

NRB Celebrates 66th Anniversary

Bank committed for macroeconomic stability: Governor Mr. Adhikari



Governor Maha Prasad Adhikari has said that Nepal Rastra Bank (NRB) is committed for the overall macroeconomic stability of the country. Governor Mr. Adhikari expressed this view while addressing a program organized virtually on the occasion of the 66th anniversary of NRB on April 27, 2021. He said, "The bank is committed for maintaining macroeconomic stability; directing the financial

resources to be mobilized to the infrastructure sector, small and medium enterprises, agriculture, energy, tourism and other productive sectors to support economic recovery; timely development of financial instruments and infrastructure; and transactions through electronic payment." According to him, NRB is also committed to promoting and protecting financial

customers by enhancing financial inclusion.

Stating that the risk of further impact on the economy has increased due to the second wave of COVID-19, Governor Mr. Adhikari informed that the policy measures adopted to address the impact will be continued. "The flexible and simplified policy arrangements to address COVID-19 impact will be continued in the direction

of economic and financial stability and monetary objectives." he addressed. Governor Mr. Adhikari stressed on the need for efficient operation and management of economic activities to absorb the impact due to pandemic in the economy.

Expressing best wishes to the employees of NRB on the occasion of the anniversary, Governor Mr. Adhikari called upon them to remain focused on service delivery in the coming days keeping the image and dignity of the organization for achieving the objectives of NRB. He also expressed his gratitude to various Government of Nepal bodies, Banks and Financial Institutions, media houses, donor agencies, international organizations and the general public for their support in the



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functioning of NRB.

On this occasion, Deputy Governor Dr. Neelam Dhungana Timsina said that NRB would take the lead for the revival of the economy affected by COVID-19. Expressing welcome remarks, Deputy Governor Mr. Bam Bahadur Mishra discussed that the NRB has recently made significant achievements in technology-friendly systems such as Supervisory Information System (SIS), Real Time Gross Settlement (RTGS) and e-mapping. The program was attended by senior officials of NRB, representatives of employees union, officials of bankers association, media persons and others. The program was conducted by Mr. Muktinath Sapkota, Director in the Office of the Governor. ●

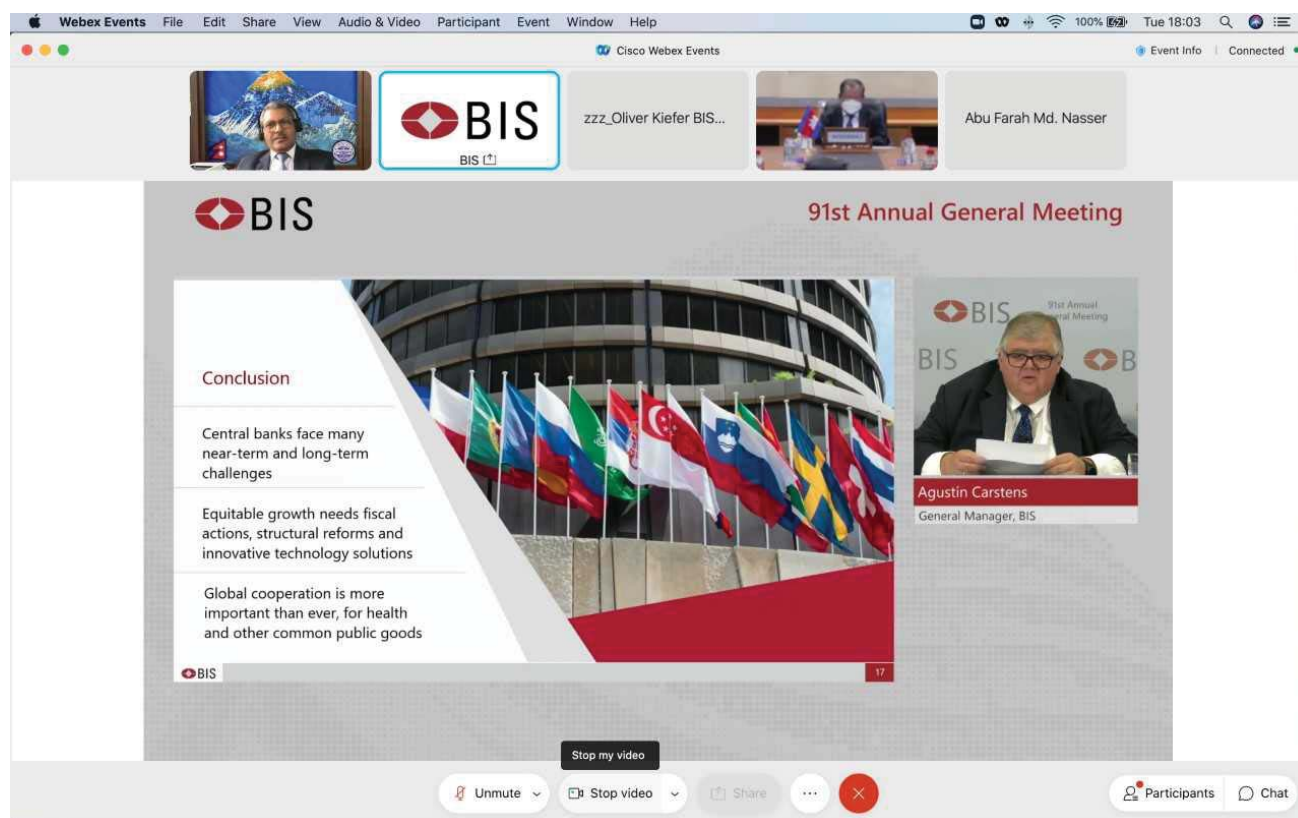
Governor Mr. Adhikari Participated in the 91st AGM of BIS

