

PKF Nepal Updates

PKF Nepal's Annual retreat

PKF T.R. Upadhyay & Co. hosted its Annual Retreat 2082 on 24-25 January 2026 at Fortune Resort & Wellness Spa. Staff enjoyed team-building activities, cultural celebrations, and leisure sessions, making it a fun and rejuvenating experience for all.



Annual retreat of PKF T.R. Upadhyay & Co. 2082

Birthdays

PKF Nepal extends warm birthday wishes to Ayushma Pandey, Manoj Khanal, Puskar Diyali, Avhilekh Uprety, Anugya Khatiwada, Anish Upadhyay and Ekta Nepali whose birthday fell in January.



Celebration of birthdays at PKF Premises

Staff leaving PKF Nepal

PKF Nepal bids farewell to team member Sudip Ale Magar as he embarks on new career opportunities. We extend our gratitude to our departing colleague for his valuable contributions throughout his tenure at PKF Nepal and wish him all the best in his future endeavors.

Updates

Notices issued by NRB

NRB Unified Directive-ABC-2082: Key Highlights

Nepal Rastra Bank (NRB) has issued the Unified Directive 2082 (2026), applicable to all 'A', 'B' and 'C' class BFIs, consolidating all circulars and directives issued up to 2 Magh 2082 (16 January 2026).

Credit & Loan Management: The Unified Directive-

ABC-2082 introduces updated provisions on credit management, allowing banks and financial institutions (BFIs) to restructure or reschedule loans for borrowers affected by economic hardship, business directly affected by Gen-Z movement, businesses having forward and backward linkages with business directly affected by Gen-Z movement and natural disasters, subject to conditions prescribed by Nepal Rastra Bank (NRB), including partial recovery of accrued interest and adherence to specified timelines. During the approved restructuring or rescheduling period, loan classification remains unchanged. The directive also reinforces standardized rules on loan classification, provisioning, and interest recognition to ensure uniform credit risk assessment across BFIs.

Housing, Real Estate & Vehicle Loans: The directive revises Loan-to-Value (LTV) ratios for housing, real estate, and vehicle loans to balance credit expansion with financial stability. Real estate lending remains subject to prudential oversight to prevent speculative bubbles, while vehicle loan financing has been made more flexible, with LTV limits increased up to 80 percent for commercial vehicle requiring replacement due to damage or destruction during Gen-Z movement, supporting consumer credit while maintaining risk-based safeguards.

Capital Adequacy & Risk Management: Enhanced provisions on capital adequacy and risk management have been incorporated, requiring BFIs to maintain sufficient capital buffers commensurate with their risk profiles. The directive emphasizes stronger internal risk governance and the implementation of the Internal Capital Adequacy Assessment Process (ICAAP), ensuring that institutions are better prepared to absorb financial and operational shocks.

Investment Regulations: Under the updated investment framework, BFIs are permitted to sell listed securities after a reduced minimum holding period of six months, improving liquidity management and portfolio flexibility. The previous restriction that allowed BFIs to sell only up to 20 % of their investments per fiscal year has been removed, enabling freer rebalancing of investment portfolios.

Governance, Compliance & Reporting: The directive strengthens requirements related to corporate governance, internal controls, compliance, and audit functions. BFIs are required to maintain effective governance structures, robust compliance mechanisms, and strong internal audit systems. Financial reporting and disclosure standards have also been reinforced to enhance transparency and support effective regulatory supervision by NRB.

Liquidity & Prudential Requirements: Updated provisions relating to liquidity management, statutory reserve requirements, and related-party transactions have been included to safeguard systemic stability. These measures ensure that BFIs maintain adequate liquidity buffers and operate within prudent exposure limits, thereby reinforcing confidence in the financial system.

For Unified Directive 2082, [click here](#)

NRB Unified Directive for MFIs (2082)

Nepal Rastra Bank (NRB) has issued the Unified

Directive 2082 (2026), applicable to all D class BFIs, consolidating all circulars and directives issued up to 2 Magh 2082 (16 January 2026).

Capital and Strengthening: It specifies minimum capital requirements and how MFIs can strengthen their capital base. For instance, it includes provisions on issuing *rights shares* with prior NRB approval but notes that NRB prefers *mergers and acquisitions* rather than issuing rights shares solely for capital growth.

Lending & Exposure Limits: The directive reinforces strict lending limits and risk-weighted capital rules, including how much MFIs can lend to individual clients or sectors, and corrective actions if limits are breached.

Interest Rate Framework: MFIs must set loan interest rates using a *benchmark rate* system adding up to a 3% premium over the benchmark, but capped so that they do not exceed 9 percentage points above the average base rate of commercial banks. This helps keep microfinance rates within a regulated range.

