PKF TRU Newsletter – January 2026

PKF Nepal Updates

New staff welcomed to PKF Nepal

We are excited to welcome Sushant Karki, Jibachh Das and Namita Shrestha to the PKF Nepal team.

Staff leaving PKF Nepal

PKF Nepal bids farewell to team members: Bishal Mundhara, Samir Bhattarai and Tina Khadka as they embark on new career opportunities. We extend our gratitude to our departing colleagues for their valuable contributions throughout their tenure at PKF Nepal and wish them all the best in their future endeavors.

Life Events & Achievements

Congratulations to Mr. Tirth Raj Aryal on his wedding. We wish him a joyful and fulfilling new chapter ahead.

Birthdays

PKF Nepal extends warm birthday wishes to its Managing Partner, Shashi Satyal, and Director, Anjan Shah, along with the team members: Subash Bhatta, Poshan Bhandari, Yugesh Shrestha, Saurabh Bhusan Shrestha, Swastika Khatri, Sabin Dhakal, Priyanka Pradhan, Bipin Aryal, Aasha Simkhada, Anusha Khanal, Rishav Subedi, Dinesh Bohara, Ashim Khatri, Jiya Shilpakar, Dipshikha Ghimire and Amrit Shah, whose birthday fell in December.

Celebration of birthdays at PKF Premises

PKF Nepal's Festive Celebration: Christmas

In the spirit of Christmas, teams across different departments of the office celebrated Secret Santa, spreading joy and festive cheer, reflecting a shared sense of togetherness with thoughtful gifts and warm smiles.

Celebration of Christmas at PKF Nepal

Updates

Notices issued by NRB

Amendments in Unified Directives, 2081 for "A", "B", and "C" class BFIs

Nepal Rastra Bank (NRB) has issued a series of targeted amendments to its Unified Directives for Class 'A', 'B', and 'C' licensed institutions through a circular dated 2082/08/16.

Directive No. 2/081, Section 2(8): A new provision under Directive No. 2/08 was introduced, allowing one-time rescheduling or restructuring of loans to provide targeted relief to borrowers adversely affected by natural disasters, including the recent floods and landslides in Ilam and other similarly impacted districts, subject to the following conditions:

- Loan rescheduling or restructuring must be undertaken upon a formal request from the borrower and supported by a detailed cash flow and income analysis conducted by the concerned bank or financial institution (BFI).
- Prior to restructuring, the BFI is required to collect at least 10% of the total outstanding interest from the borrower.
- All rescheduling or restructuring under this provision must be completed by the end of Chaitra 2082.
- At the time of such rescheduling and/or restructuring, the loans shall be classified, and the loan loss provision shall be maintained at least in the same category in which they are classified.

Directive No. 02/081, Section 2(25): Clauses (a) and (b) of Section 2(25) of Directive No. 2/081 relating to personal loans for unspecified purposes, including overdrafts have been amended.

Clause (a): Increase in Personal Loan Limit

The maximum limit for personal loans of any title, including unspecified personal overdrafts, mortgage loans, property loans, personal term loans, and loans against shares, has been increased from NPR 5 million to NPR 10 million per person.

Clause (b): Increase in Aggregate Personal Overdraft Limit

The aggregate limit for personal overdraft loans for unspecified purposes from all BFIs has been raised from NPR 5 million to NPR 10 million per person.

Notably, under the amended directive, banks and financial institutions are now required to maintain 100% loan loss provisioning only on the portion of the personal overdraft loan that exceeds the prescribed aggregate limit, instead of provisioning on the entire outstanding loan amount upon breach of the limit.

Directive No. 15/081, Section 1(3): Sub-section (3) of Section 1 of Directive No. 15/081 has been deleted. Under the deleted provision, the maximum interest rate offered on institutional term deposits (including bid–ask) was required to be at least one percentage point lower than the maximum interest rate offered on term deposits

to the general public.

Directive No. 21/081, Section 7: The bank rate applicable to loans provided to licensed institutions, has been reduced from **6.0% to 5.75%.** This adjustment reflects a moderation in NRB's lending rate to BFIs.

