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NRB issued Payment and Settlement Bylaw, 2020

Nepal Rastra Bank (NRB) has issued the 'Payment and Settlement Bylaw, 2020'.

The central bank has stated that the new bylaw has been issued on June 2, 2020, scraping the earlier Payment and Settlement Bylaw, 2015. Necessary policy provisions are incorporated in the new bylaw as per the provisions mentioned in the Payment and Settlement Act, 2019.

The bylaw specified the necessary qualifications for the 'expert members' to be appointed by the Government of Nepal in accordance with clause (c) of Section 3 (1) of the Act. The functions, duties and rights of the Payment System Department (PSD) of NRB are mentioned in the bylaw.

Accordingly, PSD has been assigned the responsibility of maintaining financial stability by making the payment system secure and efficient, modernizing the payment system by enhancing its credibility, as well as regulating, monitoring, supervising and inspecting the system, operating Real Time Gross



Settlement (RTGS) System.

PSD is responsible for establishing and operating infrastructure such as national payment switches and payment gateway, representation in SAARC Payment Council and other international payment agreements, conducting public awareness on electronic payments and making the economy cashless as per the bylaw.

Before establishing a company to operate payment and settlement services, a letter of intent has to be obtained by completing the procedure prescribed in Section 7 of the Payment and Settlement Act, 2019. Provision has been made in the bylaw that the letter of

intent will be automatically canceled if the company is established within six months of receiving such letter and does not apply for the license.

Provisions are made in the bylaw regarding the Board of Directors and Executive Head of the organization working on payment. Accordingly, each organization will have a Board of Directors with a minimum of three and a maximum of seven directors. The Chairperson of the Board of Directors shall take an oath of office and secrecy from the Deputy Governor of NRB or the Executive Director of PSD. The bylaw also include provisions regarding the qualifications, age and other criteria of the Executive Head of the organization.



Licensed Institution shall operate the service within six months from the date of receipt of the letter. If the service cannot be operated within that period, the period can be extended up to three months if the application is submitted with reasonable reasons. The licensed institution shall conduct internal audit half-yearly and external audit annually.

As per the bylaw, the institution has to submit the details of its business transactions, accounts receivable, number of affiliated customers and balance amount at NRB within 15 days of the end of the month. Similarly,

provision has also been made in the bylaw to submit the details of the total balance of the electronic amount in the form of wallet or e-money operated by the payment service provider to the bank, through electronic medium, on a daily basis.

The bylaw has prohibited service providers from engaging in investments related to money laundering and terrorist activities. In addition, it is mentioned in bylaw such types of illegal activities cannot be executed even in the transactions.

Provision has also been made in the bylaw that the payment service provider should make necessary policy measures

for consumer protection. The bylaw stipulates various conditions regarding the security of payment and the provision of services by the institution. Accordingly, it is specified in the bylaw that necessary agreement should be made with the customer. The bylaw states that the policy provisions related to customer access should be made clear and non-discriminatory while operating the payment instrument.

As per the bylaw, the limit of transactions through payment instruments will be as determined by NRB from time to time. The payment institution shall comply with the prevailing international standards regarding minimum security and confidentiality. The bylaw has made a provision on various criteria for those institutions that issues the payment instruments.

The bylaw has made necessary policy arrangements regarding payments through electronic checks, e-money (wallet), Swift and inter-bank transactions. The bylaw also mentions the process of check clearing and remittance, remittance of payment transactions and remittance through RTGS system.

The bylaw also provides for the voluntary revocation of the payment service providers organization and the provision to revoke the

Executive Director Timsina received PhD Degree

Ms. Neelam Timsina Dhungana, Executive Director, Public Debt Management Department, NRB has obtained a Doctor of Philosophy (PhD) degree.

Mewar University Gangrar, Chittorgarh, Rajasthan, India has awarded to her PhD degree on July 9, 2019, for the thesis entitled "A Study on Lending Behavior and Monetary Transmission Mechanism of Nepalese Commercial Banks" through Faculty of Management. ●





license of the organization that does not operate the service as per the prevailing rules and regulations.

The bylaw has paved the way for mergers and

acquisitions of payment service providers. It is mentioned in the bylaw that procedures will be made and implemented in this regard. The bylaw stipulate that an organization registered as a

public company and obtained a license from NRB to operate a payment service must issue at least 20 percent of its shares to the public within three years of incorporation. ●

CMD issued a new Clean Note Policy

Nepal Rastra Bank has issued a new circular to Banks and Financial Institutions (BFIs) on May 24, 2020 regarding the clean note policy.

Currency Management Department (CMD) has issued a new circular amending the Clean Note Policy, 2073 BS issued on April 24, 2016. According to the circular of the CMD, the BFIs shall classify the banknotes received in their institution into three categories, (1) those that can be sent in circulation through ATM and other means, (2) those that can be sent in circulation through counter and (3) those that cannot be

sent in circulation.

