KYC/AML/CFT Policy

(Know Your Customer/Anti Money Laundering/ Combating Financing of Terrorism Policy)

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KYC/AML/CFT POLICY 2017

1. INTRODUCTION

1.1 It is extremely important to ensure that funds generated through illegal and criminal activities are not channeled within the financial system of a country irrespective of its origin. The Financial Action Task Force (FATF) established by G7 group of countries has come up with strong recommendations (40 + 9 recommendations) against illegal and criminal activities related to money laundering and terrorist financing. Since Nepal is a member of Asia Pacific Group on Anti-Money Laundering (a FATF-Style Regional Body and an associate member of FATF), it is the duty of Nepalese bank to check and control money laundering related activities.

1.2 The "Asset Laundering (Money Laundering) Prevention Act, 2064 B.S. (2008)" prohibits financial Institutions to collect deposit (fund) from customers that have been generated from illegal and criminal source. Furthermore, the institutions should not be involved even in helping customers to conceal, transform, transfer, hide its source or misrepresent about it and immediately inform details of such fund/transaction to the "Financial Information Unit (FIU)".

1.3 Everest Bank Limited ("the Bank") has in placed Board approved KYC/AMLCFT Policy. The policy has been reviewed/updated taking into cognizance of Assets Laundering (Money Laundering) Prevention Act (ALPA) 2064 B.S. (2008), Assets Laundering (Money Laundering) Prevention Rules (ALPR) 2073 B.S. (2016), Unified Directives on AML/CFT issued by Nepal Rastra Bank (NRB) and Financial Information Unit (FIU) TTR and STR Guidelines.

2. OBJECTIVES OF THE POLICY

2.1 To lay down policy framework for abiding by the Know Your Customer Norms, AML and CFT Measure as set out by NRB, based on the provisions under ALPA and ALPR.

2.2 To prevent the Bank from being used, intentionally or unintentionally, by criminal elements for money laundering or financing terrorist activities to protect the bank's reputation.

2.3 To enable the Bank to know/understand its customers and their financial dealings better, which in turn would help it to manage its risks prudently.

2.4 To have adequate controls and systems in place to mitigate the risk of being used for money laundering or financing terrorist activities.

2.5 To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws/laid down procedures and regulatory guidelines.

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2.6 To take necessary steps to make the dealing staffs adequately trained in KYC/AML procedures and protect them from unforeseen risks from money laundering activities.

3. SCOPE OF THE POLICY

3.1 This policy is applicable to all branches, offices, representatives posted at abroad and Representative Office, New Delhi, India (Rep. Office, New Delhi) of the Bank and is to be read in conjunction with related procedural guidelines issued by the management from time to time for implementation of this policy. In case of Representatives posted at abroad and Rep. Office, New Delhi, if there is a variance in KYC/AML standards prescribed by the Nepal Rastra Bank and the host country regulators, the more stringent regulation of the two shall be adopted.

3.2 The contents of the policy shall always be read in tandem/auto-corrected with the changes/modifications which may be advised by NRB, FIU (NRB) and / or by ALPA/ALPR (and its amendments)/ or by the Bank through internal circulars from time to time.

4. DEFINITIONS AND EXPLAINATIONS OF VARIOUS TERMS

Unless otherwise specifically indicated, the following terms used in Policy shall have the following meaning(s):

4.1 Know Your Customer (KYC)

KYC is the process of a business verifying the identity of its customers. It is to safeguard the bank's interest from the hands of fraudsters and to understand their customers and their financial needs cautiously and also to eliminate money laundering or money reaching the hands of terrorists.

4.2 Customer

For the purpose of Policy, a 'Customer' is defined as a person or entity that maintains or tries to maintain an account and/or has a business relationship with the bank. A Beneficial Owner and/or Any person or entity connected with a financial transaction which can pose significant reputation or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

4.3 Beneficial Owner (BO)

Beneficial Owners are the individuals or entities who are owners of an underlying company/entity and who ultimately owns or controls (either directly or indirectly) through one or more shareholdings, more than 10 percent of the issued capital of the entity.

4.4 Money Laundering

Money laundering is the process by which the person attempt to hide and disguise the true origin and ownership of the proceeds of their unlawful activities.

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The term" Money Laundering" is also used in relation to the financing of terrorist activity (where the funds may, or may not, originate from crime).

4.5 Financing Terrorism

Financing of Terrorism means providing financial support to any form of terrorism or to those who encourage terrorism.