Governor Mr. Maha Prasad Adhikari participated the 91st Annual General Meeting of Bank for International Settlements (BIS). He has participated in the meeting held on June 27 and 28, 2021.

On the first day of

the meeting, Mr. Mark Carney, former Governor of the Bank of England and the Bank of Canada, expressed his remarks on the topic of 'The Art of Central Banking in a Centrifugal World'. He also addressed the comparative role of the central bank in the past and

present, addressing the latest challenges in the changing global financial system and the strategic arrangements to be adopted by the central bank for monetary and financial stability. With the change in technology and the increasing use of digital currency, Carney also



focused on the concept of a central bank digital currency. There was a group discussion among the participants on his presentation.

On the second day of the meeting, Mr. Agustín Carstens, General Manager of BIS, delivered a presentation on the annual financial report of the organization. On this occasion, he pointed out the need to prepare a policy foundation for the long-term stability of the economy, which has been affected due to COVID-19. For that, General Manager Carstens stressed the need for structural reforms, development of innovative technologies and global policy cooperation

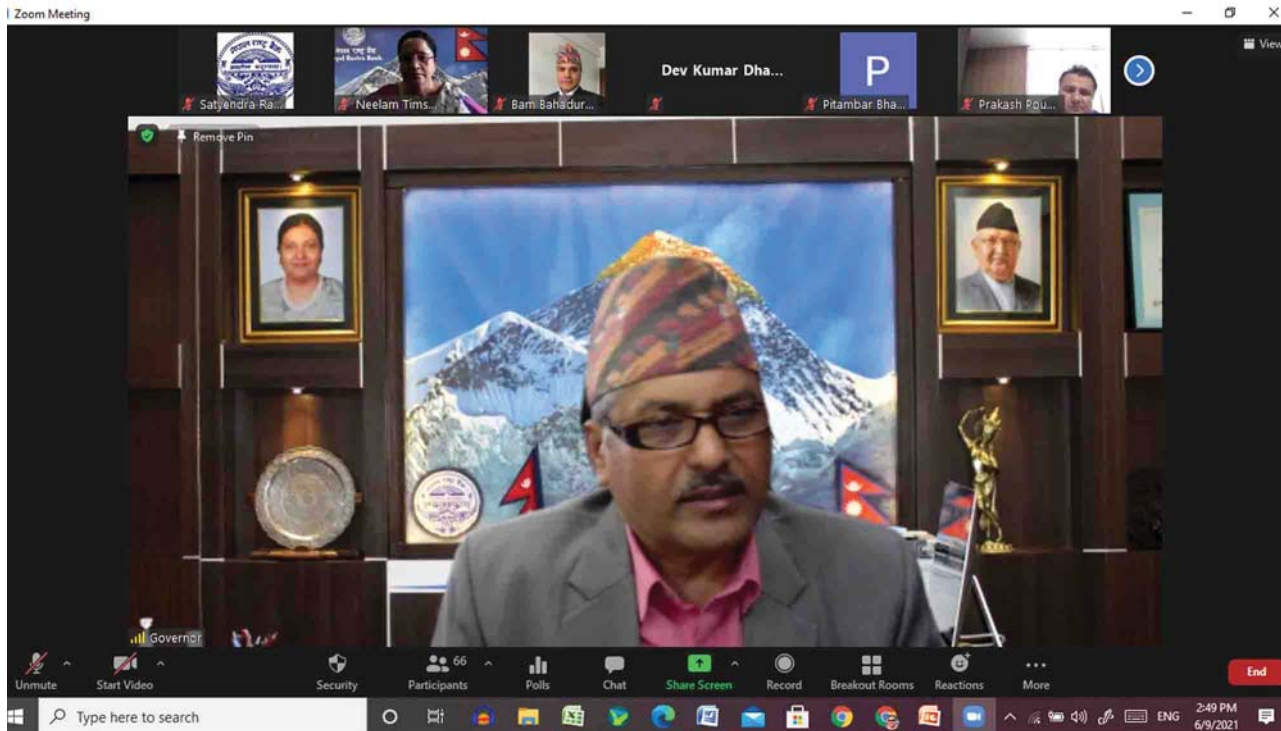
and coordination.

