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Flash Alert

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*Prior Approval of
NRB no longer required
for investing in Nepal*

Foreign Investment and Loan Management By-Laws, 2078

Nepal Rastra Bank (NRB), within the rights conferred by section 12 of Foreign Exchange (Regulation) Act, 2019 and section 110 of Nepal Rastra Bank Act, 2058 has issued the 'Foreign Investment and Loan Management By-Laws, 2078' (2021) on 8 June 2021. The by-laws provide additional clarity on the procedures for investing in Nepal and approval of foreign loans including its accounting at NRB and the documents to be submitted along with the application. The major highlights of the by-laws are summarized below:

Foreign Investments

1. The amount that can be brought into Nepal by a foreign investor for conducting feasibility study and for pre-operating expenses in convertible foreign currency has been increased to 3% from the existing 1% of the paid up capital of the company. Prior approvals are not required from the approving authority or NRB to bring such amount in the bank account of the investor or its authorized agent.
2. The foreign investor no longer requires obtaining prior approval from NRB to invest in Nepal after approval of FDI from the approving authorities, namely the Investment Board, Nepal and the Department of Industries, has been obtained, provided that the 'forex facilitation unit' under 'one point service center' has been notified prior to remitting such amount to the bank account in Nepal. However, investments to be made through disposal of shares and investment through the stock market continues to require prior approval of NRB.
3. All foreign investments made shall be accounted for in the NRB within six months from the date of the infusion of such investments facilitating in repatriation of dividend and investments made in the future.
4. Audited financial statements of the foreign investor will not be compulsorily required for investments up to US\$ 1 million or equivalent.
5. NRB shall grant approvals for exchange facilities required to repatriate funds for transactions falling under section 20 and 26 of FITTA 2019. The decision shall be notified in writing to the applicant within 15 working days of receipt of application.

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Foreign Loans

1. Prior approval of NRB shall be required for availing loans in convertible currency and Indian Rupees by an individual, firm, company, BFI and organized institution after fulfilling certain conditions. NRB shall notify its decision within 15 days from the date of submission of the application with the prescribed documents.
2. Loans can be obtained from foreign governments, foreign central banks, foreign banks and financial institutions, international development finance agencies, pension funds, hedge funds, parent and group companies of subsidiaries in Nepal.
3. All loans availed in convertible currency and Indian Rupees have to be accounted for in NRB to facilitate ease in repatriation of interest and principal in the future.
4. Interest and principal which has been accounted for with NRB can be repatriated through BFIs to the lender's bank account and the decision has to be notified in writing to the borrower within 7 days from the date of receipt of an application.

Delegation of Authority

1. NRB has also made public the delegation of authority for approving, accounting of foreign investments made through sale/transfer of shares, loans and repatriation of dividend, interest and principal amount.

For details of the regulations [click here](#)

PKF Nepal Comments

NRB's action, the first step towards reforms to attract foreign investments in Nepal, is expected to increase the flow of foreign investments into Nepal as the time for investing post FDI approval will be shortened. The reforms should now be focused on making Nepal foreign investor friendly by permitting investments through the automatic route and bringing in sweeping changes in the cumbersome process of approving FDI applications.

These regulations have also provided clarity on the procedures and the documentation required for bringing foreign investment, and repatriation of earnings and investments. It has also issued clarity on borrowings that can be availed by individuals, firms, companies and BFIs from various foreign entities including the parent and group companies of subsidiaries in Nepal.