

## PKF Nepal Updates

### New staff welcomed to PKF Nepal

PKF Nepal is pleased to welcome Khemraj Khanal, Ankit Shahi, Bipin Sapkota, Pratikshya Chhetri, and Dinesh Bohara to the PKF family. We look forward to their contributions and the valuable expertise they will bring to our team.

### Staff leaving PKF Nepal

PKF Nepal bids farewell to its team members, namely Tulasa Kharel, Sunija Shrestha, Smarika Gharti and Shrawani Dangol as they embark on new career opportunities to further their professional growth. PKF Nepal expresses sincere appreciation for their invaluable contributions to the firm.

### PKF Asia Pacific Gathering 2024

PKF Nepal team participated in the “PKF Asia Pacific Gathering 2024”, held in Bangkok, Thailand.



The event offered an invaluable platform for us to engage with esteemed professionals across the PKF network. It facilitated meaningful collaboration, the exchange of innovative ideas, and the strengthening of our professional relationships.

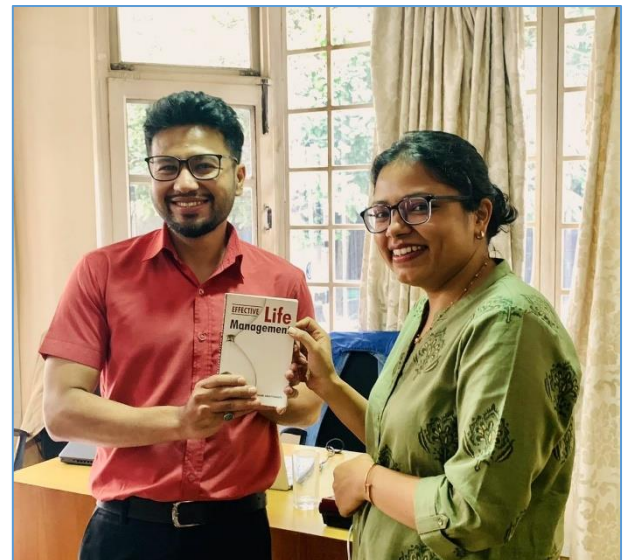


PKF International Professionals

Our team attended a series of insightful sessions, which significantly enriched our knowledge base and further solidified our commitment to excellence within the PKF network.

### Birthdays

PKF Nepal extends warm birthday wishes to our esteemed team members: Prajwol Shrestha, Amisha Dhakal, and Samir Adhikari, whose birthdays were celebrated in July. We appreciate their hard work and



Celebration of birthdays at PKF Premises

dedication and hope they had a joyful birthday. May the coming year bring them continued success and happiness.

## Updates

### Notices issued by NRB

#### Inflation Trends in Nepal: NRB FY 2022/23 Report

Nepal Rasta Bank (NRB) has published the inflation report for FY 2022/23, offering a historical analysis of Nepal’s inflation across three key periods: post-1990 economic liberalization following the new constitution, the 2006 Democracy movement, and the current period, which reflecting impacts of these earlier reforms and political changes on inflation in Nepal.

Period	Average Inflation
1973-74 to 1989-90	9.88%
1990-91 to 2005-06	7.64%
2006-07 to 2022-23	7.41%

For report, [click here](#).

#### Monetary Policy 2081-82

The highly anticipated monetary policy for FY 2081-82 was unveiled by the Governor with the following major arrangements: -

#### Interest Rates

- The upper limit of the interest rate corridor (bank rate) has been reduced to 6.5% from 7%.
- The policy rate has been adjusted to 5.0% from 5.5%.
- The lower limit (deposit collection rate) remains unchanged at 3.0%.

#### Loan Loss Provisions

- The existing loan loss provisioning requirement for pass loans will be reduced from 1.20% to 1.10%.

