

The background of the slide is an aerial photograph of a city in Nepal, likely Pokhara, showing a dense urban area with colorful buildings, surrounded by lush green hills and mountains in the distance under a blue sky with white clouds. A large, semi-transparent blue triangle is overlaid on the right side of the image.

NEPAL MONETARY POLICY 2019

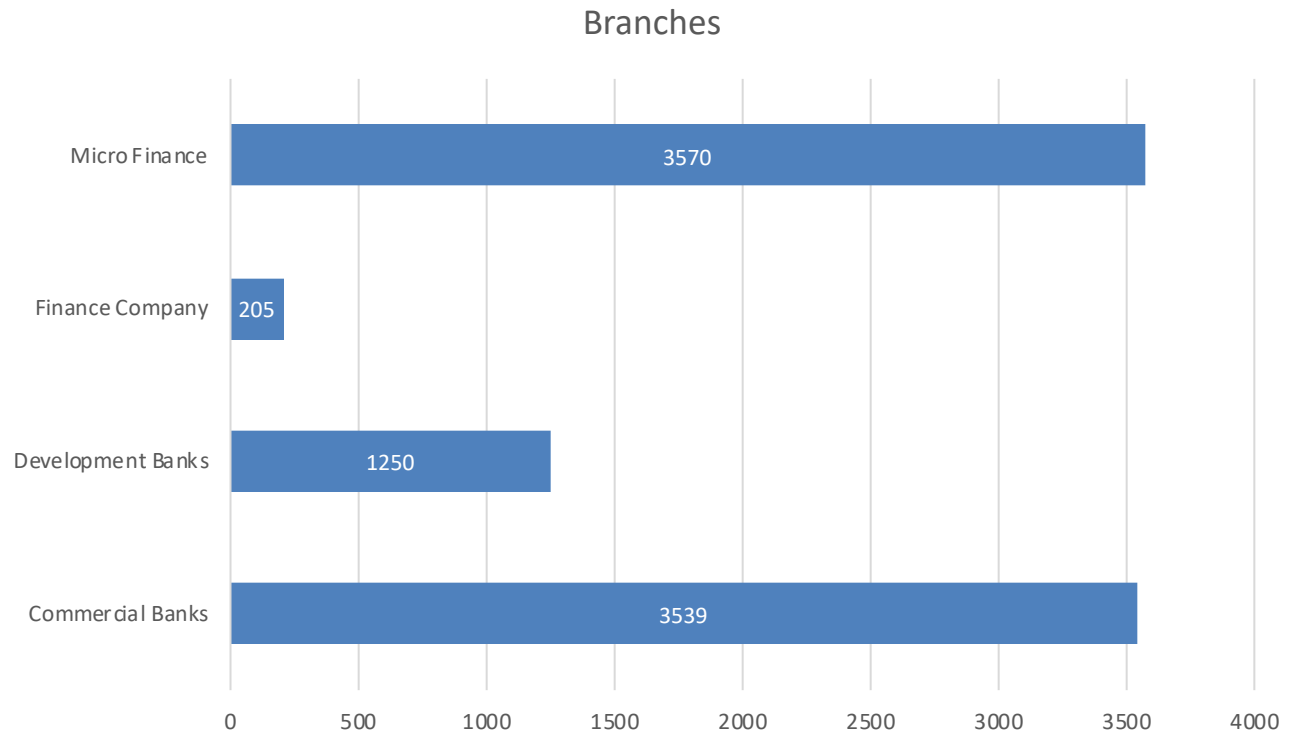
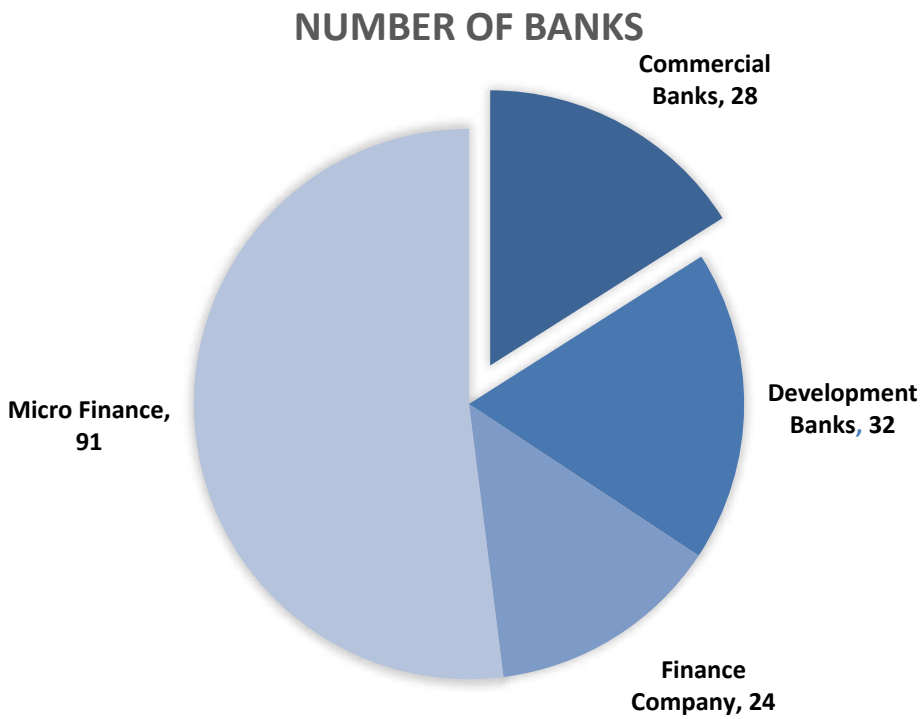
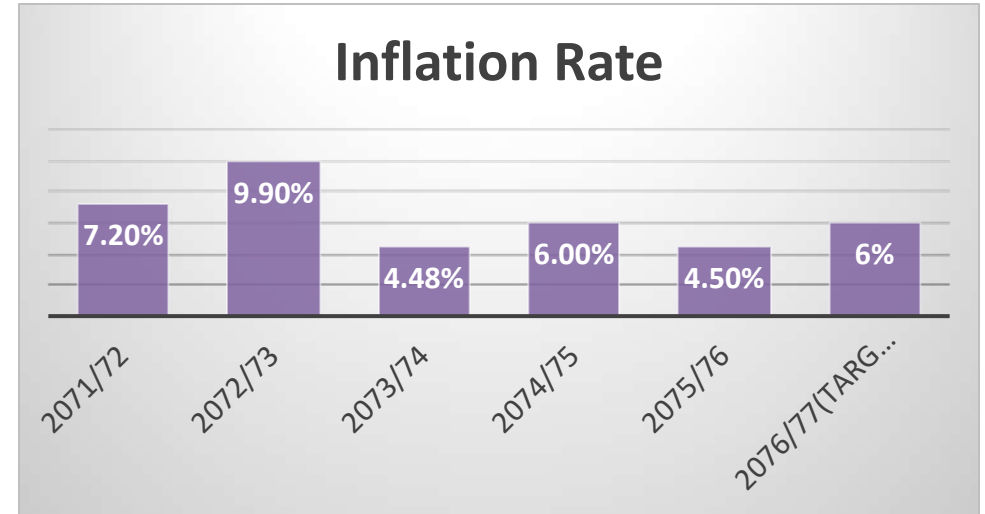
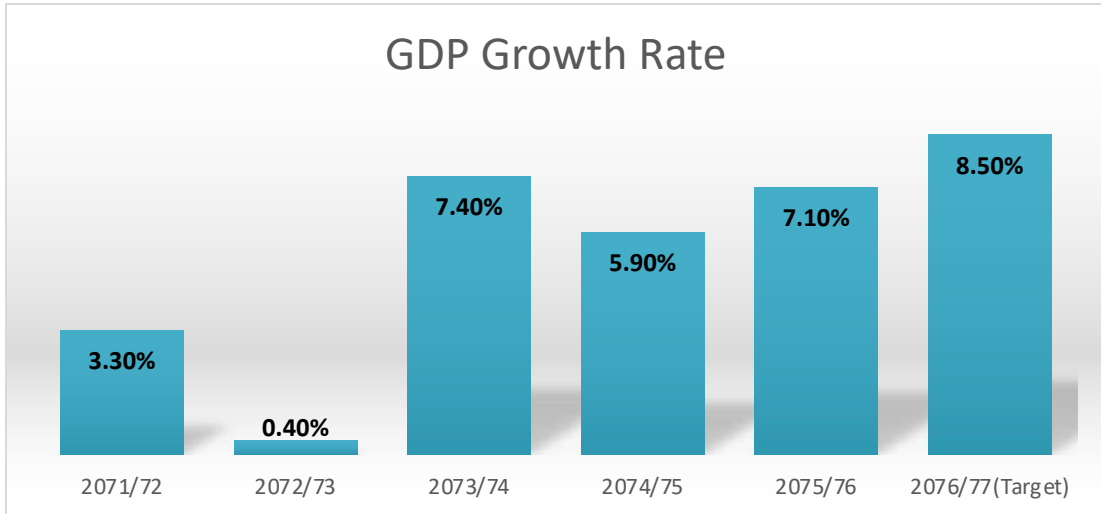
Highlights



