

22 October 2022

The Chief Executive Officer  
Royal Insurance Corporation of Bhutan  
Thimphu

Dear Dasho,

**Re: Show Cause Notice**

This is in response to Show Cause Notice vide letter no. RICB/CO/GAD (O1)/2022/10448 dated 3<sup>rd</sup> October 2022 regarding the Judgments of Dzongkhag Court, High Court and Supreme Court on the withdrawal of Nu. 440,000/- (Four Hundred Forty Thousand) from Mr. Ugyen Wangchuk's Loan Account and I would like to submit the following justifications for your kind consideration.

I would like to submit as under reasoning the establishment of authorization of transactions that were made from the Loan Account of Mr. Ugyen Wangchuk. I, together with Mrs. Jurme Chetsho and Mr. Jambay Wangchuk jointly bought land measuring 45 decimal with T/No. 812(old), P/No. 4 located at Depsi, Thimphu from Mrs. Tshering Dema (CID No.10608000302) on 21<sup>st</sup> of March, 2011 (sale deed enclosed as Annexure 1) and this transaction pertains to the sale of same land to Mr. Ugyen Wangchuk.

With a dream to construct a home for ourselves, we had purchased the Land but we could not transfer the ownership as the transfer was temporarily suspended since the land re-cadastral survey was ongoing. As we continued to hold the land, we couldn't bear the 15% interest charges and the land became a financial burden to all of us. So, we decided to sell the land rather than going into financial troubles.

Mr. Ugyen Wangchuk bought 15 Decimals and Mr. Jurmey Chopel with Mr. Ugyen Tenzin bought 30 Decimals. The agreement with Mr. Ugyen Wangchuk was executed on 17<sup>th</sup> February 2012 at the cost of Nu.4,620,000.00 by Mrs. Tshering Dema on our behalf as she was the registered owner of the land. (Sale deed enclosed as annexure 2).

On the above sale of land, the sale transactions were made as follows:

- a. Nu. 2 million was transferred to Mrs. Jurme Chetsho's loans maintained in the RICBL,
- b. Nu.2 million was transferred to Mr. Norbu Tashi's loan account,
- c. Nu.423,963.00 was deposited to my loan and,
- d. Nu.16,037/- was deposited to Mrs. Jurme Chetsho's loan account.
- e. Mr. Ugyen Wangchuk paid Nu.180, 000/- in cash to us.

I would like to submit that the withdrawal of Nu. 440,000.00 from Mr. Ugyen Wangchuk's loan account no. CRCS/2010/84 was done through his verbal consent through telephonic conversation since he was away from Thimphu. The same statement was made as rebuttal submissions to Dasho Drangpon, Commercial Bench, Dzongkhag Court, Thimphu on 12<sup>th</sup> September 2019 and Mrs.

Tshering Dema personally testified for the sale of land (Court Submission is enclosed as Annexure 3). On this submission, Mr. Ugyen Wangchuk didn't challenge our statement to the court for the transactions made for the sale of land. The transactions were all legitimate and all due process of the release were complete as per the Credit Manual.

The Dzongkhag Court having accepted our rebuttal statement as a genuine transaction didn't find us accountable for the restitution of the amount to RICB or Mr. Ugyen Wangchuk. Mr. Ugyen Wangchuk is presently residing in the same land having constructed a house. I would like to reiterate again that the financial transaction was carried out genuinely with clear conscience and it is not a mala fide transaction. However, during the appeal to the High Court and Supreme Court, we were never summoned by the Hon'ble Justices and not even during the Judgement by the court. As a court procedure, had I been guilty to the 12 loans sanctioned to Mr. Ugyen Wangchuk, I would be surely summoned on the day of judgement.

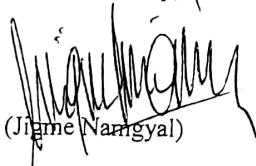
As per the recent order from the Supreme Court dated 30<sup>th</sup> June 2022, Section 7 which states that *"During the process of adjudication, if the court finds lapses on the part of the bank officials, the court shall direct the authority of the concerned financial institution to take administrative actions. However, if the lapses relates to the criminal offence, it shall be referred to RBP or ACC for the investigation and prosecutions"* I would like to once again request Dasho that I am ready to face any administrative actions provided the Judgement finds lapses for the transactions of Nu. 440,000.00 or if this transaction qualifies to be criminal offence, I am ready to face any consequences for which neither were mentioned in the judgement as per my understanding.

