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

Directive 15

Language mode: En

C.M. & Associates, Chartered Accountants | Kathmandu, Nepal

SOURCE-GAP REFERENCE - NOT A COMPLETE DIRECTIVE

Circular No. 1 (A/B/C), FY 2083/84 dated 27 Aug 2026: Schedule 15.1 amendment recorded; exact wording not reproduced.

Missing material has not been invented, reconstructed, translated or fetched.

Generated: 2026-09-03

Contents

Directive 15: Provisions Relating to Interest Rates

SOURCE-GAP REFERENCE - NOT A COMPLETE DIRECTIVE

Circular No. 1 (A/B/C), FY 2083/84 dated 27 Aug 2026: Schedule 15.1 amendment recorded; exact wording not reproduced.

Missing material has not been invented, reconstructed, translated or fetched.

Classification: PASS WITH EXPLICIT SOURCE GAP

Source document: NRB_Unified_Directives_2082_Bilingual_Compiled_Directives_1-21.docx

Legal Status: Original Nepali source text prevails; English is a controlled facilitative translation.

Controlled English translation

Provisions Relating to Interest Rates

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 interest paid on deposits and interest charged on loans and advances by Class “A”, “B” and “C” licensed institutions.

Source Page: 128

1 Interest Rate on Deposits

Controlled English translation

Subject to prevailing law and the following provisions, a licensed institution may itself determine the interest rate on deposits and the method of calculation.

(1) The interest rate payable on deposits may be changed only monthly. Notice of the interest rates applicable to deposits (domestic and foreign currency) for the coming month shall be published before the commencement of the Nepali month. When publishing the interest rate, the annual interest-rate percentage shall mandatorily be published in a manner that does not create any confusion for customers. However, if the Bank Rate or policy rate determined by Nepal Rastra Bank changes, the interest rate may be changed and published immediately.

(2) When determining and publishing deposit interest rates, a licensed bank or financial institution may determine the interest rate by changing by not more than 10 percent the average maximum interest rate published in the previous month by all institutions of the relevant class (excluding individual deposit accounts in which only social-security allowance is deposited, fixed deposit accounts in which endowment-fund amounts are deposited, and deposit accounts in which only remittance amounts are deposited) and the average minimum interest rate (excluding call deposits). If, in determining the interest rate in this manner, the difference between the resulting maximum and minimum rates exceeds the limit prescribed by this Directive, either the maximum or minimum rate shall be maintained unchanged and the other rates shall be adjusted.

For example, if the average maximum interest rate published in the previous month by all Class “A” banks is 8.5 percent, a Class “A” bank may determine its maximum interest rate only up to 9.35 percent, being the rate obtained by increasing that average by 10 percent.

(3) For all types of domestic-currency deposit accounts bearing interest other than call deposits, the difference between the maximum and minimum interest rates shall not exceed 5 percentage points.

However, where only social-security allowance is deposited in an individual deposit account, or where an endowment-fund amount is accepted as a fixed deposit, nothing in this provision shall prevent a bank or financial institution and the customer from mutually agreeing to an interest rate higher than the above rate.

(4) The difference among interest rates provided on different types of savings accounts shall not exceed 2 percentage points. When increasing the interest rate on savings accounts or developing a new savings account, interest rates on all types of savings accounts shall increase correspondingly; similarly, when reducing interest rates, the rates on all types of savings accounts shall be adjusted downward.

(5) Where remittance received through the banking system from a Nepali in foreign employment is deposited in a remittance savings account opened or to be opened with a bank or financial institution, in a fixed account opened by transferring funds from such account, or where remittance sent by a Nepali in foreign employment in the name of a family member is deposited upon obtaining identification/evidence of the remittance, an additional interest rate of at least 1 percentage point shall be provided. Such deposits are exempt when calculating the interest-rate difference referred to in sub-clauses 4 and 5.

(6) On demand and other notice-based deposits (Call Deposit), interest exceeding fifty percent of the minimum interest rate provided on savings deposits shall not be paid. Cheques shall not be issued on such accounts.

(7) Individual fixed deposits with a term of less than three months and institutional fixed deposits with a term of less than six months shall not be accepted. A fixed deposit shall not be accepted on terms that allow the customer to withdraw funds before expiry of the fixed-deposit period while retaining the predetermined interest rate. In the case of an institutional fixed deposit, no amount shall be paid/refunded (Pre mature) before six months have elapsed.

(8) Even where an interest-bearing account becomes inactive for any reason, the interest due to the depositor shall be provided.

2 Base Rate

Controlled English translation

The Base Rate shall be calculated monthly in accordance with the attached Schedule 15.1, “Procedure Relating to Determination of Base Rate, 2069”, and a monthly statement in the format of Directive Form No. 15.1 shall be submitted to this Bank every month. The monthly Base Rate and the average Base Rate for the latest three months shall also be published on the institution’s website.