Client & Borrower Rules: The directive includes provisions on responsible lending practices, including client protection rules, borrower eligibility, and guidelines to avoid over-indebtedness.

Blacklisting & Borrower Mobility: It updates rules around blacklisting, allowing negotiations to reinstate clients under certain conditions and permits individuals to borrow from *up to two MFIs* within borrowing limits.

Governance & Compliance: MFIs must comply with internal governance, risk management, audit reporting, and regular supervisory reporting to NRB as part of regulatory oversight.

For Unified Directive 2082, [click here](#)

NRB Unified Directive 2082 Infrastructure Development Banks (NIFRA)

Nepal Rastra Bank (NRB) has issued the Unified Directive 2082 (2026) applicable to Infrastructure Development Banks, including Nepal Infrastructure Bank Limited (NIFRA), consolidating all circulars, guidelines, and directives issued up to 2 Magh 2082 (16 January 2026).

Regulatory Scope & Purpose: This directive applies to infrastructure-focused banks licensed by Nepal Rastra Bank and aims to strengthen their operational discipline and financial stability. By replacing fragmented and stand-alone regulatory instructions, it introduces a unified framework effective from FY 2082/83 that promotes prudent governance, responsible lending, and effective oversight in infrastructure financing activities.

Capital & Risk Management: Infrastructure development banks are required to maintain capital levels that are commensurate with the risks associated with long-term and large-scale infrastructure projects. The directive emphasizes the implementation of internal capital adequacy assessments, stress testing, and robust risk evaluation mechanisms to ensure resilience against credit, market, and project-related risks.

Lending & Exposure Rules: The directive sets out clear guidelines for loan appraisal, credit classification, and exposure limits applicable to infrastructure lending.

It encourages a risk-based lending approach tailored to the nature of long-tenure and high-value projects, ensuring that large credit exposures are managed prudently and within prescribed regulatory limits.

Asset and Investment Management: Guidelines are provided on permissible investments and asset valuation practices to ensure transparency and consistency in financial reporting. The directive also introduces safeguards to manage risks arising from illiquid, non-standard, and long-term assets that are commonly associated with infrastructure financing.

Internal Controls & Governance: Strong governance practices are emphasized through enhanced roles for the board of directors, senior management, internal audit, and compliance functions. Infrastructure banks are required to implement comprehensive risk management systems covering credit, market, operational, and strategic risks to ensure effective internal control and accountability.

Reporting & Supervision: The directive mandates detailed reporting through NRB's Supervisory Information System (SIS). Licensed infrastructure banks must now upload daily liquidity statements and interbank transaction details into the SIS reporting portal by the specified deadlines (e.g., by the following working day for liquidity). This strengthens intraday and systemic liquidity monitoring..

Unlike earlier directives where certain periodic reporting to separate portals was sufficient, the Unified Directive 2082 centralizes liquidity and interbank transaction reporting into one supervisory system, enhancing real-time oversight of operational liquidity and risk.

For Unified Directive 2082, [click here](#)

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 2082/09/25.

Directive No. 21/081: Nepal Rastra Bank has made an amendment to an existing provision under Directive No. 21/081 that will come into effect from 15th January 2026. This amendment requires BFIs making payments of NPR 5,00,000 or more to mandatorily do so through an "Account Payee" check or direct transfer to the individual's account. Checks issued in the names of firms, companies, or offices must continue to be Account Payee.

Cash payments above this limit are only allowed for specific justified cases, such as wages for infrastructure workers, government revenue, or emergency relief.

Previously the threshold for account payee cheque for payments by BFIs was NPR 1 million.

For circular, [click here](#)

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

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

Directive No. 20/081: To promote digital financial

inclusion and strengthen Anti-Money Laundering (AML/CFT) measures, the NRB has reduced the limit for cash-based transactions within Microfinance Financial Institutions (MFIs).

MFIs are now prohibited from conducting cash transactions (deposits, loan repayments, or disbursements) exceeding Rs. 5,00,000 (Five Lakh Rupees) in a single day with a single customer/member. Any payment or transaction exceeding the threshold limit must now be processed strictly through an account payee cheque.

Previously, the threshold for MFIs was generally aligned with the broader banking limit of NPR 1 million.

For circular, [click here](#)

Directive No. 4/081, clause 1(j)(b):

The funds in the Client Protection Fund can now also be used to support the families of client members affected by natural disasters or accidents. MFIs must spend at least 50% of the amount credited to this fund from the previous year's profit during the current fiscal year. Details of these expenditures must be clearly disclosed in the institution's Annual Report. Unspent funds must be "Earmarked" and invested separately. The income generated from such investments must be credited back to the CPF. Under no circumstances can the funds from CPF be used to provide loans or advances.