4.6 Customer Due Diligence (CDD)

Customer Due Diligence is the process of identifying and evaluating the customer and reassessment of customer risk as part of know your customer (KYC) process, allowing banks to better identify, manage and mitigate the AML related risks.

4.7 Simplified Customer Due Diligence (SCDD)

Simplified Customer Due Diligence is the process of identifying and evaluating the low risk graded customer.

4.8 Enhanced Customer Due Diligence (ECDD)

Enhanced Customer Due Diligence refers to additional due diligence pertaining to the identity of the customer, source of income, nature and value of transaction etc. for customer transactions other than low risk graded.

4.9 Financial Action Task Force (FATF)

The FATF is an inter-governmental body which sets international standards to combat money laundering and terrorist financing, which are binding and applicable to all its members jurisdictions, regional organizations and observers.

4.10 Financial Information Unit (FIU)

In order to work against the money laundering and terrorist financing activities Financial Information Unit (FIU) was established on April 21, 2008 pursuant to section 9 of the Assets (Money) Laundering Prevention Act, 2008 within Nepal Rastra Bank (the Central bank) as an independent unit. It is Nepal's financial intelligence unit. It is a central, national agency responsible for receiving, processing, analyzing and disseminating financial information and intelligence on suspected money laundering and terrorist financing activities.

4.11 Asia/Pacific Group on Money Laundering (APG)

The Asia/Pacific Group on Money Laundering (APG) is an autonomous and collaborative international organization founded in 1997 in Bangkok, Thailand consisting of 41 members and a numbers of APG observers. Some of the key international organizations who participate with, and support the efforts of the APG in the region include the Financial Action Task Force, International Monetary Fund, World Bank, OECD, United Nations Office on Drugs and Crime (UNODC), Asian Development Bank (ADB) and the Egmont Group of Financial Intelligence Units.

APG members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and

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the financing of terrorism, in particular the 40 + 9 special recommendations of the Financial Action Task Force (FATF).

4.12 Shell Entity

Shell Entity is a company that is incorporated but has no assets or operations. A Shell Entity serves as a vehicle for business transactions without having any significant assets or operations of its own. Shell corporations in themselves may not be illegal as they may have legitimate business purposes. However, they can also be a main component of underground activities, especially those based in tax havens.

4.13 Downstream Correspondent Banking (Nested accounts)

Nested Accounts occur when a financial institution accesses the financial system in another country (in effect anonymously) by operating through a correspondent banking account belonging to another financial institution.

4.14 Payable-through Accounts

Payable-through accounts are demand deposit accounts maintained at financial institutions by foreign banks or corporations. The foreign bank funnels the deposits and cheques of its customers (usually individuals or businesses located outside the country) into a single account that the foreign bank holds at the local bank. The foreign customers have signing authority over the account as sub-account holders, and can thereby conduct normal international banking activities.

4.15 High Risk and Non-Cooperative Jurisdiction

High Risk and Non-Cooperative Jurisdiction are the Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies or have not committed to an action plan given by FATF. The list can be accessed from the FATF websites.

5. POLICY FRAMEWORK AND STANDARDS

The bank shall follow the international and domestic legal framework.

INTERNATIONAL FRAMEWORK

The Financial Action Task Force (FATF) 40 +9 special recommendations issued on 2012 has set minimum standards for action for countries to implement according to their particular circumstances and the applicable domestic legal frameworks pertaining to AML/CFT. The FATF Recommendations cover all the, measures that national systems should have in place within their criminal justice and regulatory systems: the preventive measures to be taken by financial institutions and certain other businesses and professions: and international co-operation. The recommendations of FATF and other functional bodies like APG, IMF and World Bank shall be taken care of by the Bank as applicable.