3 Interest Rate on Loans

Controlled English translation

Interest rates charged on loans and advances, the method of interest calculation, the method of imposing penal charges, service charges and commission rates may be determined in compliance with prevailing law and the following standards.

(1) When determining interest rates on loans and advances, the rate shall be linked to the “Base Rate” calculated in accordance with Schedule 15.1. The interest rate on a rescheduled or restructured loan shall also be determined on the basis of the Base Rate.

(2) The agreement entered into with the borrower when granting credit shall state a penal interest rate not exceeding 2 percentage points per annum. For the period in which penal interest applies, an amount exceeding the penal interest calculated on the unpaid outstanding amount from the due date for the period of delay shall not be charged, and interest shall not be charged on penal interest.

However, where an enterprise/business that has used credit of up to NPR 55 million from banks and financial institutions pays, by the end of Ashwin 2080, the principal and interest on the credit that were payable by the end of Ashadh 2080, arrangements shall be made not to impose any additional penalty or penal interest.

(3) Separate premium rates shall be fixed on the basis of the type of credit and repayment period, and the interest rates on loans and advances shall be determined and published monthly. Notice of the interest rates applicable for the coming month shall be published before the commencement of the Nepali month.

(4) When publishing interest rates, the premium rate to be added to the Base Rate for each loan heading shall be stated clearly. An increase in a published premium rate may be made half-yearly. Where the premium rate is to be reduced, the published premium rate may be reduced in a period shorter than half-yearly.

(5) When determining the interest rate on a loan or advance to a person or firm, the premium rate to be added to the Base Rate shall be clearly stated. For example, if a premium of 2 percentage points is to be added to the Base Rate in determining a customer's lending rate:
Loan interest rate = Base Rate + 2 percentage points.

(6) No loan shall be extended at an interest rate below the average Base Rate for the latest three months. However, this provision shall not prevent lending below the average Base Rate under a programme of the Government of Nepal, a Provincial Government or a Local Level that provides concessional-rate assistance/subsidy through banks and financial institutions for lending to specified sectors and classes.

(7) In determining the interest rate on loans and advances, the difference in rates among loans and advances of the same nature shall not exceed 2 percentage points.

(8) Banks and financial institutions shall publish a Fixed Interest Rate in addition to the Adjustable Interest Rate for all term-type loans they provide.

(9) The Offer Letter issued to the borrower shall clearly state the premium rate to be added to the Base Rate. The premium rate fixed shall not exceed the premium rate published at the time the loan application was received.

(10) Once a premium rate has been fixed, stated in the loan offer and the loan approved, the premium rate shall not subsequently be increased, nor shall a scheme be applied under which a discount is provided and the rate subsequently increases automatically. However, where the borrower does not use the loan for the purpose for which it was obtained and the loan agreement contains a provision to that effect, nothing in this provision shall prevent adding a penalty rate for misuse of the loan.

(11) When a borrower's credit limit is increased, or for a new loan extended by a bank or financial institution, the newly published premium rate shall apply.

(12) When a licensed institution determines the premium rate to be added to the Base Rate in determining the interest rate on loans and advances, it shall fully comply with Clause 4 of this Directive relating to the interest-rate spread.

(13) When changing a lending rate, it shall be changed monthly within the extent of the increase or decrease in the average

Base Rate for the latest three months.

However, this provision shall not prevent reducing the interest rate by more than the change in the latest three-month average Base Rate, increasing the interest rate in circumstances otherwise permitted, or maintaining the rate within the limits agreed with borrowers and depositors. The borrower shall be mandatorily informed in the Offer Letter whether or not the rate will change when the latest three-month average Base Rate changes. When an adjustable interest rate is linked to the Base Rate, the licensed institution shall arrange a system through its Core Banking System so that the interest rate changes automatically according to changes in the latest three-month average Base Rate. When increasing or decreasing rates, arrangements shall ensure that all customers receive the benefit equally.

(14) A licensed institution shall provide at least a one-percentage-point concession in the interest rate on deprived-sector credit extended, pursuant to Directive No. 17, to senior citizens, Dalits, freed Kamaiyas, Badis, Haliyas, conflict-affected persons, single women and differently-abled persons.