In addition, Mr. Ugyen Wangchuk hasn't specifically made any claims on the illegality of transactions pertaining to the sale of land since he had given a verbal approval. In case, if he had made any claims on this, we would have surely requested the Court to return the land and consider the transactions as illegal and find us guilty. I would like to remind all concerned officials of the RMA and Management of RICBL to kindly read through the judgement and not derive any conclusions since the case pertains to the foreclosures of the Mr. Ugyen Wangchuk's loan and not the transactions pertaining to the sale of the land.

Therefore, I am at the mercy of Dasho and the Management since I am punished as my promotions are already held pending and I have been already removed as a Credit Manager from the Credit Department for which I'm trying very hard to clear my name of any misdeeds. However, this punishment itself predates the "presumption of innocence" since I have personally not found guilty by of Courts of Kingdom of Bhutan.

Thanking you.

Yours faithfully, (



(Jiame Namgyal)

Wednesday, 20 October 2022

The Chief Executive Officer  
Royal Insurance Corporation of Bhutan  
Thimphu

Dasho,

This is in response to the letter no. RICB/CO/GAD (O1)/2022/10450 dated 3<sup>rd</sup> of October 2022. In this regard I would like to submit the following:

Mr. Ugyen Wangchuk, back then was one of the existing borrowers of RICBL and when he could not update few of his loan accounts, our loan recovery officers persistently called him to update the loans. Then, Mr. Ugyen Wangchuk along with his sister, Ms. Tshering Pem, had approached our recovery team to discuss the way forward. During the discussion, Mr. Ugyen Wangchuk proposed availing a loan of Nu. 2 million in Ms. Tshering Pem name which was to be used as repayments for his defaulted loans. Ms. Tshering Pem had also consented and volunteered to help Mr. Ugyen Wangchuk by availing Nu.2 million loan in her name and update her brother's loans.

Thus, on advice of the recovery team, the proposal was appraised to the Credit Committee and the committee approved the loan of Nu.2 million proposed by Ms. Tshering Pem as it fulfilled all the basic requirements. The Committee found no valid reasons to decline her loan. Instead, the new loan was also able to bring in additional collateral worth Nu. 3.2 million, which helped the company to enhance his mortgage requirement.

The applicant had signed all the relevant legal documents and hurried back to Paro, stating that she had an urgent matter in Paro waiting for her. I vividly remember requesting her via call to withdraw the loan amount and update her brother's loan accounts. Thereafter, I was verbally authorized through telephone to pick up the account payee cheque drawn in favour of RICB, on her behalf and agreed to submit a written authorization in few days. Had I not picked up the cheque on her behalf, it would have remained with F&A Department till she picked it up and deposited to her brother's loans. If I had not consented to her request to pick up the cheque and deposit to her brother's loans, all the hard works of the recovery team would have been in vain. Upon my repeated request, she had submitted a handwritten authorization after few days following the deposit of the cheque to her brother's loans. Since then, I assumed that all her loan document requirements have been completed.

I processed the loan solely for the purpose of reducing the NPL and upon approval by the Credit Committee, helped the company to reap higher profits and earn higher interest income. Thus, the intention was nothing beyond the interest of the company. This loan evidently benefitted only Mr. Ugyen Wangchuk and RICBL, and no one else. Further, there was no outflow of funds from the company.

However, after nine years, I was stunned by the High Court's verdict wherein I shall be punished for picking up an account payee cheque on her behalf without her authorization. With the time span of nine long years, the loan file must have been passed through

numerous hands. So, I am unaware when and how the authorization letter went missing from the loan file. Had the loan file been under my custody since approval till date, I would have been fully liable for all missing documents.

Except for the customer and service provider interaction, I do not have any personal connections with the client, my conscience had also been absolutely clear. Thus, all my dealing with the borrowers, initiatives taken, and duties discharged in the capacity of a mere credit officer was always fully and wholly in the interest of company and with the utmost dedication, and in the most responsible manner.

