NRB Unified Directives for Class A, B and C Licensed Institutions

Directive 14

Language mode: En

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SOURCE-GAP REFERENCE - NOT A COMPLETE DIRECTIVE

Circular No. 2 (A/B/C): Later amendment recorded; exact circular wording not reproduced.

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Generated: 2026-09-03

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Classification: PASS WITH EXPLICIT SOURCE GAP

Source document: NRB_Unified_Directives_2082_Bilingual_Compiled_Directives_1-21.docx

Official Nepali source pages: 118, 119, 120, 121, 122, 123, 124, 125, 126, 127

Legal Status: Original Nepali source text prevails.

Controlled English translation

Provisions Relating to Opening Branches / Offices

Preamble

Controlled English translation

In exercise of the authority conferred by Section 79 of the Nepal Rastra Bank Act, 2058, the following directives are issued in relation to the opening of branches/offices by Class “A”, “B” and “C” licensed institutions.

Source Page: 118

१ Provisions Relating to Opening Branches / Offices

Controlled English translation

(a) A licensed institution shall obtain prior approval of this Bank to open a branch office in a Metropolitan City or Sub-Metropolitan City. On the very day on which a branch office or extension counter commences operations, information relating to such branch or extension counter shall be updated in this Bank’s reporting portal and in the Supervisory Information System reporting portal.

(b) A licensed institution satisfying the following conditions may open a new branch office within its area of operation:
(i) a site-based feasibility study report shall be prepared showing that the proposed location for branch expansion is financially viable;
(ii) the minimum paid-up capital prescribed under the policy arrangements and directives of this Bank shall have been maintained;
(iii) the conditions prescribed by this Bank at the time of licensing shall have been fulfilled and the capital fund prescribed by this Bank shall have been maintained in the quarterly financial statement immediately preceding the opening of the branch;
(iv) arrangements shall have been made for immediate connection of the branch office to the information system at the central office through Networking or electronic means for exchange of information;
(v) the Board of Directors of the concerned institution shall have decided to establish/operate the branch office. Within 15 days from the date of such decision, an application for approval shall be submitted to this Bank in the form prescribed in Schedule 14.1. The branch office shall be opened and business commenced within six months from the date of approval by this Bank.

(c) Where the above conditions and arrangements are not fulfilled, this Bank may, in special circumstances, grant approval to a licensed institution to establish a branch at a location where such establishment is considered necessary.

(d) When granting approval for branch expansion, the feasibility study report shall also be considered, particularly where it demonstrates the potential increase in banking transactions, foreign employment/remittance business, and lending by the bank or financial institution to agriculture, energy, tourism and micro-enterprises in rural areas. The feasibility study report submitted for branch establishment shall include the capital and other costs of the proposed branch and the basis on which the proposed branch can operate profitably within three years from banking transactions other than inter-branch interest income of the same institution.

(e) Approval to open one branch in Kathmandu Valley, giving first priority to areas with low access to banking services, may be granted only after the institution has opened and brought into operation three branches outside Kathmandu Valley. Of the three branches opened outside Kathmandu Valley, at least two shall have been opened in a municipality or rural municipality.

(f) Where a licensed bank or financial institution purchases a branch of a bank or financial institution declared problematic by this Bank, the two institutions may purchase/sell the branch subject to prevailing law and their financial-administration regulations. Where such branch office of a problematic bank or financial institution situated in Kathmandu Valley or elsewhere is purchased and operated, the branch-purchasing bank or financial institution shall not be required to comply with the above branch-opening condition to that extent.
However, purchase/sale of the branch office of a bank or financial institution under special supervision but not declared problematic by this Bank shall be carried out only after obtaining prior approval of this Bank.

(g) Provincial Office:
(1) Class “A” commercial banks shall establish one provincial office in each Province.
(2) Class “B” and “C” financial institutions may establish provincial offices in each Province as necessary.
(3) The following arrangements/procedures shall be followed when establishing a provincial office:
(i) branch offices within the same district/Province shall be placed under one provincial office;
(ii) in addition to monitoring, inspection and audit of branch offices under it, the provincial office may perform other functions assigned by the central office, including study of credit files received from branch offices within its delegated limit and decision on approval, administration of approvals received from the central office, distribution/coordination among branch offices under it, feasibility studies and reports for new branch offices, coordination and supervision of branches in the Province, institutional governance, risk management, grievance handling and other administrative functions;
(iii) no banking transaction shall be carried out through a provincial office;
(iv) before opening a provincial office, the Board of Directors of the concerned licensed institution shall decide to open such office;
(v) within 15 days after the provincial office commences operation, information shall be provided to the Banks and Financial Institutions Regulation Department of this Bank and the concerned Supervision Department.