The circular states that green slips shall be used in the packets of banknotes that can be sent from ATMs and other machines, white slips shall be used in the packets to be paid from the counter and red slips shall be used in the packets that cannot be sent for circulation.

As earlier, central bank has banned stitching on notes. It is stated in the circular that rubber, plastic or paper band can be used in the packet of notes as required. In addition, NRB has also directed the BFIs to arrange for non-writing and protection of banknotes.

Banknotes that have

been scratched, corroded, burnt, melted, soaked, damaged in printing, letters, numbers, pictures and security features misunderstood or damaged or have a picture of former king should be classified as disposable notes. NRB has instructed that such notes shall not be sent in circulation.

NRB has also directed to deposit the ineligible notes in NRB, note chest or in BFIs having its own account. The circular also mentions that the payment of notes or pre-exchange notes should be disinfected by the certain procedures. ●

NRB directs for Banking Services

Nepal Rastra Bank has directed the Banks and Financial Institutions to provide bank's service on regular time from June 15, 2020. Bank and Financial Institutions Regulation Department has issued such instructions while issuing a notice on June 12.

It is mentioned in the notice that the service should be provided from 8

am to 6 pm by assessing the pressure of the customers and managing shifts as per the need in the crowded places. The department has also informed that the service shall be provided by making arrangements so that the costumers will not be crowded and will be in queue to maintain prescribed social distance.

According to

the information of the department, the Banks and Financial Institutions shall have to take the minimum health security measures necessary to reduce infection of the employees and the costumers who are in direct contact with the service delivery. The department has also informed to further encourage electronic transactions. ●

**Major Financial Indicators**

as on Jestha End, 2077 (Mid-June, 2020)

		Class "A"	Class "B"	Class "C"	Overall
A. Credit, Deposit Ratios (%)					
1	Total Deposit/GDP	87.09	10.70	2.23	100.03
2	Total Credit/GDP	75.15	8.93	1.97	86.05
3	Total Credit/ Total Deposit	86.29	83.45	88.07	86.03
4	CCD Ratio [#]	71.93	72.79	71.94	72.02
5	Fixed Deposit/Total Deposit	46.72	46.67	55.02	46.90
6	Saving Deposit/Total Deposit	31.33	29.45	27.55	31.05
7	Current Deposit/Total Deposit	9.66	10.40	0.36	9.53
8	Call Deposit/Total Deposit	11.25	13.30	13.22	11.51
9	NPL/ Total Loan [@]	1.72	1.48	6.76	1.81
10	Total LLP [@] /Total Loan	2.15	11.44	8.87	3.27
11	Deprived Sector Loan/Total Loan ^{\$@}	6.47	9.75	8.44	6.85
B. Liquidity Ratios (%)					
1	Cash & Bank Balance/Total Deposit	9.28	9.19	13.20	9.36
2	Investment in Gov. Securities/Total Deposit	14.81	7.38	9.08	13.89
3	Total Liquid Assets/Total Deposit	25.05	27.96	32.35	25.53
C. Capital Adequacy Ratios (%)[@]					
1	Core Capital/RWA	11.23	13.11	18.62	11.55
2	Total Capital/RWA	13.38	14.22	19.99	13.59
D. Financial Access					
1	No. of institutions	27	23	22	72
2	No. of Branches	4,239	1,216	239	5,694
3	No. of Deposit Accounts [@]	26,568,299	4,668,363	649,117	31,885,779
4	No. of Loan Accounts [@]	1,150,750	329,196	45,489	1,525,435
5	No. of Branchless Banking Centers [@]	1,586	-	-	1,586
6	No. of Branchless Banking Customers [@]	190,250	-	-	190,250
7	No. of Mobile Banking Customers [@]	9,465,648	1,118,251	86,173	10,670,072
8	No. of Internet Banking Customers [@]	959,636	27,334	5,754	992,724
9	No. of ATMs [@]	3,566	328	51	3,945
10	No. of Debit Cards [@]	6,943,150	269,319	30,684	7,243,153
11	No. of Credit Cards [@]	156,749	-	-	156,749
12	No. of Prepaid Cards [@]	65,530	-	-	65,530
E. Interest Rate(%)					
1	Wt. Avg Interest Rate on Deposit	6.17			
	(a) Saving	4.19			
	(b) Fixed	9.26			
	(c) Call	2.76			
2	Wt. Avg Interest Rate on Credit	10.43			

Note:

Bank balance includes money at call

Nominal GDP(At Producer's Price) for 2019/20 Rs. 3,767,043 million(Preliminary)

Adjustments are not included in Credit Deposit Ratio Calculation.

Negative core capital has been excluded in calculation of Capital Adequacy Ratios

\$ 6 months prior Total Loan is taken to calculate Deprived Sector Lending Ratio

Jestha month end (last day) CCD ratio

@ Data as on 3rd Quarter of FY2076/77 (2019/20)

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