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

Directive 21

Language mode: En

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

SOURCE-GAP REFERENCE - NOT A COMPLETE DIRECTIVE

Circular No. 14 (A/B/C), FY 2082/83: Clause 48/overtime and renumbered repeal-saving recorded; exact wording not reproduced.

Schedule 21.3: Referenced in Clause 43; authoritative page absent from supplied D21 source set.

Schedule 21.4: Referenced in Clause 43; authoritative page absent from supplied D21 source set.

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Controlled English translation

Miscellaneous Provisions

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 miscellaneous provisions to be complied with by Class “A”, “B” and “C” licensed institutions.

Source Page: 180

1 Prohibition on Acting as an Insurance Agent

Controlled English translation

Banks and financial institutions shall not act as insurance agents. However, under the provision permitting licensed institutions to perform “other functions prescribed by Nepal Rastra Bank” pursuant to the applicable clauses of Section 49 of the Bank and Financial Institution Act, 2073, nothing shall prevent a licensed institution, in the course of lending, from arranging through an insurance company selected by the borrower: insurance of property pledged as loan security, insurance of the loan, or—where the loan is extended without collateral solely against personal guarantee—term life insurance of the borrower for the period of the loan.

2 Central Depository Service

Controlled English translation

Class “A” institutions and national-level Class “B” and “C” institutions licensed by this Bank may, under the provision in Section 49 of the Bank and Financial Institution Act, 2073 permitting other functions prescribed by Nepal Rastra Bank, act as Depository Participants in accordance with the Central Depository Service Regulations, 2067.

3 Use / Purchase of Computer Software

Controlled English translation

As the Copyright Act, 2059 recognises computer software as intellectual property and the use of illegal or counterfeit computer software is prohibited by law, banks and financial institutions shall exercise due care to avoid counterfeit or unauthorised computer software.

4 Capital Increase

Controlled English translation

In accordance with the policy announced in the Monetary Policy for FY 2072/73 to strengthen the capital base of banks and financial institutions, mobilise resources required for long-term development and promote financial stability, the following provisions apply to the minimum paid-up capital to be maintained by banks and financial institutions.

(1) Classification and minimum paid-up capital:

Class	National Level	Provincial Level*
“A”	NPR 8 billion	-
“B”	NPR 2.5 billion	NPR 1.2 billion
“C”	NPR 800 million	NPR 500 million

* Outside Kathmandu Valley. The area of operation/projects of such financial institutions shall remain limited to the specified districts within the specified Province.

(2) Banks and financial institutions that did not disclose in the Notes to Accounts of their audited and published financial statements for FY 2073/74 that they had achieved the prescribed minimum paid-up capital in accordance with the business plan/Capital Plan, including the clear timetable submitted by Bhadra-end 2072 for proportionate increase of capital to the level required by Ashadh-end 2074, shall be subject to:
(a) prohibition on declaration and distribution of cash dividend or bonus shares;
(b) prohibition on deposit mobilisation;
(c) prohibition on lending; and
(d) prohibition on branch expansion.
In addition, a bank or financial institution that fails to meet the prescribed minimum paid-up capital may be directed by this Bank to enter into a mandatory Merger/Acquisition process.

(3) Notwithstanding anything in this provision regarding the period for meeting paid-up capital, the following shall apply to problematic banks and financial institutions:
(a) an institution declared problematic and subsequently released from problematic status shall meet the prescribed paid-up capital within two years from the date of release;
(b) an institution declared problematic and undergoing resolution may be released after meeting at least 25 percent of the prescribed minimum paid-up capital, including Call in Advance, and maintaining the minimum capital-fund ratio; it shall then meet the prescribed paid-up capital within two years from the date of release;
(c) among the directives issued by this Bank, relaxation of up to two years may be granted, on grounds of need and justification, in respect of the CD Ratio and the minimum lending ratios prescribed for specified sectors and the deprived class.