(15) Provisions relating to the interest rate on individual term loans:
(a) An individual term loan with a repayment period exceeding one year shall carry a Fixed Interest Rate that does not change. For this purpose, a licensed institution shall determine for each individual term loan exceeding one year a Fixed Interest Rate that remains unchanged throughout the repayment period.
However, where the customer wishes to take the loan at an adjustable interest rate that changes when the licensed institution's Base Rate changes, nothing shall prevent maintaining an adjustable interest rate at the customer's request.
(b) This provision shall apply to term loans in the name of individuals, including home loans/housing loans and auto loans/vehicle loans/hire-purchase loans, when such credit is approved/disbursed.
(c) For home loans/housing loans, auto loans/vehicle loans/hire-purchase loans and other term loans already extended in the name of individuals before issuance of this Directive and repayable monthly/quarterly/periodically, the loan terms shall be changed at the customer's request so as to maintain a Fixed Interest Rate.
(d) For compliance with this provision, a change in loan terms, repayment schedule or instalment amount shall not be treated as rescheduling or restructuring.
(e) The Fixed Interest Rate fixed for a new loan so as not to change throughout the loan period under paragraph (a) shall be determined and published only half-yearly.
(f) For a loan extended with a rate fixed for the entire loan period under paragraph (a), the interest rate may, with the borrower's written consent, be reviewed for the first time after seven years and thereafter every five years. The interest rate on such loan shall not be changed for any other reason.

(16) When a licensed institution grants credit to a fixed-deposit customer against the fixed-deposit receipt, the customer shall, at the time the fixed-deposit account is opened, be informed in writing whether the lending rate will be determined by adding a specified number of percentage points to the interest rate provided on the fixed deposit, or by adding a specified premium to the Base Rate; the customer's written consent shall be obtained. After such consent, the lending rate shall not be repeatedly changed.

(17) When a bank or financial institution provides wholesale credit to a microfinance financial institution under deprived-sector lending, the interest rate shall be determined by adding a premium of not more than 2 percentage points to the Base Rate.

4 Provisions Relating to Interest-Rate Spread

Controlled English translation

(1) The average spread between interest paid on deposits and interest charged on loans and advances shall be calculated every month using the formula in Schedule 15.2 and published on the institution's website. The average interest-rate spread shall also be published mandatorily when publishing each quarterly financial statement and interest-rate-related statement.

(2) From Chaitra 2079, the average interest-rate spread shall not exceed 4.2 percent for Class “A” commercial banks and 4.8 percent for Class “B” and “C” institutions. From Ashadh 2080, the spread shall not exceed 4.0 percent for Class “A” commercial banks and 4.6 percent for Class “B” and “C” institutions.

(3) A bank or financial institution shall maintain the average interest-rate spread referred to in sub-clause (2) on a monthly basis; if it fails to do so, all of the following actions shall apply. However, in the case of an institution declared problematic, such action shall not apply while the institution remains problematic or for two years after it is released from problematic status:
(a) prohibition on branch expansion at locations other than Local Levels without a commercial-bank branch;
(b) no refinance facility other than refinance provided to earthquake-affected persons;
(c) prohibition on declaration and distribution of cash dividends, except cash dividend for tax purposes in respect of bonus shares for that fiscal year;
(d) where the spread limit is exceeded in any month, it shall be brought within the limit by the end of the same quarter. If the spread is not brought within the limit within that period, action shall be taken under the Nepal Rastra Bank Act, 2058 against the Board of Directors and Chief Executive Officer of the institution violating the spread limit.

(4) The statement relating to calculation of the average interest-rate spread published under this provision shall be submitted to this Bank in the format of Directive Form No. 15.2.

5 Other Provisions Relating to Interest Rates

Controlled English translation

(1) Banks and financial institutions shall immediately provide the concerned customer, by SMS/email, information relating to changes in deposit and lending rates.

(2) Where interest on loans/advances is collected quarterly, arrangements shall also be made to credit interest to the relevant savings-deposit account every three months. Interest payable to depositors shall be provided on the daily balance.

(3) Where a decision is made to revise deposit or lending rates, or to increase or decrease the minimum balance required in a savings account, such decision shall be published immediately; and even where the existing interest rate continues unchanged, the rate shall be published monthly in a national-level newspaper and on the website of the bank or financial institution so as to inform depositors.

(4) When publishing interest rates, the annual percentage rate shall be stated.

(5) Within seven days after revision of an interest rate, details relating to deposit and lending rates shall be updated in this Bank’s Supervisory Information System reporting portal.

(6) Details of lending and deposit rates, the Base Rate and the interest-rate spread for the preceding three-year period shall be published on the website.