२ Provisions Relating to Closure, Relocation, Merger and Change of Address of Central Office, Branch or Other Office

Controlled English translation

(a) A licensed institution shall not close, relocate or merge a branch or any type of office without prior approval of this Bank. However, in the following circumstances the licensed institution may, by its own decision, consolidate branches situated within a Metropolitan City:
(1) considering the growth of electronic payment transactions and the significant number of branches, a bank or financial institution may consolidate/integrate its branches within a Metropolitan City;

(2) in the case of a branch established for a Government body or public institution, consolidation may be carried out only after obtaining the written consent of such institution;
(3) at least ten days before branch consolidation, notice shall be published for public information in a national daily newspaper, on the institution's website and on the notice board of the branch;
(4) where two or more branches are consolidated, arrangements shall be made so that customers of the branches being consolidated may repay their credit or discontinue other services during the period without any charge;
(5) within three working days after consolidation, particulars in the format of Schedule 14.2 shall be submitted to this Bank.
Explanation: "Consolidation" means the situation in which two or more branches of the same licensed institution are merged with one another and one branch remains.

(b) Where a licensed institution relocates a branch office within the same ward of a Metropolitan City, Sub-Metropolitan City or Municipality, or within the same Rural Municipality in the case of a Rural Municipality, it may do so pursuant to a decision of its Board of Directors and shall inform this Bank within seven days.

(c) Where a licensed institution wishes to change or relocate the address of its central/registered office (corporate office), it may do so after obtaining approval of this Bank and amending its memorandum and articles in accordance with prevailing law.

३ Provisions Relating to Office Hours

Controlled English translation

(a) On days Nepal Rastra Bank is open and during the period in which the banking office of this Bank carries out banking transactions, licensed institutions shall mandatorily keep their offices open and conduct banking business.
However, where a licensed institution operates outside the days and times when Nepal Rastra Bank is open or on other holidays, it shall provide written information to the Banks and Financial Institutions Regulation Department of this Bank and the concerned Supervision Department.

(b) In addition to the bank-holiday list issued by this Bank, where the Government of Nepal declares an emergency public holiday, licensed banks and financial institutions shall keep the necessary departments and offices open from 10:00 a.m. to 1:30 p.m. to provide essential banking services including cash transactions, cheque clearing and RTGS.

४ Provisions Relating to Extension Counters

Controlled English translation

(a) Licensed banks and financial institutions shall obtain approval of this Bank to open extension counters in Kathmandu Valley, Metropolitan Cities and Sub-Metropolitan Cities.

(b) A licensed institution seeking to open an extension counter shall have fulfilled the following conditions:
(i) maintained the minimum capital-fund ratio and paid-up capital prescribed by this Bank;
(ii) maintained the interest-rate spread prescribed by this Bank;
(iii) where the above conditions are not fulfilled, this Bank may, in special circumstances, grant approval to establish an extension counter at a location where such establishment is considered essential.

(c) A licensed institution fulfilling the conditions under paragraph (b) may be granted approval, on the basis of need, to open an extension counter within the premises, or within a maximum distance of 200 metres, of courts, hospitals, military barracks, universities, campuses, schools, Government offices, industrial areas and foreign diplomatic missions situated within Kathmandu Valley or a Metropolitan City, upon recommendation of the concerned body.

(d) No fund-based or non-fund-based credit/facility business shall be conducted through an extension counter.

(e) Where foreign-currency purchase/sale transactions are to be conducted through an extension counter, a licence shall be obtained from the Foreign Exchange Management Department of this Bank.

(f) A licensed institution shall designate a nearby branch for reconciliation of the accounts of an extension counter.

(g) Where an extension counter is converted into a branch, the policy procedure applicable to branch establishment shall be completed.

(h) Where an extension counter is established for Government transactions conducted through a Government body, prior consent of the Banking Department of this Bank shall be obtained irrespective of the level of local government in which that Government body is situated.

(i) In the 116 local levels without banking facilities identified in this Bank's Circular No. वै.व.नि.वि./नीति/परिपत्र/कक्षा/१८/०७४/७५ dated 2074/12/14, no bank/financial institution other than the commercial bank that has opened a branch office there shall be permitted to open an extension counter for three years from the date of the circular.