(4) For financial institutions previously licensed under the special arrangement with an area of operation limited to one district:
(a) Class “B” and “C” institutions established under the special establishment provisions of the Policy and Procedural Arrangements Relating to Establishment and Licensing of Banks/Financial Institutions, 2063, with a one-district area of operation shall maintain the prescribed minimum paid-up capital by Poush-end 2076;
(b) institutions failing to maintain the paid-up capital within the prescribed period shall be subject to the prescribed actions.

(5) Class “B” and “C” licensed financial institutions shall operate either at provincial or national level. A non-national Class “B” or “C” institution shall maintain its area of operation within one Province subject to:
(a) a Class “B” institution with paid-up capital of NPR 1.2 billion and a Class “C” institution with paid-up capital of NPR 500 million may, with approval of this Bank, operate throughout one Province;
(b) until the paid-up capital under paragraph (a) is met, the institution shall remain limited to its currently approved districts;
(c) an institution operating branches in more than one Province shall, by Ashadh-end 2077, sell, close or relocate such branches so that its entire area of operation is limited to one Province;
(d) a provincial-level institution that has met the prescribed paid-up capital shall not expand into the remaining districts of its Province until branches in other Provinces have been sold, closed or relocated;
(e) notwithstanding paragraphs (b) and (d), a Class “B” institution with paid-up capital of NPR 500 million and a Class “C” institution with paid-up capital of NPR 400 million may, with approval of this Bank, expand its area of operation to adjoining districts within one Province, not exceeding five districts in total;
(f) in the course of upgrading to provincial or national level, merger/consolidation or acquisition shall be prioritised for meeting the paid-up capital requirement.

5 Long Form Audit Report

Controlled English translation

For external audits from FY 2081/82, the Long Form Audit Report shall use the attached Schedule 21.1 format. The institution shall arrange for the report prepared by its external auditor in that same format to reach this Bank.

6 Capital Plan

Controlled English translation

For purposes of a Capital Plan, “paid-up capital” means paid-up capital represented by ordinary shares, including bonus and rights shares; proposed bonus shares relating to ordinary shares may also be included.

7 Bank Rate

Controlled English translation

The Bank Rate applicable to credit made available by this Bank to licensed institutions is fixed at 5.75 percent.

8 Standing Liquidity Facility (SLF)

Controlled English translation

This Bank may provide a short-term Standing Liquidity Facility at the prevailing Bank Rate against Government of Nepal Treasury Bills and Development Bonds owned by the institution, up to 90 percent of face value.

9 Standing Deposit Facility (SDF)

Controlled English translation

This Bank may provide the Standing Deposit Facility on the basis of the conditions and standards under the Open Market Transaction Regulations and applicable eligibility procedure.

10 Counterparty Eligibility

Controlled English translation

Counterparty eligibility for open-market transactions shall be as provided in the Nepal Rastra Bank Open Market Transaction Regulations.

11 Lender of Last Resort Facility

Controlled English translation

Where required liquidity cannot be obtained through the interbank market, open-market operations or SLF, a bank or financial institution maintaining an account with this Bank may receive lender-of-last-resort support for up to six months at the prevailing Bank Rate against eligible cash balances, Government securities or other collateral.

12 Repo and Reverse Repo Auction Tenor

Controlled English translation

(a) The maximum tenor of repo and reverse-repo auctions shall be as determined by the Open Market Transaction Operation Committee.
(b) The SLF rate is 5.75 percent, the deposit-collection rate 2.75 percent and the policy repo rate 4.25 percent.

13 Foreign-Exchange Functions

Controlled English translation

Subject to approval of the Foreign Exchange Management Department:
(a) Class “B” and “C” institutions may obtain the prescribed licence and conduct Inward Remittance;
(b) they may purchase and sell Indian currency;
(c) national-level Class “B” institutions may accept foreign-currency deposits;
(d) national-level Class “B” institutions may buy/sell foreign currency, provide passport exchange facilities, open foreign-currency accounts and Nostro Accounts;
(e) Class “B” and “C” institutions may act as sub-agents of an approved bank and issue Debit and Credit Cards in Nepali and Indian currency;
(f) non-national Class “B” institutions may purchase foreign currency and sell it to Nepal Rastra Bank or commercial banks.

