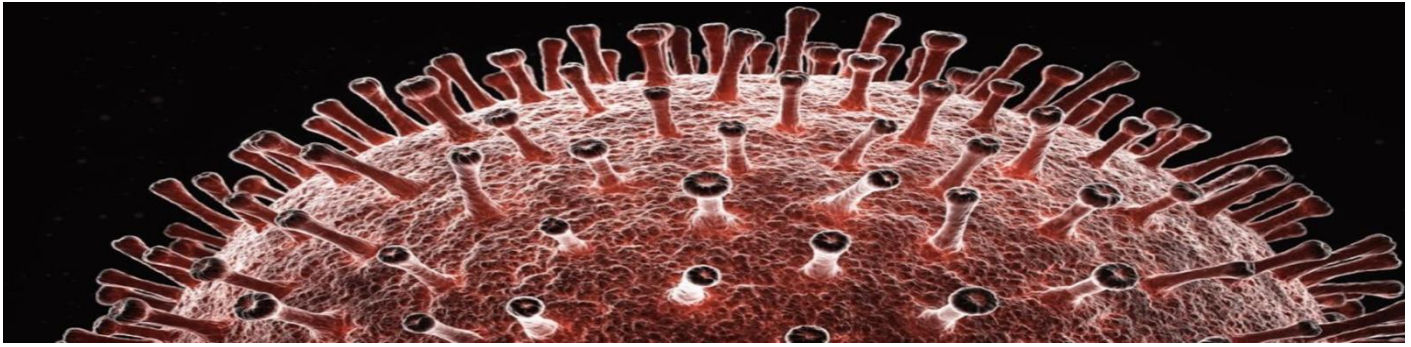


TRU COVID-19 Flash Alert



COVID-19 – Relief Measures Announced by Nepal Rastra Bank (NRB)

NRB on 29 March 2020 announced the following relief measures for all Banks and Financial Institutions (BFIs) and Borrowers considering the current impact caused by pandemic COVID-19 on tourism, industries, businesses and financial sector.

1. Relief to BFIs

- a) Class A, B and C BFIs are required to maintain **cash reserve ratio** of **3%** against the prevailing 4%.
- b) **Bank rate** has been fixed at **5%** for lending to BFIs under prevailing laws against the existing 6%.
- c) Standing Liquidity Facility (SLF) rate, which works as a ceiling in interest rate corridor, has been fixed at **5%** (previously 6%), repo rate has been fixed at **3.5%** (previously 4.5%) and lower rate for collection of deposit is fixed at **2%** (previously 3%).
- d) The limit of refinancing fund as established by NRB is now set at **Rs 60 billion** against Rs 50 billion.
- e) Loans and advances are **not required** to be categorized under **lower category** as result of delay in collection i.e. collected within Ashadh 2077 (mid-July 2020) of monthly/quarterly installment originally due during Chaitra 2076 (mid-April 2020).
- f) Loans and advances not renewed during the month of Chaitra 2076 (mid-April 2020) are **not required** to be categorized under **watch list loan** on account of delay in renewal.
- g) Amount contributed by BFIs towards COVID-19 infection, prevention, control and treatment funds established by the Central and the Provincial Governments can be claimed as spending on Corporate Social Responsibility (**CSR**).
- h) Loans provided to private health service provider institutions for the expansion of their services to make them capable of treating COVID-19 patients shall be considered as **priority sector lending**.
- i) Countercyclical buffer requirement under Capital Adequacy Framework 2015 has been **suspended**.

2. Relief to borrowers

- a) BFIs shall arrange to extend due date of collection **till Ashad end 2077 (mid-July 2020)** of those monthly or quarterly installment on loans and advances (including credit card) which are due during the month of Chaitra 2076 and for such delay payments, **no penal interest or charges** shall be collected.
- b) **10% discount** on interest shall be provided to borrowers on payment of monthly or quarterly installment due during Chaitra 2076. However, such interest after discount shall not be lower than base rate.
- c) The tenure of all type of short term loans extended for working capital nature to be repaid during Chaitra 2076 can be extended by **further 60 days**.
- d) Borrowers of tourism and transportation sectors who were regular in repayment of loan and interest up to end of Poush 2076 (mid-Janay 2020) shall be facilitated with new loans on requirement basis **within 5 days** of application and processing fee for such new loan shall not exceed **0.25% of loan**.
- e) BFIs shall arrange to process and issue loan to needy applicants/borrowers by fulfilling necessary requirements **within 5 days** for the purpose of import and supply of medical supplies, medical equipment, food supplies and other necessary items as listed or recommended by Department of Health Service for prevention, control and treatment of COVID-19.
- f) BFIs **capitalizing interest** on loans till Poush 2076 and Chaitra 2076 with approval from NRB, can now further capitalize up to end of Ashad 2077 (mid-July 2020).
- g) **SMEs** affected by COVID-19 pandemic shall be given **priority** for use of NRB's refinancing facility.
- h) Those people not able to travel for foreign employment though having granted visa approval due to COVID-19 pandemic can apply for concessional loan to start his/her own business or industry. Proper arrangement shall be made for approval of such loan within **7 days** of application.

PKF Nepal's Comments

These relief measures are announced by the Central Bank targeting the BFIs and its borrowers. It is expected that GoN and its agencies are working on finalizing relief packages benefitting those impacted by the Covid-19 pandemic and would soon announce such measures. PKF Nepal shall bring these announcements to its clients and staff through the Flash Alerts as it is made public.