

Flash Alert

12 August 2021



Guidelines for Investment Companies

Guidelines for establishment of Investment Companies

The long awaited guidelines for establishment of investment companies specified in S.No. 65 of Schedule 8 of the Industrial Enterprises Act, 2076 (IEA) has been issued by the Ministry of Industry, Commerce and Supplies in the Nepal Gazette on 9 August 2021 (25 Shrawan 2078).

The guideline includes covenants which requires the investment companies to specify the areas of investment at the time of industry registration, and if it is a company established with foreign investment, the detail of the ultimate beneficiary is to be compulsorily disclosed.

The guidelines restrict any subsequent investments by the investment company only in industries classified by the IEA and those open to foreign investment under the Foreign Investment and Technology Transfer Act 2019 (FITTA). The investments can only be made through share capital and not through bonds, debentures and loans and undertaking activities permitted by the Bank and Financial Institutions Act 2073 will be strictly prohibited.

The minimum investment to establish an investment company has been fixed at Rs 1 billion and the currency of investment has to be specified at the time of registration. The capital to be infused and repatriation of profits and capital shall be in accordance with the policies and directives issued by the Central Bank from time to time following the procedures specified in FITTA for companies established with foreign investment.

Additionally, the guidelines prohibits foreign investment companies to infuse capital from Shell companies, purchase shares or debentures from the secondary market of NEPSE, invest in securities of brokerage firms, market makers and real estate and undertake activities of cooperatives established under the Cooperatives Act. It cannot also avail loans from Nepali BFIs directly or against bank guarantees issued by foreign BFIs and enter into financial transactions with Shell banks.

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