If Ms. Tshering Pem's intention of availing the loan was otherwise, she should have questioned me and RICBL as she never received the loan amount. It is also to be noted that neither me nor Ms. Tshering Pem were summoned to the court for questioning and to justify my actions. Thus, the decision to penalize me for the above seems baseless.

Whether the cheque was picked up and deposited to Mr. Ugyen Wangchuks's loan or by Ms. Tshering Pem herself, the cheque was an account payee cheque drawn in favour of RICBL and not anyone else. So, her loan and the cheque have only benefitted Mr. Ugyen Wangchuk and RICBL. Furthermore, there are several repayments in Ms. Tshering Pem's loan account which clearly indicates that she was well aware of all the transactions.

Based on all the above facts and justifications, I beg the management to look into the matter once again and review the level of punishment I will be given for the work I did with utmost good faith and for the benefit of the company.

Looking forward for your kind consideration.

Sincerely,



**(Ugyen Lhamo)**

EID 114745

Babesa Branch

RICBL

Thimphu

22 October 2022

The Chief Executive Officer  
Royal Insurance Corporation of Bhutan Limited  
Thimphu: Bhutan

**Sub: Response to show cause notice**

Dear Dasho,

This has reference to letter no. RICB/CO/GAD (01)/2022/10449 dated October 3, 2022 concerning the three transactions made from Mr. Ugyen Wangchuk's account to my loan account. In this regard, I would like to thank the Management for giving me the opportunity to present my stance on this matter.

I would like to submit that Mr. Jigme Namgyal, Mr. Jambay Wangchuk and I bought 45 decimals of land on Plot No. 4, Thram No. 812 located at Chang, Debsi, Thimphu from Mrs. Tshering Dema in March 2011. However, we could not transfer the land ownership in our names from Mrs. Tshering Dema as the National Land Commission halted the land ownership transfer in Thimphu Dzongkhag due to the National Cadastral Survey. Therefore, in February 2012, we decided to sell the land. To do this, we sought our colleague Mr. Tashi Penjor's help to find a prospective buyer(s). Mr. Tashi Penjor informed us that Mr. Ugyen Wangchuk was interested to invest in a plot of land in Thimphu since he had received his bill payments for the construction works that he had completed.

Similarly, Mr. Jurmey Chopel and his brother, Mr. Ugyen Tenzin were also interested to buy the land. As such, from the total of 45 decimals, Mr. Ugyen Wangchuk purchased a plot measuring 15 decimals and Mr. Jurmey Chopel & Mr. Ugyen Tenzin bought the remaining plot measuring 30 decimals. Since the ownership of the land was still in Mrs. Tshering Dema's name, sale deed agreement was signed between Mrs. Tshering Dema and Mr. Ugyen Wangchuk. Similarly, the sale deed for the other 30 decimal land was executed between Mrs. Tshering Dema and Jurmey Chopel and Mr. Ugyen Tenzin.

Mr. Ugyen Wangchuk agreed to buy the 15 decimal land for a total of Nu. 4,620,000 (at the rate of Nu. 308,000 per decimal). As per the sale deed, Mr. Ugyen Wangchuk initially agreed to pay the amount for the said land in cash. However, as he had deposited the bill payments received to his CRCS loan

account, Mr. Ugyen Wangchuk later informed us that the payment for the said land would be made from his CRCS loan account. Mr. Ugyen Wangchuk informed via phone that he was at the construction sites outside of Thimphu and verbally authorized me to withdraw Nu. 2,016,037 from his CRCS loan account as part payment for the purchase of aforementioned land. Since I had loan in my name and also did not want to risk handling of cash, based on Mr. Ugyen Wangchuk's verbal authorization and consent, Nu. 2,016,037 was transferred to my loan account from Mr. Ugyen Wangchuk's CRCS loan account.