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Economic Outlook



Economic & Monetary Target

- Monetary policy has targeted to Keep the inflation within 6% in FY. 2019/20.
- Foreign exchange reserves will be maintained to cover imports of goods and services at least for 7 months in FY.2019/20, which was 8 months in FY. 2018/19.
- Domestic credit is projected to grow by 24% and the private sector credit is projected to grow by maximum 21% in FY. 2019/20 which was 22.5% and 20% in FY. 2018/19 respectively.
- The bank rate, applied for the purpose of lender of last resort (LOLR) facility, has been reduced to 6% from 6.5%.
- General refinance rate provided by NRB has been reduced to 3% from 4%.
- BFIs are allowed to charge a maximum 7% interest rate on general refinance which was 8% in FY. 2018/19.





Credit & Source Management:

- BFIs can borrow loan from foreign Pension Fund and Hedge Fund previously it was from foreign commercial bank only.
- Interest rate for loan on convertible foreign exchange for BFIs has been changed to 6 Months LIBOR + 4% from 6 Months LIBOR+3%.
- BFIs can accept FD from Organizational Foreign Depositor and Non-Resident Nepali for the minimum period of 2 years in foreign currency and cent percentage of such amount can be utilize for providing loan in Nepali Currency.
- Limit has been provided to BFIs to collect deposit from single institution up to 10% of its total NPR Deposit.
- BFIs shall issue debenture at least 25% of Paid-up capital with in Ashad 2077, such amount can be utilized for the lending purpose by the BFIs.
- Policies to facilitate the gold to keep as deposit in BFI will be introduced.
- Personal Term Loan, Home Loan, Hire Purchase loan and Non-Business instalment loan are to be provided based on Debt Service to Gross Income Ratio- DTI.
- PAN shall be obtained by BFIs for the loan amount exceeding 50 lac which was 1 crore in FY. 2018/19.
- Infrastructure Development shall not invest in project having investment less than 30 crores.
- Spread rate between loan and deposit shall be 4.4% from current 5%.
- BFIs shall charge only 2% premium on base rate and shall not recover any service charge and prepayment charge on agricultural, entrepreneurship and business promotion loan up to 15 lakh. Moreover, such loan shall be approved with in 7 days from the date of receipt of application and if could not be processed reason shall be given to the customer.