6 Repeal and Saving

Controlled English translation

(1) The following directives previously issued by this Bank are hereby repealed:
the directive relating to interest rates issued as Directive No. 15/081 under the interest-rate provisions of 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 15.1: Procedure Relating to Determination of Base Rate, 2069

Source Images

1. image98.png

2. image99.png

Source Pages

1. 218

2. 219

Controlled English translation

Base Rate = Cost of Fund percentage + Compulsory Reserve Cost percentage + Statutory Liquidity Cost percentage + Operating Cost percentage

Components

Id	En	Formula
2.1	Cost of Fund	Cost of Fund percentage = weighted average interest rate on domestic deposits and loans/borrowings
2.2	Compulsory Reserve Cost	Compulsory Reserve Cost percentage = (average compulsory-reserve amount Cost of Fund percentage) / average lendable-fund amount
2.3	Statutory Liquidity Cost	Statutory Liquidity Cost percentage = [net statutory-liquidity amount (Cost of Fund percentage - weighted average interest rate on Government securities)] / average lendable-fund amount
2.4	Operating Cost	Operating Cost percentage = (total operating expenses* 85%**) / average lendable-fund amount

Controlled English translation

1. The Base Rate shall be calculated on the basis of the latest-period financial statements and data. Annual-type expenses for which monthly data are not available shall be converted proportionately.

2. When calculating average Statutory Liquidity and average Compulsory Reserve, the minimum amounts required under directives issued by this Bank shall be used.

3. Total operating expenses shall comprise employee expenses and other operating expenses according to the profit-and-loss account in the financial-statement format prescribed by this Bank.

Base Source Footnotes

1. * Annualised on the basis of the immediately preceding period in the original source.

2. ** The original source estimates 15 percent of operating expense as attributable to non-fund-based business and therefore uses 85 percent for funded-business operating cost.

Later Amendment

Controlled English translation

Circular No. 1 (A, B and C), 2083/84 (27 August 2026), clarified the annualisation formula for operating cost in Schedule 15.1 and reduced the estimated operating expense for non-fund-based business from 15% to 10% of total income from that business.

Source Status: Supplied compilation amendment record; exact circular text is not reproduced in the base source images.

Publication Treatment: Display as an amendment note until the exact circular text supplied by NRB is available for verbatim consolidation; do not silently rewrite the original source image.

Schedules 15.2-formula: Formula for Calculating Average Interest-Rate Spread

Source Image: image103.png

Source Page: 223

Formula: Spread = [(Ic 365 / d) / C] - [(Id 365 / d) / D]

Variables

Ic

Controlled English translation

monthly interest income from loans and advances

Id

Controlled English translation

monthly interest expense on deposits

D

Controlled English translation

total days in the month

C

Controlled English translation

monthly average domestic loans and advances

D

Controlled English translation

monthly average domestic deposits

Explanations

En
Monthly interest income from loans and advances means interest accrued during the month on total loans and advances extended in domestic currency.
Monthly interest expense on deposits means interest expense accrued during the month on total domestic deposits.
Monthly average domestic loans and advances means the amount obtained by dividing the aggregate daily balance of loans and advances extended in domestic currency by the total number of days in the month.

En
Monthly average domestic deposits means the amount obtained by dividing the aggregate daily balance of domestic deposits by the total number of days in the month.

Forms 15.1: Statement Relating to Base Rate (Monthly)

Source Images

1. image100.png

2. image101.png

Source Pages

1. 220

2. 221

Base Rate Rows

Base Rate Rows 1

1. (क)

2. कोष लागत

3. Cost of Fund

Base Rate Rows 2

1. (ख)

2. अनिवार्य मौज्दात लागत

3. Compulsory Reserve Cost

Base Rate Rows 3

1. (ग)

2. वैधानकि तरलता लागत

3. Statutory Liquidity Cost

Base Rate Rows 4

1. (घ)

2. सञ्चालन लागत

3. Operating Cost

Base Rate Rows 5

1. (ङ)

2. आधार दर

3. Base Rate (sum of A through D)

Controlled English translation

1. Day

2. Domestic Deposits

3. Domestic Loans and Borrowings

4. Minimum Compulsory Reserve Required

5. Investment in Government Securities

Controlled English translation

For this purpose, only the income and expenditure of the immediately preceding month (and, where expenditure is required to be annualised or estimated, the corresponding expenditure of that immediately preceding month) shall be reported in the additional details under item (2) of this form and the Base Rate shall be calculated accordingly.

Forms 15.2: Average Interest-Rate Spread (Monthly)

Source Image: image102.png

Source Page: 222

Controlled English translation

1. Day

2. Domestic Loan/Advance Amount (NPR)

3. Domestic Deposit Amount (NPR)

Controlled English translation

1. Monthly Average (NPR)

2. Monthly Interest Income/Interest Expense (NPR)

3. Average Rate of Interest Income/Interest Expense (%)

4. Interest-Rate Spread (%)

Source and disclaimer

This material is provided for information and reference only and does not constitute legal, regulatory, tax or professional advice. Original Nepali text is authoritative. English is a controlled facilitative translation and is not an official Nepal Rastra Bank translation. In case of inconsistency, ambiguity or difference, the official Nepali Directive and applicable Nepal Rastra Bank circulars prevail. C.M. & Associates is not affiliated with, approved by or endorsed by Nepal Rastra Bank.