14 Domestic Remittance Business

Controlled English translation

A Class “B” development bank or Class “C” finance company may conduct domestic remittance business through an MOU with a Class “A” commercial bank, and Class “A”, “B” and “C” institutions may request approval to conduct domestic remittance through their own branches or agents while bearing all related risks.
A Class “B” development bank may, bearing all risks itself, provide domestic or foreign remittance services to its customers through its own branches/offices.

15 Preparation of Documents in Nepali

Controlled English translation

(a) Whenever a bank or financial institution extends any type of credit, documents prepared or caused to be prepared by the borrower and guarantor (person/firm/company/institution) and by the executing party (including the borrower/guarantor), including any deed, guarantee deed or consent deed, shall be prepared in Nepali in Devanagari script in accordance with prevailing law. Documents so prepared in Nepali may also be translated into English and retained in the records.

Documents used only in transactions with foreign citizens or in foreign banking transactions, such as letters of credit, are not required to be prepared in Nepali.

A bank or financial institution shall mandatorily prepare in Nepali in Devanagari script the Offer Letter, Loan Deed, Mortgage Deed, Hypothecation Agreement and Trust Receipt Agreement relating to credit. For the time being, Consortium Loan Agreements, Letters of Assignment and Letters of Guarantee may also be prepared in English.

Institutional arrangements shall progressively be made to prepare these documents in Nepali as well.

When preparing a deed/guarantee document, the guarantee amount, loan period, purpose of the loan, principal borrower, witnesses, name and address of the guarantor and identification particulars, and in other deeds the following matters, shall be mandatorily stated in the appropriate place.

Matters to be clearly stated in the deed:
(1) name, address and date of the concerned person and, in the case of an individual, citizenship/passport number and three-generation particulars;
(2) term, period and purpose;
(3) identification of the concerned person by the bank or financial institution;
(4) amount;
(5) witness;
(6) name of the concerned executing person for purposes of identifying the signature;
(7) other matters considered necessary.

(b) A licensed institution shall mandatorily arrange that correspondence, cheques/vouchers and other documents, except those used in international transactions, are also available in Nepali in Devanagari script.

16 Remittance through SWIFT Messages

Controlled English translation

A bank or financial institution connected to SWIFT (Society for Worldwide Interbank Financial Telecommunication) shall, when transacting with this Bank through a SWIFT Message, follow:
(a) where a remittance request is received by 3:00 p.m. Sunday through Thursday, the remittance shall be made on the same day;
(b) where the request is received after 3:00 p.m., the remittance shall be made on the next working day;
(c) where the request is received by 12:00 noon on Friday, the remittance shall be made on the same day;
(d) where the request is received after 12:00 noon on Friday, the remittance shall be made on the next working day.

17 Technical Services to Foreign Banks and Financial Institutions

Controlled English translation

Although the capital account has not been opened so as to permit capital investment abroad from Nepal, a Class “A” commercial bank may, with prior approval of this Bank and in relation to matters stated in its memorandum, provide Technical Services to foreign banks and financial institutions on a non-fund-based basis without making capital investment abroad.

18 Safe Deposit Vault / Locker Service

Controlled English translation

Safe Deposit Vault / Locker Service may be operated subject to the following conditions:
(1) the institution shall have met the paid-up capital prescribed by this Bank;
(2) the institution shall have separate directives/regulations for operation of the Safe Deposit Vault;
(3) the service shall be provided only to the institution’s own customers who maintain deposit or credit transactions with it;
(4) a Customer Due Diligence (CDD) system shall be established and implemented;
(5) locker users shall be classified as high risk, medium risk, low risk or Politically Exposed Persons and monitored accordingly;
(6) CCTV shall be installed before operation, together with a Fire and Smoke Detection Alarm System capable of transmitting an alert to the chief security officer of the concerned bank or financial institution;
(7) on the death of a locker user, the locker property shall be transferred to the person nominated by the customer;

(8) arrangements shall prevent prohibited items such as explosives, weapons, materials used in terrorist activities and narcotic substances from being stored, and a self-declaration shall be obtained from the customer confirming that such items are not stored;
(9) the Security Deposit taken from a customer for the service shall earn the interest rate provided on an ordinary savings deposit.

