

11 July 2025



Directive on Issuance and Allotment of Securities, 2025 (9th Amendment)

The Securities Board of Nepal, by exercising the authority vested under Section 118 of the Securities Act, 2063, has amended the 'Directive on the Issuance and Allotment of Securities'.

The major highlights of the amendments and new provision introduced are summarized below:

1. Section 4(Kha): Issuance of shares to Non-Resident Nepalese (Amendment)

- a) Organizations must allocate 10% of shares from public offerings to Nepali citizens working abroad with government employment permits.
- b) The issue manager must keep applications for these shares open for at least **four working days** (previously 15), after publishing an invitation notice.
- c) If all securities are not subscribed in four days, the period can be extended up to fifteen days from opening, with the Board notified of any extension.

2. Section 10(Ka): Issuance of Perpetual non-cumulative preference shares (New Provision)

- a) BFIs may apply to SEBON for perpetual non-cumulative preference shares only after NRB approval.
- b) Such shares must be issued at a value of Rs. 100.

3. Section 10(Kha): Procedure for issuance of Perpetual non-cumulative preference shares (PNCPS) (New Provision)

- a) Banks and Financial Institutions may issue shares under Section 10(Ka) only to institutional investors, with a maximum of 50 investors via the circular method (*Paripatra Bidhi*).
- b) General investors, licensed securities dealers, and mutual funds cannot invest in these shares.

- c) When issuing such shares, issuers must provide a Risk Disclosure Statement to potential institutional investors and attach a signed declaration confirming they have read and understood it with the application to the Board.

4. Section 10(Ga) Provision related to de-materialization and transaction of perpetual non-cumulative preference shares (New Provision)

- a) CDS and Clearing Limited will oversee the de-materialization of shares under Section 10(Ka), with listing and trading following Stock Exchange procedures.
- b) Only institutional investors may buy or sell these shares.
- c) General investors, Board-licensed securities dealers, and mutual funds are not permitted to trade these shares.

5. Section 10(Gha) things to be mentioned in prospectus while issuing perpetual non-cumulative preference shares (New Provision)

The following matters must be disclosed in the prospectus:

- a) Advise investors to review investment risks in the prospectus before deciding.
- b) Attach a risk disclosure to the prospectus outlining investment risks.
- c) Summarize risks related to dividend payments or changes, and management's mitigation strategies.

6. Section 10(Na) Other provision related to Perpetual non-cumulative preference shares (New Provision)

- a) BFIs must distribute dividends on perpetual non-cumulative preference shares if there are distributable profits, unless the regulatory authority prohibits it.
- b) Rules for redeeming or converting shares under Section 10(ka) will be set by NRB.

7. Section 28: Allotment of Securities (Amendment)

- a) After verifying completed application forms, the issue manager must prepare a securities allotment schedule.
- b) This schedule should be submitted to SEBON at least **two working days** before the securities are allotted. (Previously, this was three days.)

PKF Comments:

On 26 June 2024, NRB amended its Unified Directive to allow BFIs to issue **non-redeemable cumulative preference shares**. This provision was added to the Securities Issuance and Allotment Guidelines a year later. BFIs can now issue these shares with approvals from both Nepal Rastra Bank and the Board, helping them raise additional capital and meet capital adequacy requirements more easily.

Prepared by: Roshani Shah

PKF TR Upadhyaya & Co., 124 Lal Colony Marg, Lal Durbar, Kathmandu, Nepal
Phone: +977 1 4510927 | 4520026 | Fax: +977 1 4513307 | Email: trunco@ntc.net.np | www.pkf.trunco.com.np

PKF TR Upadhyaya & Co. is an active member firm of PKF International Limited.

PKF Global refers to the network of member firms of PKF International Limited, each of which is a separate and independent legal entity. PKF International Limited coordinates the activities of PKF Global but provides no services to clients and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s). Correspondent firms are not members of PKF Global.