Previously, CPF could only be used for collective benefits of the borrowers, business support, capacity building and child welfare.

Directive No. 4/081, Clause 1 (d) (a) (2): The requirement for MFIs not yet implementing NFRS (Nepal Financial Reporting Standards) to publish specific financial schedules in national newspapers within nine months has been removed. This aligns with the transition toward standardized reporting across all microfinance institutions.

Directive No. 4/081, Clause 2 (7): MFIs are now required to recognize income and expenses generally as per accrual basis and required to clearly state and disclose their specific policy regarding the recognition of income and expenses within their Accounting Policies.

Previously, For MFIs that had not yet implemented Nepal Financial Reporting Standards (NFRS), there was a specific requirement to recognize interest income from loans and advances on a Cash Basis (upon actual receipt of cash).

Directive No. 6/081, Clause 1 (5): The corporate governance amendment strengthens conflict-of-interest rules by moving beyond a general ban on personal gain to requiring specific transparency and recusal. While the previous rule broadly prohibited misusing one's position or family ties for business advantages, the new provision mandates the formal disclosure of family details and strictly bars directors from participating in any discussions or decisions regarding loans requested by their family members. Additionally, it clarifies that directors cannot use their status to gain priority in transactions involving goods, services, or securities like shares.

Directive No. 12/081, Clause 2: The amendment expands the types of institutions where microfinance

institutions (MFIs) can hold their mandatory liquid assets. Previously, MFIs were only allowed to count deposits held in Class 'A' (Commercial Banks) toward their 2.5% liquid asset requirement. The new amendment now allows these deposits to be held in Class 'A', 'B' (Development Banks), or 'C' (Finance Companies), provided they are not declared "problematic" by the central bank. Additionally, it maintains that for fixed deposits held in these institutions, only up to 90% of the amount can be calculated toward the liquid asset total.

Directive No. 20/081, Clause 15: Previous notices and circulars related to COVID-19 mitigation have been removed.

Schedule (Anusuchi) 6.1: In the declaration form for Directors, the reference to the Bank and Financial Institution Act (BAFIA), 2073, has been corrected from Section 22 to Section 24.

For circular, [click here](#)

Notices issued by OCR

Guideline On Targeted Financial Sanctions For Company or Trust Service Provider Institution (2026)

The Office of the Company Registrar (OCR) has issued the Guideline on Targeted Financial Sanctions for Company or Trust Service Provider Institutions, 2026, strengthening Nepal's AML/CFT framework. The guideline requires all company and trust service providers to regularly screen customers, beneficial owners, and related parties against UN Security Council and domestic sanctions lists. Institutions must immediately freeze assets and cease providing services to designated persons or entities, without prior notice. Any freezing or attempted transaction must be reported to the OCR and Nepal Rastra Bank within three days. Non-compliance may result in penalties and regulatory action.

For guideline, [click here](#)

Global Highlights – Implications for Nepal Politics and Diplomacy

European Union Designates Iran's IRGC as a Terrorist Organization:

In late January 2026, the European Union formally designated Iran's Islamic Revolutionary Guard Corps (IRGC) as a terrorist organization, significantly escalating EU-Iran tensions and expanding sanctions.

What It Means for Nepal:

It heightens instability in the Middle East, risking Nepali workers' safety, disrupting labor markets and remittances, while forcing Nepal to balance its neutrality with international obligations.

Economy and Commodity

Nepal Approves Ethanol Blending in Petrol

The Government of Nepal approved the "Order on Using Ethanol Blended Petrol, 2082 BS," allowing NOC to blend up to 10% ethanol with petrol. This aims to cut petrol imports, save foreign currency, reduce emissions, and

boost domestic ethanol production from crops like sugarcane and maize, benefiting farmers and rural employment.

What It Means for Nepal:

Replacing up to 10% of petrol with local ethanol can help Nepal cut fuel imports, save foreign exchange, reduce emissions, and create income for farmers while boosting biofuel investment.

Foreign Policy and Migration

Spain Approves Residency for Undocumented Migrants

Spain's government has approved a Royal Decree to regularize around 500,000 undocumented migrants and asylum seekers, granting them temporary residency and work permits from April 2026. The measure aims to tackle labor shortages and promote social and economic integration, though it has faced criticism from conservative and far-right parties.

What It Means for Nepal:

The move allows undocumented Nepali workers in Spain to gain legal employment, healthcare, and labor protection, potentially stabilizing remittances.

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