Directive No. 21/081, Section 12: Interest rate corridor for repo and reverse repo operations has been revised as follows:

- The standing liquidity facility rate (upper corridor) has been reduced to **5.75%** from 6.0 %.
- The deposit collection rate (lower corridor) remains unchanged at **2.75%.**
- The repo rate (policy rate) has been lowered to **4.25%** from 4.5%.

For circular, click here.

Amendments in Unified Directives, 2081 for "D" class BFIs

NRB has added/amended the following provisions to the Unified Directives, 2081 for "D" class BFIs:

Directive No. 2/081, Section 1: Previously, good loans, watchlist loans, and rescheduled/restructured loans were classified as "Performing Loans", and substandard, doubtful, and bad loans were classified as "Nonperforming Loans".

Now, **loans rescheduled as per Section 8** are additionally included in "Nonperforming Loans", while "Performing Loans" continue to include good loans, watchlist loans, and **loans rescheduled/restructured as per Section 7.**

Directive No. 2/081, Section 8:

A new section on Loan Rescheduling has been introduced.

Key Highlights:

Definition: "Rescheduling" refers to the process of extending the repayment period of a customer's loan.

Conditions for Rescheduling: If the microfinance institution is convinced that the borrower's ability to repay the loan has declined, it may reschedule the loan on the following basis, along with a written action plan submitted by the borrower: -

- All necessary documents related to the loan and, in the case of secured loans, proof that the security is sufficient,
- The licensed institution is confident about the possibility of debt recovery, and the continuity of business through rescheduling.
- At least twenty-five percent of the outstanding interest shall have been recovered by the date of rescheduling such loan.

Loan Loss Provision:

- ❖ Performing loans rescheduled for the first time with equal installments require a minimum 12.5% provision.
- ❖ Other rescheduled performing loans require a minimum 25% provision.
- ❖ Adjustments to provisions are allowed only if the loan remains regular for two consecutive years.

Directive No. 3/081, Section 2: Previously, microfinance institutions could provide microloans up to a maximum of NPR 700,000 per person. The amended provision now allows microloans of up to NPR 1.5 million per person, while other conditions, including acceptable collateral, disclosure of loan purpose, and restriction to one loan per group member, remain unchanged.

For Circular, click here.

Amendments in Unified Directives, 2081 for "A", "B", and "C" class BFIs

Unified Directive 2081 for Class A, B, and C BFIs has been updated through the release of Circular No. 08/082/83 on 29 Mangsir 2082

Directive No. 2/081, Section 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.)

Directive No. 2/081, Section 2(3): Loans shall be classified as loss loans with 100 percent LLP where the auction process has been initiated due to non-recovery or where recovery proceedings are ongoing through the court. However, if such loans are subsequently regularized after the initiation of the recovery process, continuation of classification as loss loans shall not be mandatory.

Directive No. 2/081, Section 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.

Directive No. 2/081, Section 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.

Directive No. 2/081, Section 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. This provision shall also apply to licensed infrastructure development banks.

Directive No. 2/081, Section 2(11): Previously, licensed institutions were required to maintain a 100 percent loan loss provision for non-banking assets from the date of acceptance, and to make necessary reconciliation of such provisions upon sale of the assets. The above provisions relating to loan loss provisioning and reconciliation for non-banking assets have now been removed. Similar adjustment is made in respect of infrastructure

development banks.

Directive No. 2/081, Section 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.

Directive No. 3/081, Section 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.

Directive No. 4/081, Section 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.

Directive No. 6/081, Section 6(19): NRB has made it mandatory to obtain approval from the Board of Directors for all foreign travel of CEO, Chairman, or any Board member of the BFIs.

Directive No. 8/081, Section 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.

Directive No. 10/081, Section 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. Noncompliance may lead to dividend restrictions or mandatory merger, and existing excess investments must be brought within limits by Ashadh 2087.

Directive No. 11/081, Section 11(16): In consortium or pari-passu arrangements, all participating BFIs must adopt the same SOL group name for borrowers.

