

TRU Flash Alert

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NRB Unified Directives 2075

Background

Nepal Rastra Bank (NRB) has issued Unified Directives 2075 on 20 Bhadra 2075 for A, B and C class licensed financial institutions. The directive covers amendments and circulars issued by NRB till Shrawan end 2075.

Major changes

The directives include amendment in categorisation of loan, scope of Licensed 'C' class financial institutions, limit on issue of debenture and format of NFRS based financials etc. Detailed amendment in directive as issued by NRB can be accessed through the link provided under resources. Some of the key changes are:

1. Change in category of loan:

Category	As per Unified Directive 2074	As per Unified Directive 2075
Pass (1%)	- Not expired, or - Overdue up to 3 months	- Not expired, or - Overdue up to 1 month

2. Licensed 'C' class financial institutions will now be able to provide overdraft loan.
3. Licensed 'C' class financial institutions can also purchase debenture and other instruments issued by the NRB.
4. The loan limit for the loans against inaccessible agricultural land has also been increased to NPR 2 million from NPR 1 million.
5. NRB has discarded the Financial Revival Fund. Similarly, banks cannot capitalize interest accrued in the grace period, whereas in case of national priority projects, the BFIs can capitalize the interest after taking prior approval from NRB.
6. Prior approval of NRB is required to include Bargain purchase gain arising on merger and acquisitions in Common Equity Tier 1 Capital.
7. Through an amendment in Unified Directive 2075, lending to firms and companies where CEOs and managerial level staff have financial interest are prohibited. Financial interest is defined in BAFIA 2073 as shareholding of 10% or more directly or indirectly. The earlier directive permitted loans to be extended where above persons had less than 50% holdings in such entities.
8. The threshold to issue debentures has been enhanced to 100% of core capital by 'A' and 'B' class financial from the existing 50% with necessary approval from NRB.
9. NRB vide its circular no 4 dated 32 Ashad 2075 issued format for preparation of NFRS based financial statements. In the revised directive, there has been few amendments in the format on Disclosure for First time adoption of NFRS, Segment Reporting and additional details to be covered in the disclosure of Capital Management.

Resource

NRB Unified Directives: https://nrb.org.np/bfr/circular/2075-76/Directives--Unified_Directives_2075-new.pdf

Summary of amendments: https://nrb.org.np/bfr/circular/2075-76/2075_76_For_A_,_B_&_C_Class--Circular_04-Attachment_Amendment_to_Unified_Directive,_2074-new.pdf

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