19 ATM Operation

Controlled English translation

Class “B” and “C” licensed institutions may operate Automated Teller Machines (ATMs) subject to:
(1) full responsibility for the security of infrastructure and the payment system resting with the concerned institution;
(2) clear publication of service-charge arrangements;
(3) nothing preventing the institution from performing this activity as a sub-agent under an agreement with a commercial bank licensed by this Bank pursuant to Clause 13(e);
(4) institutions other than national-level Class “B” and “C” institutions may maintain their own separate ATMs only within their approved area of operation and only to serve their own customers.

20 Transfer of Ownership and Possession upon Auction

Controlled English translation

When collateral is auctioned through bidding, ownership and possession of the property shall be transferred in the name of the concerned successful bidder person or institution.

21 Seizure of Ordinary / Promoter Shares

Controlled English translation

Where a person subject to action, or a member of that person’s same-household family, has invested in ordinary shares or promoter shares of a licensed institution, such ordinary/promoter shares shall be seized and auctioned and the proceeds shall be used for repayment of credit.

22 Signboards and Letterheads

Controlled English translation

Because signboards and letterheads may otherwise make it difficult for the public to identify the licence class and district area of operation of a financial institution, licensed institutions shall mandatorily state immediately below the institution’s name, in brackets, the following:

Licensed institution	Required wording
Class “A”	Institution licensed by Nepal Rastra Bank as Class “A”
Class “B”	Institution licensed by Nepal Rastra Bank as Class “B” (area of operation: ..... districts)
Class “C”	Institution licensed by Nepal Rastra Bank as Class “C” (area of operation: ..... districts)

Note: National-level financial institutions are not required to state the area-of-operation particulars.

23 Cheque Clearing and Payment

Controlled English translation

(1) When a licensed bank or financial institution makes payment of NPR 500,000 or more, payment shall mandatorily be made through an account-payee cheque or only to the account of the concerned person. Cheques drawn in the name of a firm, company, institution or office shall likewise be account-payee. However, cash above the stated limit may be paid in the

following circumstances:
(a) where a depositor or saver applies for payment of an amount held in a particular account and the circumstances and reasons stated in the application are considered reasonable.
The bank or financial institution shall maintain half-yearly particulars of monthly cash payments made under this provision.

Explanation:
For this purpose, cash exceeding the stated limit may, upon application, be paid for employee and labour remuneration/wages in priority infrastructure projects such as hydropower, roads and communications; supply of goods to Government bodies and projects; payment of Government revenue; deposit of amounts relating to legal proceedings, security or guarantees; pension payments; national-disaster relief, grants or assistance distributed through the Government; remittance payments by remittance companies/agents; and daily member transactions of savings and credit cooperatives, as listed in the preceding Nepali provision. Details of amounts so paid shall be submitted to the concerned bank or financial institution.
(b) cash transactions for daily business between banks and financial institutions licensed by this Bank.

(2) A cheque drawn by a bank or financial institution shall mandatorily use a cheque writer, cheque punch, cheque protector or ribbon writer in the blank area at the upper front of the cheque.
(3) Pursuant to Section 6 of the Negotiable Instruments Act, 2034, where the amount in figures differs from the amount in words, the amount written in words shall prevail.
(4) A bank or financial institution is not obliged to pay a cheque bearing on its face a stamp other than a Crossing/crossing-related stamp or the customary institutional stamp.
(5) A bank or financial institution is not obliged to pay a torn, ink-stained or altered cheque.
(6) A cheque presented for payment shall be clearly written entirely in either Nepali or English.
(7) Where a cheque drawn in the name of an institution is deposited by that institution itself, a clearly identifiable stamp of the institution shall mandatorily be affixed to the reverse. Where another person, firm, company or institution deposits it on behalf of the concerned institution, the stamp is not mandatory.
(8) The proceeds of a Nepal Rastra Bank cheque received through the specified mechanism shall be credited to the account of the person in whose name the cheque is drawn.
(9) A bank or financial institution is not obliged to clear or pay a cheque that does not comply with the electronic-clearing directives and guidelines issued by this Bank.