DOMESTIC LEGAL FRAMEWORK

The applicable domestic legal frameworks pertaining to AML/CFT are as follows:

a. Anti-Money Laundering Act, 2064 (Including amendments)

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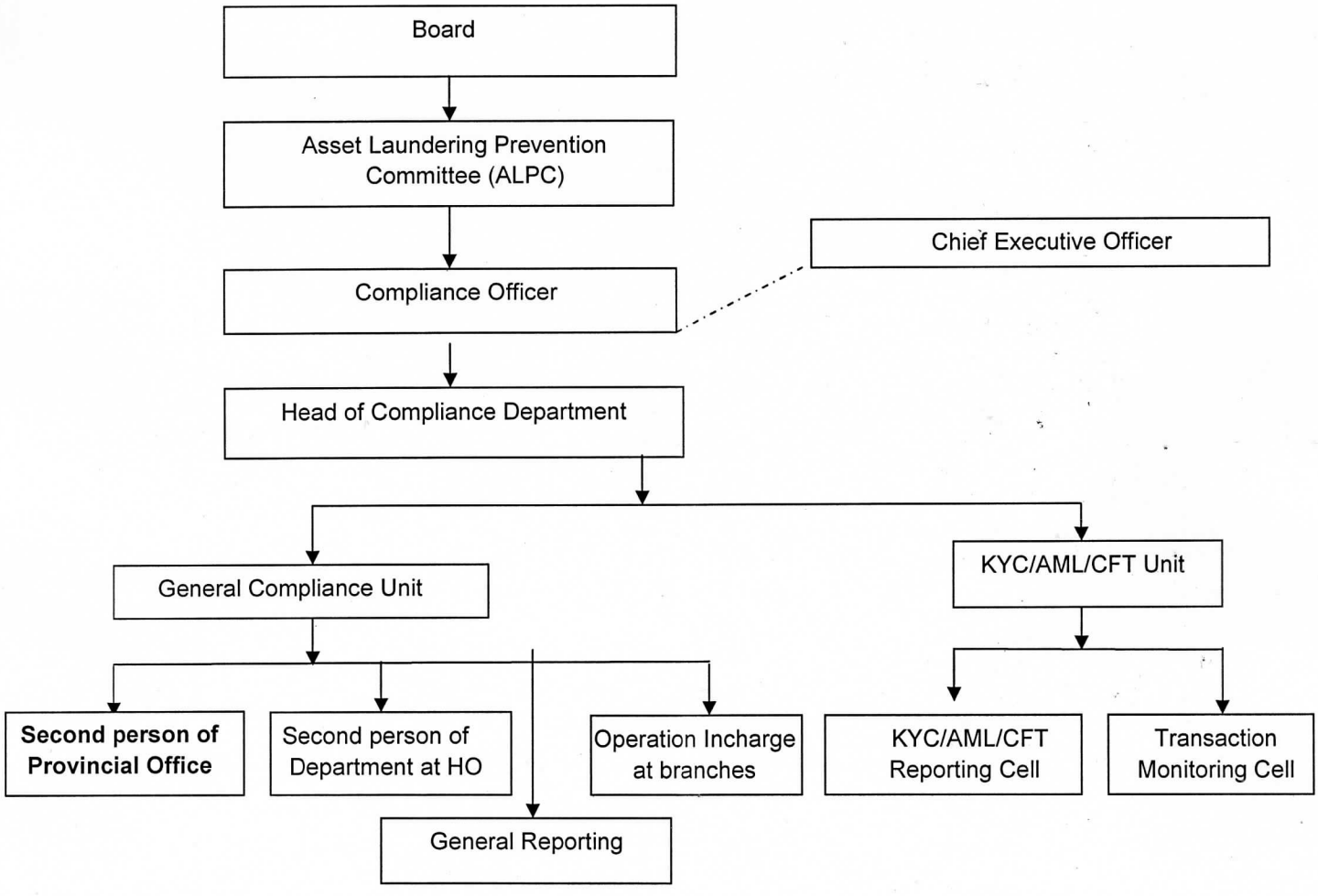
b. Anti-Money Laundering Rules, 2073
c. Asset Laundering (Money Laundering) Prevention (Listed person, group or organization asset or fund freeze) Rules 2070
d. Unified Directives No. 19 issued by Nepal Rastra Bank
e. Ministry of Home Affairs Order to freeze the assets or funds of Terrorist
f. FIU Threshold Transactions Reporting Guidelines to Banks & FIs.
g. FIU Suspicious Transactions Reporting Guidelines to Banks & FIs.

STANDARDS

This policy sets out the minimum standards which must be complied with and includes:

- The appointment of a Compliance Officer who has sufficient level of seniority and independence.
- Establishing and maintaining a Risk Based Approach towards assessing and managing the money laundering and terrorist financing risks to the bank.
- Establishing and maintaining risk based customer due diligence, identification, verification and know your customer procedures, including enhanced due diligence for those customers presenting higher risks, such as Politically Exposed Persons (PEPs).
- Establishing and maintaining risk based systems and procedures to monitor on going customer activity.
- Procedure for reporting suspicious activity internally and to the relevant law enforcement authorities as appropriate.
- The maintenance of appropriate records for the minimum prescribed periods.
- Training and awareness for all relevant employees.