५(क) Class "A" Commercial Banks Establishing Branch Offices Abroad

Controlled English translation

Class "A" commercial banks licensed by this Bank may establish branch offices abroad subject to the following conditions and standards.

(1) A Class "A" bank satisfying the following conditions may, with approval of this Bank, open a branch office abroad:
(i) the minimum paid-up capital prescribed by this Bank has been met;
(ii) the capital fund prescribed by this Bank has been maintained regularly for the last five years;
(iii) the non-performing loan ratio has remained below 5 percent for the last five years;
(iv) during the current and immediately preceding fiscal year, the institution has not been subject to any action other than in relation to compulsory cash reserve;
(v) loan-loss provisioning requirements have been fully complied with;
(vi) under supervisory review, no additional Total Risk Weighted Exposure exceeding 2 percent has been imposed in relation to overall risk management.

(2) An interested bank meeting the qualifications under sub-clause (1) shall first apply to this Bank for a No Objection Letter together with:
(a) the decision of the Board of Directors;
(b) the Board decision together with detailed information on the benefits/risks/costs to the bank from the proposed branch office;
(c) a Feasibility Study Report showing financial viability of the proposed location, the proposed business plan, Comparative Cost-benefit Analysis, business strategy and types of transactions to be conducted, internal controls, risk management and details of the bilateral relationship between Nepal and the Host Country.

(3) After reviewing the documents submitted as above, this Bank may issue a No Objection Letter for opening the branch office.

(4) A bank wishing to open a branch abroad shall, after obtaining the No Objection Letter in accordance with the standards of the concerned Host Country, apply to this Bank for final approval. The following documents shall be submitted with the application for final approval:

(a) decision of the Board of Directors concerning establishment/operation of the branch abroad;
(b) evidence that the Assigned Capital prescribed by the regulator of the Host Country in which the branch is to be established has been fulfilled;
(c) the prescribed application form and the counterfoil of a voucher evidencing deposit in the specified Nepal Rastra Bank account of a non-refundable fee of NPR 200,000;
(d) self-declaration by the bank concerning the policy requirements of the regulator of the concerned country and the bank's ability to comply with them;
(e) documentary evidence of the existing law, policy and arrangements of the Host Country concerning repatriation to Nepal, in the same foreign currency or a convertible foreign currency, of the Assigned Capital taken abroad where repatriation is required, and remittance to Nepal of dividends/profits in foreign currency.

(5) Upon receipt of an application for final approval to open a branch office as above, this Bank shall make necessary inquiries and may grant final approval subject to the following conditions and any additional conditions considered necessary.

५(क) — शर्त तथा मापदण्डहरु Conditions and Standards

Controlled English translation

(a) Within six months after receiving final approval, the branch office shall be opened and brought into operation and this Bank shall be informed. If the branch office cannot be or is not brought into operation within the prescribed period, the approval shall automatically lapse and a fresh application shall be required under a new process.
(b) Approval of the Foreign Exchange Management Department of this Bank shall be obtained for foreign-currency expenditure required for operating the branch office.
(c) A written undertaking of the Board of Directors of the Parent Company in Nepal shall be submitted to this Bank stating that it will make available, when required by Nepal Rastra Bank, funds necessary to meet all liabilities arising from business conducted by the overseas branch and any other liabilities.
(d) Arrangements shall have been made for immediate connection of the overseas branch office to the information system for exchange of information.
(e) In the financial statements required to be submitted under prevailing arrangements to the Banks and Financial Institutions Regulation Department and Bank Supervision Department of this Bank, the financial statements of the overseas branch shall be submitted both on a Consolidated and Separate basis.
(f) A Class "A" licensed institution establishing an overseas branch shall not change the address, close or merge such branch without prior approval of this Bank.
(g) The bank shall comply with the capital-fund statement and capital-adequacy requirements prescribed by the regulator of the Host Country and by this Bank.
(h) Except for Assigned Capital designated for the overseas branch, no other funds, including mobilised deposits, or convertible foreign currency shall be transferred abroad for the branch.
(i) Authority to regulate and supervise all transactions of the overseas branch shall vest in Nepal Rastra Bank and the regulator/supervisor of the Host Country. Such branch shall be subject to regular periodic Off-site and On-site supervision under prevailing arrangements. The concerned bank shall assist supervisors deputed by Nepal Rastra Bank.
(j) Directives, circulars, guidelines and similar instruments issued by Nepal Rastra Bank to licensed banks and financial institutions shall, unless otherwise expressly stated, also apply to overseas branches. Nepal Rastra Bank may make special arrangements for such branches as necessary.
(k) Failure to comply with policy directives and law shall result in action and penalties in accordance with prevailing national and international practice.
(l) The bank shall, as far as possible, submit to this Bank banking procedures, credit directives and other documents used in operating the overseas branch. Information regarding any fine, penalty or governance-related action imposed by the regulator or supervisor of the Host Country shall be submitted within 15 days to this Bank's Regulation Department and Supervision Department.

