

## Newsletter – March 2020

### PKF Nepal Updates Annual Retreat Program 2076

PKF T R Upadhy & Co. organized its annual retreat on 27 & 28 February 2020 at Balthali Village Resort, Panuati, Nepal. The day started with TRUIans leaving for the resort at 8 AM. After an hour's hike from Khopasi, the drop off point, everyone was welcomed at the resort with a drink followed by lunch. Then, TRUIans involved themselves in sightseeing and games. In the evening, everyone relished with music and dance along with unlimited snacks, campfire, drinks and barbecue. Next day started with energetic breakfast and short hiking around Balthali village. The retreat provided opportunities to bond with each other.



### PKF Nepal welcomes newly joined staff



PKF Nepal welcomes newly joined staff Apsana Shrestha, Sunil Ghimire, Subash Bhatta & newly joined articles Rajan Lopachan, Rojina Gautam, Mahesh Kafle, Sumann Adhikari and Rakshya Poudel to the PKF family.

### Staff leaving PKF Nepal

PKF Nepal extends its best wishes to all its family members who decided to pursue their career in other entities. PKF Nepal express its gratitude to the staff viz. Narendra Chaudhary, Shambhu Budhathoki, Nayan Pradhanaga & Ramesh Prasad Sah for their valuable contributions to PKF Nepal.

### Recent Updates Mid-term review of monetary policy

Nepal Rastra Bank (NRB) issued mid-term review of the monetary policy 2076/77 on 19 Falgun 2076. The review focused on bringing sustainable solution in managing interest rates, stability in financial sector and outreach of financial services in local level etc. General Inflation rate is maintained at 6.4% for the 6-month review period which is above the expected rate of 6%. Reduction in the average base rate of commercial banks to 9.45% is achieved till mid-January 2020 compared to 9.80% in mid-July 2019. NRB is continuing its effort for the merger/acquisition of the BFIs where it has been relatively successful except in the Class 'A' BFI. Till mid-January 2020, 185 BFIs have merged or been acquired. It has also proposed various programs to achieve its targeted outcome. To view details [click here](#)

### Directive on gold deposit

Using power conferred by the section 79 of the Nepal Rastra Bank Act 2058, NRB has issued directive on gold deposit where the banks can accept minimum of 25 grams gold as deposit and pay interest to the depositors. However, to accept the deposit banks shall fix a separate

mechanism to measure purity and weight of gold. The duration of deposit of gold shall be 3 to 5 years. Customers depositing gold can choose to take interest & principal either in cash or gold.

As per the provisions, consumers should disclose source while depositing gold worth up to Rs 1 million. The banks shall issue Gold Certificate to the depositors which can be easily tradable in the market and/or the certificate holder can take loans up to 70% of the deposit value with the certificate as collateral. The gold deposits that banks receive can't be taken out as loan, but can be used to fulfill the cash reserve ratio (CRR) and statutory liquidity ratio (SLR) requirements set by NRB. Banks can have a maximum of 25% of CRR in gold. For details [click here](#)

### Amendment in the limit of deductible income

Government of Nepal has increased limit for deductible income by making amendment in the Rule 21 of the Income Tax Rules 2059 issuing a notice in Nepal Gazette on 12 Falgun 2076. Through this amendment natural person registered in Social Security Fund, shall be allowed to deduct actual contribution or Rs 500,000 or 1/3<sup>rd</sup> of the assessable income whichever is lower for the calculation of taxable income.

### Notice by Department of Industry

Department of Industry (DOI) published a notice requesting industries to submit application for extension to operate the industry which has not yet come into operation for various reasons by 28 Baisakh 2077. Failure to submit such an application will automatically result in deregistration of such industries from DOI. For notice [click here](#)

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### Amendment in the four regulations by the SEBON

Effective from 1st Falgun 2076, SEBON has amended Merchant Banker Regulation, 2064, Securities Business (Stock Broker, Dealer & Market Maker) Regulation, 2064, Mutual Fund Regulation, 2067 & Securities Registration and Issue Regulation, 2073. For notice [click here](#)

Major changes of amendment are as follows:

### Amendment in the Securities Business (Stock Broker, Dealer & Market Maker) Regulation, 2064

- Person licensed to carry out securities business shall disclose source of investment as per anti money laundering prevention act.
- 'A' class licensed institutions or institutions established through the special provision are allowed to carry out securities business only through subsidiary company with minimum 51% of shareholding.
- Provision of acquisition & merger of Securities brokerage firms is established with the amendment.
- Securities brokers are allowed to provide margin transaction facilities and securities business person can act as broker, institutional investor or underwriter.
- Securities broker and business person shall set aside reserve for institutional risk management and stability of the organization.
- The paid-up capital of Securities entities dealing in securities shall be at least Rs 200 million.

### Amendment in the Securities Registration and Issue Regulation, 2073

- Book building method has been proposed to value the price of the scripts through initial public offering.
- BoD and shareholders shall not be blacklisted.
- Time limit for IPO has been reduced from 30 days to 15 days.
- The decision to issue right shares by the BoD shall be ratified by the general meeting within 2 months of such decision
- Shareholders of listed entities can sell their shares maintaining at least 10% of their holding through sale proposal.
- Licensed institutions can issue debentures, bonds & other securities in foreign currency in foreign capital market.

### Amendment in the Business (Merchant Banker) Regulation, 2064

- BoD member or CEO are not eligible to hold any post in securities brokerage firm, central depository services, merchant banking or credit rating agency as it increases conflict of interest.
- Source of investment shall be disclosed as per AML prevention act.
- Merchant banker shall set aside reserve for institutional risk management and stability of the organization.
- While selling and transferring or issuing new shares of merchant bank selling price shall be used for board approval.
- Provision of adding up or decreasing the function of merchant banker is established.

### Amendment in the Mutual Fund Regulation, 2067

- Insurance company and non-banking financial institutions established through

special provisions can operate mutual fund management services.

- In order to attract investors towards mutual fund investment, Mutual Fund Management Unit shall not take any fee while selling the investment while fee for purchasing has been fixed at only 1.5%.
- Selling /purchasing of mutual fund schemes through branches has been established through amendment.

### NRB Amends RTGS System Rule, 2019

NRB has amended the Real Time Gross Settlement (RTGS) System Rule, 2019. The amendment in Appendix – 5 of the rules is related to change in one-off joining fee and annual subscription fee. For more details [click here](#)

### Insurance Board Guidelines and Directives

The Insurance Board has issued three directives/guidelines viz. Information Technology Guideline of Insurers, 2076, Risk Management Guidelines for Insurance Company, 2076 and Micro Insurance Directive, 2076 with immediate effect. For more details [click here](#)

### Contact

**PKF T. R. Upadhy & Co.**  
124 Lal Colony Marg, Lal Durbar  
Kathmandu, Nepal  
Phone: +977 1 4410927 | 4420026  
Email: [trunco@ntc.net.np](mailto:trunco@ntc.net.np)

[www.pkf.trunco.com.np](http://www.pkf.trunco.com.np)

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