Regulations

- Shareholder holding more than prescribed limit of share in more than one BFIs then such BFIs are kept in priority for Merger and Acquisition.
- Separate arrangement will be made for supervision of Systemically Important Bank.
- Financial consumer protection unit shall be established for grievance management of investor and Loanee.
- Permission for opening of Branchless banking shall not be required in local level across the country, where banking facility are not available..
- Development banks and Micro finance shall require to upload the details in go AML Software directly through core banking software.
- Provision of Countercyclical Buffer, Provision related to Liquidity Coverage Ratio and Net Stable Funding Ratio will be made.
- Policy will be made for opening of branch in foreign country by Nepali banks and Financial Institution.
- Basel II will be made full applicable for Development banks and Micro finance Intuition. Also Provision of stress testing will be made.
- Infrastructure Development Banks are also required to submit annual action plan within Sharawan end to NRB.
- BFIs are not allowed to sale any kinds of insurance of collateral other than directly related to loan, further insurance of collateral shall be done from the insurance selected by loanee.

Regulations for Microfinance

- Micro Finance can open the branch in Metro Politician, Sub Metro Politician and District head Quarter only after opening branch in other than mention places (i.e. 1 Branch in mention palace = 1 branch in other than mention place).
- Micro Finance must provide $1/3^{rd}$ of total credit in agriculture sector.
- Shareholder holding more than prescribed limit of share in more than one Micro Finance then such Micro Finance are kept in priority for Merger and Acquisition.

Facilities for merger and Acquisition:

For Commercial Bank:

- If Commercial banks are involved in merger/ Acquisition and mutual business being run up to 2077 Ashad end, following 5 additional facilities will be provided:
 - ✓ The deadline to float the required loans in the agriculture, Energy and Tourism Extended till Ashad end 2078.
 - ✓ Spread rate requirement of 4.4% of Merged Bank to be maintained up to Ashad End 2078.
 - ✓ Permission of NRB does not required for opening of new branches across the country.
 - ✓ Cooling period of 6 month for resignation from Board Member, CEO and DCEO shall not be applicable for appointment in merged entity.
 - ✓ Time limit for issuance of Debenture up to 25% of Paid up Capital will be 2078 Ashad End for Merged Entity and for rest will be Ashad End 2077.

For Microfinance:

- Micro Finance banks are involved in merger/ Acquisition, following 5 additional facilities will be provided:
 - ✓ Additional Time limit, to bring the loanee under single obligor limit.
 - ✓ Additional time limit to make the applicable capital fund ratio.
 - ✓ Cooling period of 6 month for resignation from Board Member, CEO and DCEO shall not be applicable for appointment in merged entity.
 - ✓ Limit for Rural Entrepreneurship limit with justifiable collateral has been extended form 10 Lakh to 15 lakh.
 - ✓ Staff salary, Allowances and facilities can be accepted as utilizable deposit.



Payment System Reinforcement

- RTGS System will be made in operation within the fiscal year, Nation Payment switch will be developed for of electronic payment and settlement in the country.
- Provision for non-levy of additional charged in transaction Through POS will be made.
- Cash Deposit Machine shall be established in Banks and Financial Institution.
- 10% of VAT of the related invoice will be deposited to bank account of buyer on purchase of goods or services through card or electronic mechanism.





Foreign Exchange Management

- Recommendation of respective regulatory authority shall be required for the remittance of money for the maintenance and purchase of software.
- Provision for Payment/Acceptance in foreign currency against Advertisement in Social Media shall be made.
- Foreign currency remittance will be utilized in national priority sector, Foreign Employment Saving Bonds and Citizens Saving Bonds sale shall be open throughout the year.
- Single point service center shall be made applicable for simplification of foreign investment inflow/Outflow.
- Keeping in Mind visit Nepal 2020, Provision shall be made for opening of foreign exchange counter in major tourism area.

Disclaimer:

The information contained in this document is compiled by NBSM and is exclusively for the information of its clients and staffs. However the detail study is recommended before taking any decisions on the matters contained herein.

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