that is not normally cash-intensive.
- p. Customer makes large cash withdrawals from a business account not normally associated with cash transactions.
- q. Customer consistently makes immediate large withdrawals from an account that has just received a large and unexpected credit from abroad.
- r. Customer makes a single and substantial cash deposit composed of many large bills.
- s. Small, one-location business makes deposits on the same day at different branches across a broad geographic area that does not appear practical for the business.
- t. There is a substantial increase in deposits of cash or negotiable instruments by a company offering professional advisory services, especially if the deposits are promptly transferred.
- u. There is a sudden change in cash transactions or patterns.
- v. Customer wishes to have credit and debit cards sent to international or domestic destinations other than his or her place of business.
- w. There is a marked increase in transaction volume on an account with significant changes in an account balance that is inconsistent with or not in keeping with normal business practices of the customer's account.

- x. Asset acquisition is accompanied by security arrangements that are not consistent with normal practice.
- y. Unexplained transactions are repeated between personal and commercial accounts.
- z. Activity is inconsistent with stated business.
- aa. Account has close connections with other business accounts without any apparent reason for the connection.
- bb. Activity suggests that transactions may offend securities regulations or the business prospectus is not within the requirements.
- cc. A large number of incoming and outgoing wire transfers take place for which there appears to be no logical business or other economic purpose, particularly when this is through or from locations of concern, such as countries known or suspected to facilitate money laundering activities.

3. Transactions for Non-Profit Organizations

- a. Inconsistencies between apparent modest sources of funds of the organization (e.g., communities with modest standard of living) and large amounts of funds raised.
- b. Inconsistencies between the pattern or size of financial transactions and the stated purpose and activity of the organization.
- c. Sudden increase in the frequency and amounts of financial transactions for the organization, or the inverse, that is, the organization seems to hold funds in its account for a very long period.
- d. Large and unexplained cash transactions by the organization.
- e. No names and other details of donors available.
- f. Large number of non-profit organizations with unexplained links.
- g. The non-profit organization appears to have little or no staff, no suitable offices or no telephone number, which is incompatible with their stated purpose and financial flows.
- h. The non-profit organization has operations in, or transactions to or from, high-risk jurisdictions.

4. Electronic Funds Transfers, or Remit or Transmit Funds

- a. Customer is reluctant to give an explanation for the remittance.
- b. Customer orders wire transfers in small amounts in an apparent effort to avoid triggering identification or reporting requirements.
- c. Customer transfers large sums of money to overseas locations with instructions to the foreign entity for payment in cash.
- d. Customer receives large sums of money from an overseas location and the transfers include instructions for payment in cash.

- e. Customer makes frequent or large funds transfers for individuals or entities that have no account relationship with the institution.
- f. Customer receives frequent funds transfers from individuals or entities who have no account relationship with the institution.
- g. Customer receives funds transfers and immediately purchases monetary instruments prepared for payment to a third party which is inconsistent with or outside the normal course of business for the customer.
- h. Customer requests payment in cash immediately upon receipt of a large funds transfer.
- i. Customer instructs you to transfer funds abroad and to expect an equal incoming transfer.
- j. Immediately after transferred funds have cleared, the customer moves the funds to another account or to another individual or entity.
- k. Customer shows unusual interest in funds transfer systems and questions the limit of what amount can be transferred.
- l. Customer transfers funds to another country without changing the currency.
- m. Large incoming wire transfers from foreign jurisdictions are removed immediately by company principals.
- n. Customer sends frequent wire transfers to foreign countries, but does not seem to have connection to such countries.
- o. Wire transfers are received from entities having no apparent business connection with customer.
- p. Size of funds transfers is inconsistent with normal business transactions for that customer.
- q. Rising volume of remittances exceeds what was expected from the customer when the relationship was established.
- r. Several customers request transfers either on the same day or over a period of two to three days to the same recipient.
- s. Different customers request transfers that are all paid for by the same customer.
- t. Several customers requesting transfers share common identifiers, such as family name, address or telephone number.
- u. Several different customers send transfers that are similar in amounts, sender names, test questions, free message text and destination country.
- v. A customer sends or receives multiple transfers to or from the same individual.
- w. Stated occupation of the customer or the customer's financial standing is not in keeping with the level or type of activity (for example a student or an unemployed individual who receives or sends large numbers of wire transfers).
- x. Migrant remittances made outside the usual remittance corridors.

- y. Personal funds sent at a time not associated with salary payments.
- z. Country of destination for a wire transfer is not consistent with the nationality of the individual customer.
- aa. Customer requests transfers to a large number of recipients outside Nepal who with no specified or clear relation or purpose.
- bb. Customer does not appear to know the recipient to whom he or she is sending the transfer.
- cc. Customer does not appear to know the sender of the transfer from whom the transfer was received.
- dd. Beneficiaries of wire transfers involve a large group of nationals of countries associated with terrorist activity.
- ee. Customer makes funds transfers to free trade zones that are not in line with the customer's business.

5. Businesses who Provide Loans

- a. Customer suddenly repays a problem loan unexpectedly.
- b. Customer makes a large, unexpected loan payment with unknown source of funds, or a source of funds that does not match what you know about the customer.
- c. Customer repays a long term loan, such as a mortgage, within a relatively short time period.
- d. Source of down payment is inconsistent with borrower's background and income.
- e. Down payment appears to be from an unrelated third party.
- f. Down payment uses a series of money orders or bank drafts from different financial institutions.
- g. Customer shows income from "foreign sources" on loan application without providing further details.
- h. Customer's employment documentation lacks important details that would make it difficult for you to contact or locate the employer.
- i. Customer's documentation to ascertain identification, support income or verify employment is provided by an intermediary who has no apparent reason to be involved.
- j. Customer has loans with offshore institutions or companies that are outside the ordinary course of business of the customer.
- k. Customer offers you large dollar deposits or some other form of incentive in return for favorable treatment of loan request.
- l. Customer asks to borrow against assets held by another financial institution or a third party, when the origin of the assets is not known.
- m. The loan transaction does not make economic sense (for example, the customer has significant assets, and there does not appear to be a sound business reason for the transaction).
- n. Customer seems unconcerned with terms of credit or costs associated with completion of a loan transaction.

- o. Customer applies for loans on the strength of a financial statement reflecting major investments in or income from businesses incorporated in countries known for highly secretive banking and corporate law and the application is outside the ordinary course of business for the customer.
- p. Down payment or other loan payments are made by a party who is not a relative of the customer.