## Regulatory Limits

- The limit of the existing Regulatory Retail Portfolio will be increased from Rs 2 crores to a maximum of Rs 2.5 crores.
- Banks and financial institutions will be allowed to count appropriate reserve amounts under Regulatory Tier 2 Capital, ensuring that the total capital does not exceed twice the primary capital.

## Institutional Investors

- The existing maximum limit of Rs 20 crores for margin nature loans provided by banks and financial institutions on share collateral for institutional investors will be abolished.

## Foreign Exchange Limits

- The existing limit of USD 35,000 for foreign exchange facilities available for importing goods via draft/TT will be increased to USD 50,000.
- The existing limit of USD 60,000 for imports through DAP and DAA will be increased to USD 100,000.

For monetary policy, [click here](#).

## Amendments in Unified Directives, 2079 for "D" Class BFIs

NRB has amended the unified directives, 2079, for "D class" licensed micro financial institutions (MFIs): -

**Circular 6/2079 section 8(3):** Micro financial institutions must prepare an annual Corporate Governance Report and publish it on their website for public access.

**Circular 20/2079 section 3(3):** Borrowers and related parties must be included in the blacklist of the Credit Information Center Ltd. as per the bank's instruction.

However, it will not be mandatory to blacklist borrowers unable to repay loans up to NPR 100,000 due to exceptional circumstances. For circular, [click here](#).

Similarly, the loan loss provisioning for pass loans for "D" class Micro has been decreased from 1.30% to 1.10%. For circular, [click here](#).

## Amendments in Unified Directives, 2080 for "A," "B," and "C" class BFIs

NRB has added/amended the following provisions to the Unified Directives, 2080:

**Circular 2/2080 section 1(ka) (2a):** A loan disbursed to an industry, project, or business where, despite the operation being suspended due to circumstantial reasons, the principal and interest are being regularly serviced in accordance with the predetermined arrangements.

**Circular 3/2080 section 4:** The maximum single obligor limit (SOL) for margin-based loans secured by share collateral from any or all licensed institutions has been set at Rs 150 million. However, this limit does not apply to institutional investors established primarily for the purpose of investing in the securities market.

**Circular 17/2080 section 15(7):** Investments in energy bonds and other energy-related debentures issued by public institutions and public limited companies in the

energy sector can be counted toward the mandated investment limit in the energy sector. For the full circular, [click here](#).

Similarly, the unified directives for "A," "B," and "C" class banks and financial institutions have been amended pursuant to Section 79 of the Nepal Rastra Bank Act, 2058.

**Circular 2/2080 section 9(2):** Non-performing loans (excluding restructuring and rescheduling) can be moved to the watchlist category for up to 6 months if overdue amounts are paid and installments or interest are regularly maintained. After this period, the loan should be upgraded to the performing category with an adjusted loan loss provision.

Non-performing loans with partial payments can be upgraded within the same category maintaining the loan loss provision. For the full circular, [click here](#).

## Amendments in Unified Directives, 2080 for Infrastructure Development Bank

The unified directives for the Infrastructure Development Bank have been amended pursuant to Section 79 of the Nepal Rastra Bank Act, 2058.

**Circular 2/2080 section 6:** Working capital loans issued before the 'Guidelines on Working Capital Loans, 2079' can only be renewed after full compliance with the same guidelines. Non-compliance will require a 100% loan loss provision. However, the variance provision in Clause 7 of the guidelines will take effect from Shrawan 1, 2082 onwards. For the full circular, [click here](#).

## Amendments in FXMD Unified Circular 2080

The NRB, in accordance with the Foreign Exchange Regulations Act 2019, and the Nepal Rastra Bank Act, has made amendments to the FXMD Unified Circular 2080 issued to licensed foreign exchange entities.

**Circular 1/2080 section 1.7.5:** This exchange facility can be provided only up to USD 50,000 (fifty thousand US dollars) or its equivalent in convertible foreign currency at a time. The previous limit for this was USD 35,000 (thirty-five thousand dollars).