6. COMPLIANCE STRUCTURE



7. ROLE AND RESPONSIBILITIES OF VARIOUS BODIES INVOLVED IN KYC, AML & CFT COMPLIANCE

7.1 BOARD OF DIRECTORS SHALL:

7.1.1 Ensure an appropriate KYC, AML & CFT policy is in place in the bank to manage the ML and TF risk.

7.1.2 Have oversight over the ML and TF risk through various reports placed by the various bodies involved in KYC, AML & CFT compliance.

7.2 Assets Laundering Prevention Committee shall

7.2.1 Oversight on KYC/AML/CFT activities of the bank and discharge the duty as per NRB guidelines and the board approved Terms of Reference (TOR)

7.3 MANAGEMENTSHALL:

7.3.1 Oversee implementation and manage the ML & TF risk faced by the Bank.

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7.3.2 Inform the name of the Compliance Officer as also any change thereof, as and when it takes place to Nepal Rastra Bank.

7.4 COMPLIANCE OFFICER [CO] SHALL:

The CO not below the rank of **Chief Manager** shall be appointed by the Bank to manage the ML & TF risk.

7.4.1 Prepare/Review KYC, AML & CFT Policy and ensure its implementation.
7.4.2 Assist the management in managing the ML & TF risk faced by the Bank.
7.4.3 Have oversight over the functioning of Compliance Department.

7.5 HEAD OF COMPLIANCE DEPARTMENT SHALL:

7.5.1 Assist CO in preparing/Reviewing KYC, AML & CFT Policy
7.5.2 Report to CO and assist in implementation of compliance policy.
7.5.3 Disseminate the FIU, NRB and other investigation authority enquiries to the branches, ensure reply to them and maintain record thereof.
7.5.4 Have oversight over the KYC/AML/CFT functions.
7.5.5 Ensure familiarization of employees with the policy and procedural guidelines.
7.5.6 Monitor financial transactions performed by customers.

7.6 All EMPLOYEES OF THE BANK SHALL:

7.6.1 Read and confirm that they understand the policies and procedures, signing to acknowledge it.
7.6.2 Comply with KYC/AML/CFT policy and procedures.
7.6.3 Remain alert at all times to the possibility of money laundering and reporting suspicious or unusual transactions to the concerned Compliance Officers.
7.6.4 Make effective use of training and seek clarifications whenever necessary.
7.6.5 Be aware that violation of Assets (Money)Laundering Prevention Act &Rules shall attract personal penalties including fines or imprisonment or both and breaches of policy and procedures of the Bank may be construed as gross negligence attracting disciplinary actions as per the Staff Service Byelaws of the Bank.

7.7 INTERNAL AUDIT DEPARTMENT SHALL:

7.7.1 Audit compliance of statutory and regulatory obligations in respect of money laundering policies, procedures and internal controls designed by the Bank.
7.7.2 Audit effectiveness and adequacy of policy, procedure and internal controls designed to counter against the risk of becoming involved in money laundering and terrorist financing by the Bank.

8. <u>COMPLIANCE OFFICER AT VARIOUS LEVELS FOR MANAGING ML & TF RISK</u>

The second person of Head Office Department shall be the Designated Compliance Officer for the Department. **Second person of province office shall be the Designated Compliance officer of the province.** The Operation In-charge of the Branch shall be the Designated Compliance Officer (BDCO) for the Branch. The Dy. Chief of Rep. Office, New Delhi shall be the Compliance Officer for Rep. Office, New Delhi and Representatives at abroad shall also be the Compliance Officer for abroad.

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8.1 DEPARTMENT/PROVINCE/BRANCH DESIGNATED COMPLIANCE OFFICER SHALL:

Work as extended arms of HO: Compliance Department and shall ensure that the bank's policy and procedure relating to KYC/AML/CFT are complied with meticulously.

8.2 COMPLIANCE OFFICER-REP. OFFICE & ABROAD SHALL:

Ensure that the applicable Laws & Regulations consistent with local legal and regulatory/statutory requirements are being complied with.