(m) In operating an overseas branch, full compliance with the Asset (Money) Laundering Prevention Act shall be ensured.

५(ख) Class “A” Commercial Banks Establishing Contact / Representative Offices Abroad

Controlled English translation

(1) A Class “A” bank satisfying the following conditions may, with approval of this Bank, open a contact/representative office abroad:
(i) the minimum paid-up capital prescribed by this Bank has been fulfilled;
(ii) the capital fund prescribed by this Bank has been maintained regularly for the last three years;
(iii) the non-performing loan ratio has remained below 5 percent for the last five years;
(iv) during the last three years, neither the institution nor its directors has been subject to any action other than in relation to compulsory cash reserve;
(v) loan-loss provisioning requirements have been fully complied with;
(vi) under supervisory review, no additional Total Risk Weighted Exposure exceeding 2 percent has been imposed in relation to overall risk management.

(2) An interested bank meeting the qualifications under sub-clause (1) shall first apply to this Bank for a No Objection Letter together with:
(a) the decision of the Board of Directors;
(b) self-declaration by the bank concerning the policy arrangements of the regulator of the concerned country and the bank’s ability to comply;
(c) feasibility study report;
(d) annual financial statements for the previous three years.

(3) After reviewing the documents submitted as above, this Bank may issue a No Objection Letter for establishment of the contact/representative office.

(4) A bank wishing to open a contact/representative office abroad shall, after obtaining the No Objection Letter in accordance with the standards of the Host Country, apply to this Bank for final approval.

(5) Upon receipt of an application for final approval, this Bank shall make necessary inquiries and may grant final approval subject to the following conditions and any additional conditions considered necessary:
(a) within six months after receiving final approval, the contact/representative office shall be opened and brought into operation and this Bank shall be informed;
(b) approval of the Foreign Exchange Management Department of this Bank shall be obtained for foreign-currency expenditure required to operate the contact/representative office.

(c) Class “A” banks shall not be granted approval to establish a branch, contact office or representative office in countries listed by FATF as “High-Risk Jurisdictions subject to a Call for Action” or “Jurisdictions under Increased Monitoring”, or in countries included in the UN Sanction List.

६ Provisions Relating to Mobile Banking Service

Controlled English translation

Class “A” institutions and national-level Class “B” and “C” institutions may operate mobile banking service, by maintaining an office in a vehicle, in areas without access to banking facilities, subject to the following policy arrangements and conditions:

(1) Mobile banking service shall be operated/implemented throughout the country outside the Metropolitan City, Sub-Metropolitan City and Municipalities of Kathmandu Valley by designating a nearby branch of the bank as the contact/control office.
(2) Cash, Cash in Transit, the vehicle, employees and other assets involved in mobile banking service shall be insured.
(3) The concerned bank or financial institution shall itself identify and manage all risks, including security-system risks, arising in operating the service.
(4) No service charge other than prevailing approved service charges shall be collected from customers for mobile banking service. Transaction details and effects shall be reflected immediately in the customer's account.
(5) Approval of the concerned Government body or authority shall be obtained as necessary in relation to locations where mobile banking service is provided. Modern communication facilities shall be available to enable immediate contact with local police/administration as necessary.
(6) Depending on security conditions and the particular location, the institution operating mobile banking service may itself determine transaction limits.
(7) Only deposit and payment services in Nepali Rupees shall be provided through mobile banking.
(8) An armed security guard shall be present at locations where mobile banking service is provided.
(9) The bank's internal audit department shall establish standards to ensure the security of mobile banking transactions and include such transactions in internal audit.
(10) An institution operating mobile banking service shall not provide services other than customer deposit transactions and remittance services.
(11) The vehicle used to operate the service shall have sufficient facilities and an information system installed to provide the required services.
(12) Employees deployed for mobile banking shall maintain a vehicle log book and other documents proving that travel was made only within the approved geographic area.
(13) The bank's Network and Database shall be fully secure. If a technical problem affects deposit/payment transactions and damages the Database, the concerned bank or financial institution shall bear full responsibility for the loss.
(14) Arrangements shall be made for immediate transfer of Software Data to the institution's central information system and for exchange of information.
(15) The decision to conduct mobile banking transactions shall have been made by the Board of Directors of the concerned bank or financial institution.
(16) Mobile banking service may be provided only after obtaining prior approval of this Bank and subject to the above conditions, other prevailing law and the directives of this Bank.