**Circular 7/2080 section 1(ga) (1):** Individuals traveling privately by land to the autonomous region of Tibet in China (excluding those crossing the border as per regulations) and to SAARC countries by land (excluding India) can be provided with an exchange facility of up to USD 1,000 per trip and up to USD 2,000 in a fiscal year, provided they have a valid visa for the respective country. The previous limits were USD 500 and USD 1000, respectively.

**Circular 17/2080 section 1(kna) (7) (ga):** Based on supporting documents or invoices confirming the receipt of assorted services or invisible imports from foreign entities for oneself or a sister concern, payments of up to USD 25,000 (twenty-five thousand US dollars) or its equivalent can be made to the concerned party monthly. However, for services procured by Nepali universities, payments to foreign individuals (researchers, professors, or professionals) can be made, with an annual payment limit of up to USD 50,000. For circular, [click here](#).

## Issuance of Swap Transaction Regulations, 2081

NRB has issued the Nepal Rastra Bank Swap Transaction Regulations, 2081, as per Section 12 of the Foreign Exchange Act, 2019. The objective of this regulation is to regulate and facilitate swap transactions to ensure stability and efficiency in the foreign exchange market. For notice, [click here](#).

## Notices issued by OCR

### Mandatory Submission of National Identity Card for Company Registration

As per the notice published in the Nepal Gazette by the Government of Nepal on 2081/03/10, the submission of a national identity card has been made mandatory for company registration and renewal across Nepal, effective from 2081/04/01.

In accordance with this new regulation, the Office of the Company Registrar (OCR) will require the submission of a national identity card or identity card number in place of a Nepalese citizenship card for all company registrations from FY 81/82 onwards. For notice, [click here](#).

### Mandatory Digital Signatures for Company Filings

The Office of Company Registrar (OCR) announces the phased implementation of mandatory digital signatures for companies submitting documents to the office. A new system, the Company Administration Management System (CAMIS), has been introduced to enable a fully online service process, eliminating the need for in-person visits.

In the first phase, public companies are required to digitally sign and submit all legally mandated documents, such as board resolutions and statutory filings, within 30 days of this notice.

The second phase will extend this requirement to include new company registrations, as well as submissions from private and non-profit companies. Companies are advised to prepare for the adoption of digital signatures and related processes. Detailed guidelines will be provided in a subsequent notice. For notice, [click here](#).

## Notices issued by ICAN

### Verification of Previous Fees Before Signing

Professional accountants are required to verify whether the audit fees for previous auditors have been paid before finalizing and signing new audit reports w.e.f FY 2081/82.

This aims to ensure all outstanding fees are settled before moving forward with subsequent audits. The Council has also decided to incorporate this provision into the "Handbook of Code of Ethics for Professional Accountants." For notice, [click here](#).

### Change in Audit Limits for Registered Auditors

The Council meeting on 29 Ashadh 2081 (13 July 2024) revised the maximum auditable amounts for license-holding members under the Nepal Chartered Accountants Regulations, 2061.

This revision, based on the Wholesale Price Index published by Nepal Rastra Bank, will be effective from 1 Shrawan 2081 (16 July 2024) onwards:

Member Classification	Auditable Limit
Kha (B)	Up to NPR 1.52 billion
Ga (C)	Up to NPR 380 million
Gha (D)	Up to NPR 130 million

For notice, [click here](#).

## Notices issued by SSF

### Revision in interest rates

The Social Security Fund (SSF) has set new interest rates for the FY 2081/82, effective from 1 Shrawan 2081:

Particulars	Interest
Deposits under the contribution-based retirement plan.	5.5% p.a.
Deposits under the special security scheme.	6.6% p.a.
Loans secured against deposits in retirement, educational savings, and social security plans.	7.5% p.a.
Loans taken without paying the installment against deposits in the retirement plan.	1.0% p.a.

For notice, [click here](#).

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