As per the standard procedure and the provisions of the Credit Manual 2011, the journal voucher for the transfer of amount from one account to another is processed by the loan administrators and approved by the authorized disbursing officers of the Credit Department. The authorized disbursing officers also sign the release order. The final transaction is made by the Finance & Accounts Department based on the journal voucher and release order from the Credit Department. As such, the three transactions in question went through all the required procedures which otherwise would not enable the transactions to be completed. Therefore, it is not possible for a single disbursing officer to act alone to complete the entire process of transferring the funds. I would like to submit that the details of the approval of transactions are not maintained by the individual clients. It is maintained by the Credit Department and the Finance & Accounts Department. Since this matter is brought about after more than a decade and within this long span of time, the files have changed numerous hands by the officials engaged in credit appraisal, loan recovery, legal, audit (internal and external), etc. As such, it cannot not be guaranteed that all documents are intact or are in its original form.

I would like to submit the following details of Mr. Ugyen Wangchuk's payment for the land acquisition, which totals exactly to Nu. 4,620,000 being the agreed land cost and as reflected in the signed sale deed:

- Nu. 1,000,000/- from Mr. Ugyen Wangchuk's CRCS loan account to Mrs. Jurme Chetsho's loan account (verbal authorization)
- Nu. 1,000,000/- from Mr. Ugyen Wangchuk's CRCS loan account to Mrs. Jurme Chetsho's loan account (verbal authorization)
- Nu. 2,000,000/- from Mr. Ugyen Wangchuk's CRCS loan account to Mr. Norbu Tashi's loan account (written authorization)
- Nu. 423,963/- from Mr. Ugyen Wangchuk's CRCS loan account to Mr. Jigme Namgyal's account (verbal authorization)
- Nu.16,037/- from Mr. Ugyen Wangchuk's CRCS loan account to Mrs. Jurme Chetsho's loan account (verbal authorization)

- Nu. 180,000/- cash payment by Mr. Ugyen Wangchuk

The above transactions were, therefore, solely for the payment of the land he purchased from us. Aside of these authorized transactions, not an extra ngultrum was withdrawn from any of Mr. Ugyen Wangchuk's loan accounts.

Following the completion of payment vide the above-mentioned transactions, Mr. Ugyen Wangchuk got the ownership of the land transferred in his name. I haven't seen or spoken to Mr. Ugyen Wangchuk since then. Mr. Ugyen Wangchuk's subject of dispute pertain to bank guarantees encashed from his loan accounts post March 2016. However, I was already transferred to the Human Resource Division on March 5, 2016 and was not involved in any bank guarantee encashments from his loan accounts.

I was taken by surprise when our Legal Department informed of us being summoned by the Thimphu Dzongkhag Court regarding Mr. Ugyen Wangchuk's NPL case. Mr. Jigme Namgyal, Mr. Jambay Wangchuk, Mr. Tashi Penjor, Mrs. Tshering Dema (the land owner), Mr. Ugyen Wangchuk, Mr. Jurmey Chopel (the other buyer) and an official from Thimphu Dzongkhag Administration were also summoned by the Thimphu Dzongkhag Court. The main case brought before the Court was regarding land pooling by the Thimphu Dzongkhag Administration. This issue had nothing to do with Mr. Jambay Wangchuk, Mr. Jigme Namgyal, Mr. Tashi Penjor and me. During the same hearing, the Drangpon briefly enquired us on the above transactions and we submitted that the transactions were made as payment for the land he bought from us and that the transactions were made based on Mr. Ugyen Wangchuk's verbal authorization. The same was submitted in writing to the Thimphu Dzongkhag Court. The facts and arguments submitted by us to the Court were not refuted by Mr. Ugyen Wangchuk.

I would like to submit that if the case involved anomalies pertaining to the mentioned transactions, none of us received summons from either the High Court or the Supreme Court to present our facts and arguments. Furthermore, Mr. Ugyen Wangchuk has never disputed the transactions as being unlawful because they are carried out with his knowledge, consent and authorization. As such, Mr. Ugyen Wangchuk has not complained to RICB or Royal Bhutan Police or reported to the Court on the nature of the mentioned transactions. It is clear between the parties that the above transactions were purely for the land that Mr. Ugyen Wangchuk had purchased.

As the above transactions were carried out with a clear conscience and were based on standard practice upon completing all the required formalities and approvals, I trust that the above submissions clear up any unjustified ambiguity surrounding this matter.