24 Employment of Non-Nepali Citizens

Controlled English translation

A licensed bank or financial institution may appoint and employ non-Nepali citizens subject to the following provisions.

(a) Management services from non-Nepali citizens:

(1) A bank or financial institution operating with foreign joint investment may enter into a Technical Service Agreement (TSA) with the foreign investor (Joint Venture Partner) and obtain management services only after obtaining approval in accordance with prevailing licensing directives and law.

(2) The TSA shall state:
(a) the positions and number of persons through whom management services will be obtained;
(b) the subjects and plans for which technical services will be provided;
(c) the term and fee of the TSA;
(d) remuneration and facilities of non-Nepali citizens deployed for management service;
(e) the source from which such remuneration and facilities will be borne;
(f) the service period of the non-Nepali citizen;
(g) compensation arrangements if the TSA is not performed; and

(h) other necessary matters.

(3) Non-Nepali citizens deployed under a TSA shall obtain labour approval under prevailing labour law and regulations before being employed.

(4) The maximum number of non-Nepali citizens deployed for management services shall be:
(a) up to three persons where foreign investment is from 20 percent to 50 percent;
(b) up to five persons where foreign investment exceeds 50 percent.

(5) The TSA shall have a term of five years and may be renewed annually. A non-Nepali citizen appointed for management service under the TSA shall not serve for more than four years. Remuneration may be borne from the technical-service fee. Where the licensed institution itself bears the remuneration, it shall be fixed in accordance with prevailing arrangements.

(6) Banks and financial institutions without foreign joint investment shall not obtain management services from non-Nepali citizens. However, where a bank or financial institution with Government of Nepal investment requires significant technical reform, it may enter into a TSA with a foreign bank or financial institution and appoint non-Nepali citizens for management services, subject to approval of the TSA period, service period and remuneration by this Bank.

(7) After expiry of a currently applicable TSA, the licensed institution shall enter into a new agreement subject to this provision.

(b) Appointment of non-Nepali citizens as employees:

Where skilled personnel are not available domestically for a specialised technical position, a licensed bank or financial institution may appoint a non-Nepali citizen subject to:
(1) clear provisions in its Staff Service Regulations regarding the technical position and selection process;
(2) first giving priority to Nepali citizens and publishing a national-level vacancy notice;
(3) proceeding with appointment of a non-Nepali citizen only where no suitable Nepali citizen is available even after such publication;
(4) Board determination of remuneration, basis of remuneration, service conditions and service period, followed by submission for approval of this Bank; service shall not exceed two years at a time, five years in aggregate, or seven years for a highly specialised technical position;
(5) obtaining labour approval under prevailing labour law before employment; and
(6) not appointing non-Nepali citizens to positions other than the specified technical positions.

25 Desk for Sick Industries

Controlled English translation

Licensed banks and financial institutions shall designate a separate desk under the credit department for record management, monitoring and assistance in resolving problems of sick industries.

26 Desk for Agriculture, Micro and Cottage Credit

Controlled English translation

(a) Licensed banks and financial institutions shall establish a separate desk under the credit department to increase the flow of and access to credit for micro, small and medium enterprises.
(b) To further promote lending to agriculture, micro and cottage sectors, commercial-bank branches conducting Government transactions for Rural Municipalities and Municipalities shall establish an agriculture, micro and cottage credit focal desk.

27 Refinance Facility

Controlled English translation

(a) Pursuant to Sections 49 and 50 of the Nepal Rastra Bank Act, 2058, refinance facilities shall be made available to Class "A", "B" and "C" licensed banks and financial institutions subject to the Nepal Rastra Bank Refinance Procedure, 2077.
(b) A bank or financial institution shall publish quarterly on its website details of borrowers who have received refinance.