Directive No. 12/081, Section 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.

Directive No. 12/081, Section 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.

Directive No. 12/081, Section 12(20): Blacklisted individuals may open and operate accounts to receive salary income, in addition to Social Security or pension benefits.

Directive No. 14/081, Section 14(1): The NRB's requirement for BFIs to establish branches in all 753 local levels under the federal system has been fully removed.

Directive No. 14/081, Section 14(2): 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

Directive No. 17/081, Section 17(3): The scope of loans eligible under priority and concessional lending has been expanded to explicitly include loans disbursed directly to farmers in rural areas for the purchase of agricultural equipment such as tractors, threshers, collectors, balers, and combined harvesters, in addition to loans provided to community irrigation systems through consumer committees or thematic cooperatives.

Directive No. 19/081, Section 19(7): Remittance savings accounts may now receive remuneration earned from foreign employment, including pensions, along with interest credited from Nepal, transfers from remittance fixed deposit accounts, and payments from government agencies.

Amendments in Directive No. 1/081:

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%

3. A new reporting requirement has been introduced for BFIs to disclose Excess Additional Tier 1 Capital separately under Supplementary Capital (Tier II).
4. A new provision requires BFIs to provide details of branches consolidated, including the name of the branch, address, branch to consolidate with, distance between branches, etc. A detailed special approval is required for branches established under the recommendation of a specific government or any other institution.

Directive No. 19/081, Schedule 19.1: NRB has amended multiple provisions in Schedule 19.1 of Directive No. 19/081 relating to personal details reporting.

Across all relevant sections, the required details of proprietors, partners, officers, directors, CEOs, and account managers now include **"father or mother"** in

addition to existing information such as position, name, surname, spouse, father's name, grandfather's name, permanent and current address, telephone number, mobile number, and email address.

For Circular, click here.

Amendment to FXMD Directives, 2081:

NRB has introduced an amended payment limit for silver imports for industries and businessmen importing only once a month (as per B.S. calendar).

- For industries engaged in gold and silver business, the per-transaction limit has been set at US$ 2 million.
- For other businesses, the per-transaction limit has been set at US$ 0.4 million.

For circular, click here.

Amendments in Unified Directives 2081 for Infrastructure Development Banks

Directive No. 3: NRB has restructured the energy-sector classification by separating hydropower as a standalone category and grouping other energy activities under "Energy projects other than hydropower" with specific subcategories (solar, broadcasting & distribution, other renewable generation, other electrical service projects, gas & gas-pipeline services, and wind).

For circular, click here.

Global Highlights – Implications for Nepal

Politics and Diplomacy

Bangladesh Political Unrest and Nationwide Protests

December 12/21/2025: Bangladesh witnessed large-scale protests following the shooting death of a youth leader in Dhaka. Student groups and opposition supporters led demonstrations demanding justice and accountability, with some protests breaching the parliament complex, prompting heavy security deployment.

What It Means for Nepal:

Regional instability in South Asia directly affects Nepal through cross-border migration, labor mobility, and diplomatic engagement. The youth-led nature of the protests also mirrors Nepal's own Gen-Z-driven demonstrations, highlighting shared regional challenges around governance, accountability, and political inclusion of young people.

Economy and Commodity

Global Gold Prices Surge to New Highs

Gold prices climbed sharply in December 2025 amid geopolitical uncertainty, expectations of future interest-rate cuts, and strong demand from central banks, particularly in Asia.

What It Means for Nepal:

Higher global gold prices increase import costs, affect jewelry demand, and widen Nepal's trade deficit. It also influences household investment behavior, as gold remains a preferred store of value for Nepali families.

Foreign Policy and Migration

U.S. Tightens Student and Visitor Visa Scrutiny

In December 2025, the United States announced stricter screening and verification measures for student and visitor visas, citing concerns over overstays and compliance.

What It Means for Nepal:

Nepali students and visitors may face longer visa processing periods and higher documentation requirements. This could temporarily affect outbound education plans and remittance inflows in the long term.

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