Flash Alert

18 December 2025

Amendment in Unified Directive (Circular 8)

Nepal Rastra Bank (NRB) has released Circular No. 08/082/83 on 29 Mangsir 2082 (15 December 2025), which updates the Unified Directive 2081 for Class A, B, and C BFIs. These changes affect rules for loan classification and restructuring, blacklisting processes, capital adequacy, interest income recognition, exposure limits, and other regulatory and supervisory matters.

The major highlights of the amendment emphasized by this circular are summarized below:

1. **<u>Amendments in Directive 2/2081</u>**

   2(1) Loans exceeding NPR 2 billion that are not covered under a consortium agreement shall be classified as watchlist. However, this provision shall not apply to short-term, non-renewable working capital loans extended under a pari-passu agreement. *(Previously, such relief was not available to loans under pari-passu arrangements.)*

   2(3) Loans shall be classified as bad loans with 100 percent LLP where the auction process has been initiated due to non-recovery or where recovery proceedings are ongoing through court.

   However, if such loans are subsequently regularized after the initiation of the recovery process, continuation of classification as bad loans shall not be mandatory.

   2(9) Additional LLP arising from restructuring or rescheduling shall not be required where changes in EMI amounts result solely from interest rate adjustments, provided such changes are made at the borrower's written request, limited to once per year, and supported by an assessment of the borrower's income.

   2(9)(8) Loans to National Priority sector projects that are restructured or rescheduled due to financial stress from increased production capacity may continue to be classified as performing with a 1% LLP, provided adequate supporting evidence is obtained and verified..

   2(11) Banks may recognize collateral obtained from defaulted borrowers as Non-Banking Assets (NBA) only if the collateral remains unsold after being offered for sale through at least three separate auctions.

   2(39) BFIs shall recognize interest income in accordance with the *Guidance Note on Interest Income Recognition*,*2025* replacing the earlier requirement to follow the *NFRS-9 Expected Credit Loss Related Guidelines, 2024*.

2. **<u>Amendment in Directive 03/2081</u>**

   3(11) The loan-to-value (LTV) ratio for personal residential home loans has been revised to 70 percent for all loan amounts. Previously, this LTV limit was applicable only to first-time home buyers and was restricted to loans up to NPR 30 million.

3. **<u>Amendment in Directive 04/2081</u>**

   4(4) 49.77% of accrued interest income on loans and advances must be transferred to the Regulatory Reserve from retained earnings after statutory appropriations, with reversal permitted upon actual recovery from borrowers. This replaces the earlier exemption for accrued interest realized up to 15 Shrawan.

4. **<u>Amendment in Directive 06/2081</u>**

   6(19) Approval from the Board of Directors is required for all foreign travel of CEO, Chairman, or any Board member of the BFIs.

5. **<u>Amendment in Directive 08/2081</u>**

   8(8) NRB's regulatory provisions for BFIs regarding the construction or purchase of fixed assets only for self-use shall also apply to assets transferred from NBA to Banking Assets by BFIs henceforth.

6. **<u>Amendment in Directive 10/2081</u>**

   10(7) BFIs are subject to specified investment caps in other financial institutions 15% in NRB-licensed BFIs, 1% in other BFIs, 25% in NRB-licensed D-class institutions, and 10% in other D-class institutions with exemptions for subsidiaries and NRB or government-owned entities. Non-compliance may lead to dividend restrictions or mandatory merger, and existing excess investments must be brought within limits by Ashadh 2087..

7. **Amendment in Directive 11(16)**

11(16) In consortium or pari-passu arrangements, all participating BFIs must adopt the same SOL group name for borrowers.

8. **Amendment in Directive 12/2081**

12(9) If a BFI recovers the full recoverable amount from a defaulting borrower by accepting the borrower's collateral as NBA, the borrower may be removed from the blacklist, provided the BFI has obtained the borrower's commitment to waive all claims on such property accepted as NBA.

12(17) If any person or entity is mistakenly included in a blacklist or defaulters' list, such inclusion must be immediately revoked without retaining any record upon the decision and request of the concerned licensed institution's CEO, and the affected party shall not be deemed to have been blacklisted. Details of such erroneous inclusions and removals must be reported to the Board of Directors on a quarterly basis..

12(20) Blacklisted individuals may open and operate accounts to receive salary income, in addition to Social Security or pension benefits.

9. **Amendment in Directive 14**

14(1) The NRB's requirement for BFIs to establish branches in all 753 local levels under the federal system has been fully removed.

14(2) Provisions relating to closure, relocation, merger, and change of address of the central office, branch, or any type of office.

A licensed institution is generally prohibited from closing, relocating, or merging any branch or office without prior approval from the Bank; however, it may independently relocate or merge branches within a metropolitan city in view of increased electronic transactions and branch density, subject to specific conditions. These include obtaining written consent where a branch serves a government or public institution, publishing a minimum 90-day public notice through national media, the institution's website, and branch notice boards, allowing customers to repay loans or discontinue services without fees in the case of branch mergers, and submitting prescribed details to the Bank within three working days of the adjustment. For this purpose, merger or relocation refers to the consolidation of two or more branches into a single continuing branch..

10. **Amendment in Directive 1**

1. Trust Receipt Loans for Trading Firms shall attract risk weight of 100% *(Earlier it was 120%)*

2. Claims on domestic Public Sector Entities (PSEs) shall be risk weighted as per the credit rating score of PSEs provided by licensed credit rating agency subject to the floor of 50% as below:

Credit rating score	Risk Weight
AAA	50%
AA+ to AA-	70%
A+ to A-	80%
BBB+ & below	100%
Unrated	100%

Conclusion: The Nepal Rastra Bank amendments aim to reinforce regulation, improve credit risk management, and promote financial stability. They also offer more regulatory flexibility for banks and greater access to housing finance through higher loan-to-value ratios, balancing stability with economic growth.

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