9. KEY ELEMENTS OF THE POLICY

The key elements of the policy shall be as under:

1. Customer Identification Procedures (CIP)
2. Customer Acceptance Policy (CAP)
3. Customer Transaction Monitoring Procedure (CTMP)
4. Risk Management (RM)
5. Relationship with Customers and others
6. Relationship with Walk in Customers
7. Prohibited Customers
8. Screening of Sanction List
9. Risk Based Approach to Customer Due Diligence
10. Review of Customer profile
11. Record Keeping
12. Reporting of Transactions to FIU/NRB Bank Supervision Department
13. Know Your Employee
14. Confidentiality
15. Code of Conduct for Employee
16. Employee Protection
17. Customer awareness and staff training
18. KYC/AML/CFT Procedure
19. Combating the financing of terrorism
20. Correspondent Banking
21. Wire Transfer
22. Introduction of new technology
23. Resubmission Policy
24. Internal Audit Function

9.1 Customer Identification Procedures

The essence of Customer Identification is to ensure and keep in records the proper identities of the prospective customers/customers and verify the purpose of their intended relationship with the Bank. CIP assists in risk categorization of the accounts and analyzing the deviations in the actual and expected volume and nature of transactions in the accounts to consider if it is suspicious.

Customer's identity shall be verified through reliable documents, i.e. documents issued by competent authorities. The identification documents include all documents deemed necessary by the Directives of NRB/FIU and the AML/CFT framework of the country. Basic information regarding the customer's addresses,

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relationships, occupations and sources of income/fund, expected income, expected turnovers/transactions and purpose of establishing a relationship with the Bank needs to be acquired.

Detailed procedure for Customer Identification Procedures shall be as described in the **Procedural Guidelines** framed under this Policy.

9.2. Customer Acceptance Policy

The Customer Acceptance Policy ensures that only those clients whose identity and purpose of opening accounts or performing transactions can be duly established and verified as legitimate by conducting due diligence appropriate to their risk profile/services required would be accepted. The Bank shall have the option to close any account, if it is not satisfied with the documentation/information/transaction of any customer.

The Bank may obtain the thump impression or Bio Metric of account holder and account operator in case of natural person and of account operator in case of legal entity based on the associated risk with the customer at the time of opening the account. But in case of minor thumb impression or Bio Metric only of account operator may obtain.

Detailed procedure for Customer Identification Procedures shall be as described in the Procedural Guidelines framed under this Policy.

9.3. Customer Transaction Monitoring Procedure

The Customer Transaction Monitoring Procedure (CTMP) is an account/transactions screening mechanism to ensure that the accounts or transactions do have a valid legitimate purpose and by no means are used in money laundering and terrorist financing or any other illegitimate activities. The extent of monitoring of accounts and transactions shall be guided by the degree of risk associated with the accounts/transactions and the anomaly in the transactions with respect to the information disclosed by the customers.

For accounts/transactions that are in higher risk category or appear to be suspicious, reporting and a close monitoring shall be done on continuous basis.

9.4. Risk Management

The essence of risk management is to be compliant with the KYC and AML/CFT related Policies, Guidelines and practices. The threats of identity disguise, money laundering and terrorist financing shall be eliminated to the possible extent through effective CDD programs and procedures.

The classification of accounts on the basis of risk associated with it shall be broadly based on the directions of NRB/FIU. All Customer accounts shall be compulsorily risk categorized under either A (Low Risk), B (Medium Risk) or C (High Risk) Category. The Bank shall adopt the risk based approach for Customer Due Diligence.

Periodic update of customer profile/information/document shall be done as per the regulations of NRB/FIU or whenever required. A public notice shall be published at periodic intervals requesting customers to update their account

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details. Transactions in the accounts of customers, whose KYC/updated information, are not maintained due to unavailability of required information from customer within the required time period shall be freezed.

9.5 Relationship with Customers and others

The Bank shall obtain relevant information as deemed necessary of all its relationship with customers like depositors, borrowers, remittance customers, correspondent banks, remittance agents as well as other associates like consultants, valuators, vendors and shall adopt following measures:

- Obtain KYC documents at the time of commencing of business relationship.
- Strictly follow the customer identification procedures and customer acceptance policy, which are basic elements of KYC.
- Carry out initial Due Diligence at the time of establishing relationship. This shall include but not limited to verification of antecedents and screening procedures to verify that the customer has a clean history/business record.