28 Business Continuity Loan Procedure, 2077

Controlled English translation

(a) Banks and financial institutions shall extend Business Continuity Loans after completing the procedures under the "Business Continuity Loan Procedure, 2077" approved by the Government of Nepal, Council of Ministers, by decision dated 2077/07/27:

1) Credit limits under Section 6(1) shall be approved as follows:
(a) severely affected sector: annual remuneration of labourers/employees plus 50 percent for business continuity, or a maximum of NPR 100 million;
(b) moderately affected sector: annual remuneration plus 50 percent, or a maximum of NPR 70 million;
(c) less affected sector: annual remuneration plus 50 percent, or a maximum of NPR 50 million.

2) Such credit may be extended only up to 10 percent of the institution's Tier 1 capital.
3) In addition to Section 6(2), 30 percent of total credit under the Procedure shall be directed to cottage, small and medium enterprises.
4) No service charge other than third-party charges, including credit-information fees, shall be collected.
5) Banks and financial institutions shall arrange to receive loan applications through an online system.

(b) Banks and financial institutions shall publish quarterly on their websites details of borrowers receiving Business Continuity Loans.

29 Advertisements for Balance Certificates

Controlled English translation

Advertisements have been published claiming that bank balance certificates can be obtained for low fees. As such activity may not be carried out under prevailing law by persons or institutions other than banks and financial institutions licensed by this Bank, banks and financial institutions shall ensure that their customers do not arrange such advertisements or obtain bank balance certificates through such arrangements. Where a bank or financial institution is found directly or indirectly involved in publication of such advertisements or issuance of such balance certificates, action shall be taken under the Nepal Rastra Bank Act, 2058.

30 Account Freeze/Release Instructions through Website

Controlled English translation

(a) Account freezing and release shall be carried out in accordance with the Bank Account Freeze and Release Regulations, 2081.
(b) Freeze/release notices and instructions concerning accounts of persons, firms, companies and associations held with licensed banks/financial institutions are made available through http://aestatus.nrb.org.np. User IDs/passwords shall be provided for access. The concerned institution shall use the system, act through designated staff and send the required details to the concerned authority. Failure to implement the website notice/instruction shall result in action against the institution and the responsible employee.
After completion of freeze/release action, information shall be submitted through SIS in the NRB31 — Account Blocked and Released Details format.

31 Deposit / Fund Transfer of Excess Branch Cash

Controlled English translation

Branches/offices of banks and financial institutions in Nepal shall follow the prescribed arrangements for depositing excess cash or obtaining required cash through a convenient/nearby office of this Bank or through the designated nearby bank/office. The designated bank branch shall provide other banks and financial institutions with simple, convenient and accessible deposit/payment facilities.
However, with adequate security arrangements and prior approval of the central office, nothing in this provision prevents inter-branch/inter-bank transactions with nearby banks or branches/offices of the same bank or financial institution.

32 Foreign Account Tax Compliance Act (FATCA), 2010

Controlled English translation

Under the United States Foreign Account Tax Compliance Act (FATCA), 2010, non-U.S. financial institutions are required to report information concerning U.S. taxpayers and entities owned by them to the U.S. Internal Revenue Service. As banks and financial institutions licensed by this Bank are reporting institutions and, where there is no applicable Inter Governmental Agreement between Nepal and the United States, such institutions shall register at www.irs.gov/fatca-registration and provide the required U.S.-taxpayer account information. When providing account information under this Directive, the institution shall obtain the written consent of the concerned customer before disclosure.

33 System-Printed Evidence for Deposits

Controlled English translation

When customers deposit cash or cheques into an account with a bank or financial institution, arrangements shall be made so that System Printed evidence of the transaction is mandatorily stated on the voucher.