७ Provisions Relating to Limited Banking Outlets

Controlled English translation

Licensed institutions may establish offices as Limited Banking Outlets (staffed regularly or on specified days) and provide banking services through such outlets in areas without access to banking services (excluding Kathmandu Valley and other Sub-Metropolitan Cities/Municipalities), subject to the following policy arrangements and conditions:

(1) The decision to provide limited banking service shall have been made by the Board of Directors of the concerned institution.
(2) An institution wishing to provide service through a Limited Banking Outlet may itself determine transaction limits.
(3) The concerned institution shall itself identify and manage all risks, including security-system risks, arising in operating the service.
(4) Adequate security arrangements shall be made at the location where limited banking service is provided.
(5) Cash, Cash in Transit, vehicles, employees and other assets involved in the Limited Banking Outlet service shall be insured.
(6) No service charge other than prevailing approved service charges shall be collected from customers for service through a Limited Banking Outlet. Transaction details and effects shall be reflected immediately in the customer's account.

(7) Only deposit and payment services in Nepali Rupees shall be provided through a Limited Banking Outlet; Cross Border Transactions and use of foreign currency in payment services shall not be permitted.
(8) The institution shall not provide services other than customer deposit, payment and credit transactions and domestic remittance services.
(9) The institution's Network and Database shall be fully secure. If a technical problem affects deposit/payment transactions and damages the Database, the concerned institution shall bear full responsibility for the loss.
(10) After completion of a transaction, Live Data Transfer shall be made to the nearest branch or central office so that information is immediately exchanged with the central information system, and appropriate Backup shall also be maintained. Such facility shall be provided at the designated location at least two days each week.
(11) The internal audit department shall establish standards to ensure the security of limited banking transactions and include such transactions in internal audit.
(12) Full compliance with customer-identification and anti-money-laundering directives shall be ensured when conducting transactions.
(13) Limited banking service may be provided only after obtaining prior approval of this Bank and subject to the above conditions, other prevailing law and the directives of this Bank.

८ Provisions Relating to Liaison Offices

Controlled English translation

(a) Banks and financial institutions shall not be required to obtain approval of this Bank to open liaison offices in Karnali Province and Sudurpashchim Province.
(b) Information regarding a liaison office opened under this provision shall be provided within 15 days to the Banks and Financial Institutions Regulation Department of this Bank and the concerned Supervision Department.
(c) A liaison office shall not be permitted to conduct deposit or credit transactions.
(d) The principal objective of a liaison office shall be to enhance financial literacy and support expansion of financial services.

९ Branches Opened without Completing Required Procedure and Conditions

Controlled English translation

Any branch opened without completing the procedures and conditions prescribed by this Directive relating to branches/offices shall be closed immediately, and no additional branch may be opened for the following two years.

१० Repeal and Saving

Controlled English translation

(1) The following directives previously issued by this Bank are hereby repealed:
Directive No. 14/081 issued under the provisions relating to opening branches/offices in the Unified Directives, 2081, and all circulars relating to the same subject issued thereafter up to Magh 2, 2082.

(2) Any acts or actions done or taken pursuant to the directives and circulars repealed under sub-clause (1) shall be deemed to have been done or taken pursuant to this Directive.

Schedules 14.1: Application Format to Be Submitted to Nepal Rastra Bank for Approval to Open a Branch/Office

Source Asset: asset-090-directive-14.png

Source Page Label: खण्ड "ख" २१६

Human Review Required: True

Schedules 14.2: Branch Consolidation Details

Source Asset: asset-091-directive-14.png

Source Page Label: खण्ड “ख” २१७

Columns

1. SN
2. Branch Name
3. Address
4. Name of Branch to Consolidate with
5. Address
6. Distance between two branches
7. Special approval if need *
8. Remarks

Note: Detail of special approval is required for branches established under the recommendation of a specific government and any other institution.

Human Review Required: True

Source and disclaimer

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