9.6 Relationship with Walk in Customers

The Bank shall obtain the KYC documents and identify the Walk in Customers in case of transactions of rupees one lac or more (including foreign currency transactions equivalent to rupees one lac or more). Likewise, in case of cash deposit above rupees one lac or equivalent other than account holder, bank shall obtain Identity documents such as citizenship or passport or driving license or voter ID of cash depositing person and reason for depositing cash.

9.7 Prohibited Customers

- Anonymous or Fictitious Accounts
- Shell Banks/Shell Companies
- Entities (including natural person, legal person, etc.) sanctioned by major sanction authorities such as United Nations, Office of Foreign Assets Control (OFAC)-USA, Her Majesty's Treasury (HMT)-United Kingdom, European Union, Ministry of Home Affairs, Nepal (MOHA), etc.
- Sanctioned Countries
- Offshore Banks
- Downstream correspondent Banking
- Payable through accounts
- Customers from High Risk and Non-Cooperative Jurisdiction

The above list of Prohibited Customers is indicative only and not exhaustive.

9.8 Screening of Sanction List

The Compliance Department has uploaded the major sanction list such as OFAC, UN, EU, HMT and MOHA on the bank's intranet under the sanction detail for verification purpose of the branches. The branches must ensure that no accounts are allowed to be opened in the name of sanctioned entities and individuals appearing in the sanction list besides transactions with them. In case of false name matches, the Branch Manager/Operation In-charge will be required

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to white-list such false name matches and permit opening of account/transactions under their signatures.

The BDCO in the Branch shall invariably check all account opening requests against above referred lists and must certify having checked and no match found on the account opening form.

9.9 Risk Based Approach to Customer Due Diligence

Keeping in view the large volume of customers and transactions, the bank shall focus on the areas where risks are relatively high by adopting the risk based approach so as to allocate resources in the most effective way. The bank shall carry out the due diligence of the customer based on the risk. The Bank shall conduct simplified Customer Due Diligence (SCDD) for Low risk customers having annual transactions of rupees one lac and below. The Bank shall conduct Customer Due Diligence (CDD) for all other Low risk customers and Medium Risk Customers. The Bank shall conduct Enhanced Customer Due Diligence (ECDD) for High Risk customers. However, the risk category shall be dynamic as it shall be updated as per the changed profile of the customers and activities in their accounts.

In addition to above, risk profiling shall be done on different grounds such as geographical area, business/profession, customer, products and delivery channel etc. or as required by related Acts and NRB/FIU Directives.

9.10 Review of Customer profile

The bank shall conduct an on-going due diligence to effectively control and reduce the risk from customers. The bank shall pay more attention to the transactions that do not match with the customer profile, line of business, high value transactions, high account turnover and transactions exceeding threshold limit. The Bank shall conduct Customer Due Diligence (CDD) for Low risk customers every eight years and Medium Risk Customer every five years. Similarly, the Bank shall conduct Enhanced Customer Due Diligence (ECDD) for High risk customers annually or as per the requirement.

9.11 Record Keeping

All documents and other information related to the identification and verification of customer and beneficial owner and documents and records related to domestic and foreign transaction with the client and or beneficial owner and records pertaining to account opening must be preserved at least 5 years from the date of cessation of the transaction with the client. The identification records and transaction data should be made available to the competent authorities upon request. The Bank shall keep the report of suspicious transaction for 5 years.

However, in case of PEPs and PIPs it is required to safe keep the record at least for five years from the date of separation from his/her position.

Bank shall maintain the records of customer and its beneficial owner via electronic media so that it could be check and analyzed as per the requirement at any time or for submitting to the regulator in a prescribed format.

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Bank shall update fundamental information, details and documents of customer and individuals including of beneficial owner based on inherent rik regularly through electronic technology. For the purpose, bank shall develop and implement information technology portal.

9.12 Reporting of Transactions to FIU/NRB Bank Supervision Department

The Compliance Officer shall report to FIU regarding the following:

A. The report on the following transactions would be made on fortnightly basis:

1. Cash Deposit or withdrawal of Rs.1 million or more or equivalent of foreign currency into or out of the same account in one transaction or in a series of transactions in a day.
2. Inward or outward remittance **cross border transactions** of Rs. 1 million or more into or out of the same account in one transaction or in a series of transactions in a day.
3. Exchange of foreign currency in cash equivalent to Rs. 0.5 million(NPR) or more by a customer in one transaction or in a series of transactions in a day.