34 Implementation of Clean Note Policy

Controlled English translation

(1) Banks and financial institutions shall classify notes received into three categories: fit for circulation through ATMs and other machines; fit for circulation through counter payment; and unfit for circulation.
(2) A green slip shall be used on packages of notes fit for ATM/machine circulation.
(3) A white slip shall be used on packages of notes fit for counter circulation.
(4) A red slip shall be used on packages of notes unfit for circulation.
(5) The slips under items 2–4 shall state the name of the bank/financial institution, office/branch name and stamp, the name and employee ID of the note-counting employee, signature and date.
(6) Notes shall not be stapled. Rubber/plastic/paper bands may be used as necessary. Arrangements shall prevent writing, erasing, marking or damaging notes.
(7) Wet, rotten, burned, decayed, mutilated, insect-damaged, water-damaged, separated, defaced or torn notes, notes whose letters, figures, pictures or security features are unclear, or notes bearing inappropriate pictures shall be classified as unfit for reissue and shall not be circulated. Such notes shall be sent to the account-maintaining bank/financial institution, note chest or Nepal Rastra Bank.
(8) Only notes fit under items 2 and 3 shall be used for payment or exchange, and such notes shall be disinfected through an appropriate process.
(9) Drawers, furniture, vaults and materials used for transport of notes shall be kept clean, and note-storage vaults and transaction rooms shall have adequate lighting and ventilation, including Exhaust Fans where appropriate.

35 Digital Signature

Controlled English translation

A licensed institution may use Digital Signatures in banking transactions in accordance with the Electronic Transactions Act, 2063.

36 Counterfeit Notes and Coins

Controlled English translation

A licensed institution shall comply with the Nepal Rastra Bank Regulations Relating to Counterfeit Notes and Coins, 2077.

37 Cash Deposits through NCHL-IPS

Controlled English translation

Licensed banks and financial institutions shall implement internal procedures for cash deposits through NCHL-IPS at any convenient branch of another bank/financial institution for credit to the customer's own bank/financial-institution account or for Utility Payment to a service-provider account, covering at least:
(a) cash-transaction limits in accordance with prevailing directives;
(b) customer/depositor identification and verification, including an identity document and disclosure of the purpose of the deposit;
(c) a voucher stating at least the account-holding bank, account number, account-holder name and name of the cash depositor, together with a receipt;
(d) same-day notification where the amount cannot for any reason be credited to the designated bank/financial-institution account;
(e) informing customers of fees charged for use of the system.

38 Submission of Annual Work Plan

Controlled English translation

Each Class "A", "B" and "C" institution shall prepare an annual work plan for each fiscal year covering deposit liabilities and loans/advances, obtain approval of the Board of Directors and submit it mandatorily to the concerned Supervision Department by Shrawan-end. The Board shall review implementation quarterly and submit the review within 45 days after quarter-end. The work plan shall serve as a basis of supervisory monitoring by this Bank.

39 Annual Credit Rating

Controlled English translation

A Class "A" commercial bank licensed by this Bank shall obtain an annual credit rating from a national or international credit-rating agency from FY 2075/76 onward.

40 Information Technology System Audit

Controlled English translation

To reduce cybercrime in banking through electronic channels and promote cybersecurity, where a licensed institution introduces a new system, it shall conduct an Information Technology System Audit within one year after the system comes into use and thereafter mandatorily every two years.

41 Uniform Chart of Accounts

Controlled English translation

Class "A", "B" and "C" licensed banks and financial institutions shall implement the Uniform Chart of Accounts issued by this Bank from the beginning of FY 2076/77.

42 Special Provision Relating to Auditors

Controlled English translation

Where an auditor auditing a borrower's business/project certifies false balance sheets, profit-and-loss accounts, cash-flow statements or other financial statements, the bank or financial institution shall refer the auditor to the Institute of Chartered Accountants of Nepal for action in accordance with law.

43 Gold Deposits from Nepali Citizens

Controlled English translation

(1) Class "A" commercial banks may accept gold held by Nepali citizens as deposits subject to:
(a) Board-approved policy and detailed procedures, with information provided to this Bank within seven working days of the decision;
(b) testing mechanisms for purity and weight, accepting only gold of at least 995 fineness;
(c) secure vault/strong-room arrangements, segregation by purity and weight, and necessary controls including cameras and dual keys;
(d) publication of the branches authorised to accept gold deposits.