I am pleased to submit the following documents to validate the above statements:

- i. Copy of sale deed between Mrs. Tshering Dema & Mr. Jambay Wangchuk, Mr. Jigme Namgyal and Mrs. Jurme Chetsho.
- ii. Copy of sale deed between Mr. Ugyen Wangchuk and Mrs. Tshering Dema.
- iii. Office order No. RICBL/CID/2010/3049 designating Mrs. Jurme Chetsho as an authorized disbursing officer.
- iv. Transfer order No. RICB/GAD/HRD(28)HO/2016/2043 dated March 05, 2016.
- v. Summon order from Thimphu Dzongkhag Court dated September 6, 2019.
- vi. Written statement submitted to the Thimphu Dzongkhag Court on September 12, 2019.

Yours sincerely,



Jurme Chetsho  
Former employee of RICB



12<sup>th</sup> October 2022

The Chief Executive Officer,  
Royal Insurance Corporation of Bhutan,  
Thimphu, Bhutan

Sub: Response to show cause notice

Sir,

With reference to your letter no. RICB/CO/GAD/(01)/2022/10467 dated October 3, 2022 received on 11<sup>th</sup> October 2022 via Whats App, I would like to submit the following:

I would like to submit that the withdrawal of Nu. 186,000 (One hundred eighty-six thousand) only was not an unauthorized withdrawal but a withdrawal based on the telephonic authorization of the client Mr. Ugyen Wangchuk (contractor).

During that time, I was working as Sr. Assistant II, a low-level position and I do not have any authority to make withdrawal without the authorization from the client and further approval by the concerned appraisal officers. That time, Ms. Karma Choden from Lhuntse Dzhongkhag, wife of Mr. Ugyen Wangchuk approached me in the office asking me to help her with the withdrawal of the aforementioned amount from the loan account of Mr. Ugyen Wangchuk at the same time Mr. Ugyen Wangchuk also called me to help his wife with the withdrawal from his loan account as he was at one of his sites in eastern Bhutan. He also told me that his wife is illiterate and do not know anything. Putting the phone on a loud speaker mode, I approached the loan appraisal officer. After they confirmed with Mr. Ugyen Wangchuk on a cell phone, the withdrawal was then approved and forwarded to Accounts for payment. Accordingly, I received cash from the Cash Counter after signing the voucher which was prepared in my name. The cash was then immediately handed over to Ms. Karma Choden.

On my part, I have just given a handy help to Ms. Karma Choden, wife of Mr. Ugyen Wangchuk as they were the then the loyal client of RICBL.

I have submitted the same verbally before the Judge at Thimphu District Court and Mr. Ugyen Wangchuk submitted he had forgotten this fact and had unknowingly put up the matter to the court. He also submitted that he had confirmed that his wife had duly received the aforementioned amount and does not have any issues with me. The submission was made before the Judge, clerk, RICBL Appraisal officers, the RICBL legal representative and others present in the court. The court also informed that my part of the case is okay and I was not directed to submit all of these in writing since my verbal submission was also accepted by Mr. Ugyen Wangchuk.



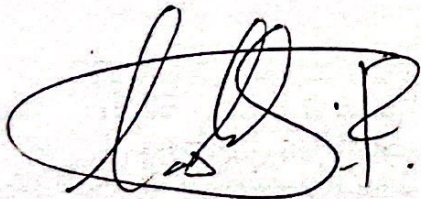
Unfortunately, these had not formed part of verdict of Thimphu District Court and the verdict also does not mentioned anything on implicating me. So, I was of the notion that the case as per as my part is concerned is resolved.

I would like to request RICBL management to verify my verbal submission and the acceptance by Mr. Ugyen Wangchuk with those present in the court that time.

I already resigned from RICBL in 2020 and till now my benefits is kept on hold because of the above issues which was actually resolved in the Thimphu District Court only. I am also waiting to receive my due retirement benefits.

I would like to reiterate that whatever, I had done during my tenure in RICBL was in good faith and for the greater benefit of RICBL as a whole.

Yours sincerely,



(Tashi Penjor)

Ex. RICBL Employee

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