B. Report on the transactions would be made within 3 days of reaching conclusion that the transaction is of suspicious nature. Detailed procedure for reporting of suspicious transactions shall be as described in the Procedural Guidelines framed under this Policy.

C. Bank shall submit Risk Assessment and Review Report as per schedule no.19.4 of NRB Directives no 19 to NRB and FIU within 15 days from the quarter end.

D. The Compliance Officer shall report to NRB, Bank Supervision Department regarding the following:

1. The AML CFT Reporting Format (Offsite Data Collection Form) shall be prepared on half yearly basis i.e. every Ashad end and Poush end and shall be submitted within 1 month from the half year end.
2. The AML CFT Reporting Format (Bank's Self-Assessment Questionnaire) shall be prepared on yearly basis i.e. every Ashad end and shall be submitted.

9.13 Know Your Employee

Know your Employee standards shall be mentioned in the Bank's Staff Service byelaws to ensure that unwanted individuals do not have access to the Bank by way of employment. Head-HR shall ensure that any prima facie suspicious activity of employee from AML/CFT angle is reported to Compliance Officer for finalization and reporting to FIU (NRB).

9.14 Confidentiality

The Bank shall keep the details of all transaction of STRs, TTRs and correspondence record to and from FIU, NRB and other investigation bodies relating to its customers under the investigation strictly confidential and shall not share the same with the customer or any irrelevant bank staffs, unrelated official

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meetings or anyone outside the bank. The bank shall keep the documents, information and transaction details of the customer confidential and shall not leak/share to unauthorized person.

9.15 Employee Protection

The bank shall not take any action to reporting staff, BDCO, Head-Compliance and Compliance Officer in case any loss occurs to a customer or bank's business due to submission of information to the FIU or other investigation agencies.

The bank shall bear the full legal expenses and protect its employees if a legal case is filed by the customer against any staff, BDCO, Head-Compliance and Compliance Officer.

9.16 Code of Conduct for Employee

The 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.

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

9.17 Customer Education and Staff Training

The Bank recognizes the need to spread awareness on KYC, Anti Money Laundering measures and Terrorist Financing and the rationale behind them amongst the customers and shall take suitable steps for the said purpose. The customer awareness materials on KYC/AML measures will be displayed on the bank's website and in the form of poster/display boards, etc.

Compliance Department shall assist in conducting KYC/AML/CFT trainings/seminars at regular intervals at various Centers as per yearly/quarterly training calendar prepared by the HR Department, so that necessary awareness in regard to Bank's obligations under AMLPA, 2064 as well as NRB/FIU guidelines are disseminated to all levels of Bank's functionaries especially Customers Service Staffs, BDCO and Branch Managers who have been vested

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with the responsibility of ensuring meticulous compliance with KYC/AML/CFT Regulations.

9.18 KYC/AML/CFT Procedures

A separate KYC/AML/CFT procedural guideline prepared by the Compliance Department with the approval of the CEO shall supplement this policy. The existing KYC/AML/CFT procedure and internal circulars issued by the Bank shall prevail until the formulation/approval of new KYC/AML/CFT procedures.

9.19 Combating the Financing of Terrorism

The UNSCR 1267 (1999) and its successor resolutions require countries to immediately freeze funds, financial assets or economic resources of individuals and entities who are designated by the United Nations Security Council based on such person's / entity's connections with terrorism and terrorist financing. Further, countries should ensure that no funds, financial assets or economic resources are made available to or for the benefit of such designated persons or entities or their beneficiaries. The updated list of such individuals/entities can be accessed from the sanction detail uploaded on bank's intranet and from the United Nations website at http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. Branches/Offices before opening any new account must ensure that the name(s) of the proposed customer does not appear in the list.

Further, the Branches/Compliance Department shall scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. The branches shall immediately freeze funds or assets of such individuals/entities in case of any accounts bearing resemblance with any of the individuals/entities in the list and shall immediately intimate to Compliance Officer, Head Office for onward submission of the same to FIU, NRB.

9.20 Correspondent Banking

This policy shall apply to our dealings with correspondent banks. For correspondent banking relationship an appropriate due diligence procedure will be laid down keeping in view KYC standards existing in the country where the correspondent bank is located and the track record of the correspondent bank in the fight against money laundering and terrorist financing. The Bank's Remittance Department and Treasury Department, Head Office shall conduct CDD/ECDD for the Bank's existing correspondent banks on an annual basis.