(2) When accepting gold deposits:
(a) minimum quantity: 25 grams;
(b) testing at the designated branch and issuance of a certificate confirming purity and weight;
(c) the customer shall choose at the outset whether principal/interest will be returned in gold or cash;
(d) the deposit term shall be at least three years and not more than five years, and may be renewed;
(e) the certificate shall state source/quantity, purity, interest rate, term and whether principal/interest will be received in gold or cash;
(f) the bank may, subject to its policy and risk management, sell accepted gold to dealers or keep it in the vault.

(3) The bank may determine the interest rate. Cash interest shall be paid quarterly; where interest is to be received in gold, Compounding Interest shall be calculated quarterly and paid in gold after maturity.
(4) Gold received and payable shall be accounted for at the market value prescribed by the relevant bullion federation on the respective date.
(5) Gold in the vault may be counted toward CRR and SLR within limits prescribed by this Bank; for CRR, gold deposits may be counted up to a maximum of 25 percent.
(6) Full KYC/CDD information shall be obtained and updated.
(7) The source of gold deposits of NPR 1 million or more shall be mandatorily disclosed.
(8) Premature repayment shall not be permitted.
(9) Credit up to 70 percent of the gold value may be granted against the gold-deposit certificate.
(10) The lending rate may be fixed at up to 2 percentage points above the interest rate paid on the gold deposit.
(11) Gold deposits and vault management shall be audited by the internal auditor at least half-yearly, including physical verification.
(12) This Bank may inspect/supervise the activity with or without prior notice.
(13) Statements under Schedules 21.3 and 21.4 shall be submitted to the Bank Supervision Department within seven days after month-end.

44 Good for Payment Cheques

Controlled English translation

Where the holder seeks additional assurance even though an unmarked cheque is otherwise a valid payable instrument, a Good for Payment cheque shall comply with:
1. the bank/financial institution shall place an amount equal to the cheque in a separate account, provide System Printed evidence on or with the cheque and maintain records; the amount shall be included under other deposit liabilities;
2. the cheque date shall not be later than the date on which it is marked Good for Payment;

3. internal-control and balancing arrangements shall be maintained and issuance details made available to the Chief Operating Officer;
4. no credit shall be taken or granted against a Good for Payment cheque;
5. at least two officers of the issuing office shall sign, stating code number, name, designation and date, and affix the institution's seal.

These requirements do not prevent issuance of a Good for Payment cheque payable to the Government of Nepal under prevailing policy. A licensed institution may also issue a Banker's Cheque/Manager's Cheque at a customer's request.

45 Restriction on Duplicate Accounts / Cards

Controlled English translation

A bank or financial institution shall not open more than one domestic-currency account of the same nature in the name of a natural person, nor issue more than one card of the same type (debit/credit) to one person.
The restriction does not apply to fixed deposits, accounts for distribution of social-security payments, National Reconstruction Authority grants or pensions, specified special-purpose accounts, accounts of minors, or joint accounts structured so that only one card is issued.

46 Credit of Cash Dividends and IPO/FPO Refunds

Controlled English translation

A bank or financial institution shall arrange for cash dividends payable to shareholders to be credited to the shareholder's account. Where an investor does not receive the shares applied for in an IPO/FPO, the refundable amount shall be credited to the account stated in the application form.

47 Action for Non-Compliance with Unified Directives, 2082

Controlled English translation

Failure to comply with the Unified Directives, 2082 shall result in action pursuant to Section 100 of the Nepal Rastra Bank Act, 2058.

Schedules 21.1: Long Form Audit Report

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1. Institution name

2. Year ended Ashad / corresponding July

3. Auditor / Audit Firm

Outline

1. 1. AUDIT APPROACH

2. 2. RISK MANAGEMENT SYSTEMS

3. 3. INTERNAL CONTROL SYSTEMS

4. Corporate Governance / Board and Management

5. Capital Adequacy and Capital Management

6. Asset Quality / Credit Portfolio and Loan Classification

7. Earnings / Profitability

8. Liquidity and Market Risk

9. Information Technology / Cyber Security

10. AML/CFT and Compliance

11. Other regulatory observations and auditor certification

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