9.21 Wire Transfer

All wire transfers shall include meaningful originator information (name, address transaction ID and/or account number) and to conduct enhanced scrutiny of monitoring for suspicious activity where originator information is not provided.

For carrying cross border correspondence banking transaction smoothly by making risk free, bank shall fulfil national and international values and norms related with correspondence banking.

9.22 Introduction of New Technology

Bank will pay special attention to the money laundering threats arising from new or developing technologies and take necessary steps to prevent its misuse for

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money laundering activities. Bank will ensure that appropriate KYC procedures are duly applied to the customers using new technology driven products.

9.23 Resubmission Policy

Once a transaction is rejected due to sanctions/money laundering/terrorist financing concerns, the bank/branches shall maintain the record of such rejected transactions and shall not attempt to resubmit the same transaction after stripping off information as well as ensure that the transactions rejected by correspondent bank are not re-submitted.

9.24 Internal Audit Function

The Bank shall maintain an independent audit function (Internal Audit Department) that is adequately resourced and able to regularly assess the effectiveness of the banks internal policies, procedures and controls and its compliance with regulatory requirements especially covering the aspect of KYC/AML/CFT issues and shall have a separate section under Operations Section in its audit report of the branches.

Internal Audit Department shall provide the consolidated KYC/AML/CFT compliance report annually to Audit Committee Board (ACB) on the basis of its audit findings in the branches during the fiscal year.

10. REPORTING & MONITORING MECHANISM

10.1 REPORTING MECHANISM

10.1.1 REPORTING TO FIU

The Compliance Department shall ensure the timely reporting to FIU enquiries by obtaining the information from the Branches / Departments. The Branches / Departments shall provide the sought information to Compliance Department within specified time frame from the receipt of the correspondence from the Compliance Department.

10.1.2 REPORTING TO OTHER INVESTIGATION AGENCIES

The Compliance Department/Branches shall ensure the timely reporting and information to other investigation agencies enquiries. The Compliance Department / Branches shall provide the sought information to investigation agencies within stipulated time period. The Branches shall provide the information to investigation agencies under intimation to Compliance Department.

10.1.3 REPORTING TO MANAGEMENT, ALPC AND BOARD

Compliance Department/CO shall report monthly or as per the requirement regarding KYC/AML/CFT status to Management. Compliance Department/CO shall report quarterly or as per the requirement regarding KYC/AML/CFT status to ALPC and Board.

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10.2 MONITORING SYSTEM

10.2.1 Periodical monitoring of KYC Norms, AML & CFT measures shall be done by the various compliance functions.

11. RISK APPETITE AND TOLERANCE

The Bank shall pursue a zero risk appetite & tolerance on all matters related to AML/CFT compliance.

12. MISCELLANEOUS:

Information collected from the customers for KYC compliance should be relevant to the perceived risk and not intrusive and not used for cross selling.

- Information like citizenship card, residential proof etc. already obtained at the time of opening of account shall not be asked at the time of updating of KYC and review of account. The branches shall obtain only the changed information and documents and may obtain additional documents based of inherent risk associated with the customer.

- Bank may obtain the required documents for identification of customer and beneficial owner from any suitable media other than the details which required to be submitted by the customer presenting himself.

- For identifying/reviewing corporate customer, bank may obtain the latest audited financial if deem necessary as per the inherent risk associated with the customer.

- Bank shall not apply same identification procedure to all types of customers and beneficial owner but required to adopt risk base approach.

- Banks are required to do ECDD of the customer of high risk country on the basis of corruption, tax evasion or on the basis of place where the customer is residing or doing business, It is also required to do ECDD while establishing business relation and carrying transactions with the customer that carry transaction only through electronic media.

- The bank shall not issue any bearer negotiable instruments. Any **cross border** remittance of funds by way of demand drafts, speed remittance, RTGS, SWIFT transfer or any other mode and issue of prepaid debit card (including dollar card) needs to be effected only by debit to customer's account and not against cash.

- Branches should also note that suspicious activity reports are required to be filed even in respect of abandoned transactions, unscrupulous enquiries by individuals and forfeiture of activities / transactions after enquiries are made.

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13. REVIEW OF THE POLICY

The Policy shall be review within the first quarter of fiscal year analyzing and updating risk associated with AML/CFT or as and when required. The policy shall come into effect from the Board approval date and shall remain effective till next review takes place. Upon Board approval, the policy shall be communicated to all the Branches and shall be kept on the Bank's intranet.