The economic report of BIS was launched during the meeting. The report pointed out the sharp inequality in income level and access to resources due to the COVID epidemic and focused on the need to reduce it through monetary and fiscal policy and move towards macroeconomic stability. During the meeting, a presentation was made on the latest and innovative efforts made by BIS for a sound financial system. The presentation was discussed among the participants of the meeting. The meeting was attended by BIS member banks as well as other central

bank governors and senior officials. Dr. Gunakar Bhatta, Executive Director of Bank Supervision Department, had accompanied the Governor in participating in the meeting.

The Bank for International Settlements (BIS) is an international financial institution that aims to promote global monetary and financial stability through the coordination of global central banks and their monetary policy efforts. Founded in 1930, BIS currently has 63 central banks as members. Its headquarter is located in Basel, Switzerland. ●

Interaction with CEOs



Bank Supervision Department (BSD) organized an interaction program with the Chief Executive Officers (CEOs) of Nepal Infrastructure Bank and Commercial Banks on July 27, 2021.

The interaction program was organized through virtual mode focusing on the issues raised during the inspection/supervision of infrastructure bank and commercial banks. Governor Mr. Maha Prasad Adhikari was also present on the occasion.

On this occasion, Dr. Gunakar Bhatta, Executive Director of BSD presented a working paper on the comparative statistics of deposits and

credit flows of commercial banks, the status of risk management, institutional good governance, the issues pointed out in the inspection/supervision, the challenges seen in it and the supervisory efforts initiated by NRB for improvement. In this context, he highlighted the credit, operation, liquidity and market risks seen in the business of commercial banks, prevention of money laundering and weaknesses in financial customer protection.

A discussion session on the working paper was conducted under the coordination of Deputy Governor Mr. Bam Bahadur Mishra. During the program, CEOs of various banks

expressed their commitment to comply the policy directives of the central bank and to rectify the weaknesses.

On this occasion, Deputy Governor Dr. Neelam Dhungana Timsina directed the CEOs to remain committed to the policy provisions issued by the NRB and implement them. Mr. Dev Kumar Dhakal, Executive Director of Banks and Financial Institutions Regulation Department, said that the credit flow of banks has been aggressive in recent period and drew attention to the risk.

Mr. Sharan Kumar Adhikari, Deputy Director of BSD, had conducted the interaction program. ●

Seminar on Internal Audit Review Concluded

Internal Audit Department (IAD) has organized a review seminar on the allegations made during the internal audit of FY 2076-77 on June 25, 2021. The IAD has organized the seminar through virtual mode with Governor Mr. Maha Prasad Adhikari as chief guest.

On this occasion, Governor Mr. Adhikari stressed on the need for sound and effective institutional good governance of Nepal Rastra Bank (NRB). He said, "We are the central bank and the regulatory body. Our functions should be clean and transparent. There should be no questioning of our financial statements and operations."

Stating that the internal control system of the bank should be effective, Governor Mr. Adhikari said that the role of internal audit would be important in meeting that goal. He directed to officials of different department/offices to immediately rectify the allegations pointed out by the IAD. "Allegations raised by IAD must be rectified as soon as possible. There is no question that the functions cannot be done or not done." He said. Governor Mr. Adhikari opined that there should be 'zero tolerance' in terms of compliance with the policy provisions of the



NRB. He also emphasized on the effective implementation of risk-based internal audits.

On this occasion, Mr. Vishrut Thapa, Executive Director of IAD, presented a working paper covering the main themes of the internal audit report for the FY 2076-77 BS. His working paper included regular audits, risk-based audits, details of special audits/inspections and key points raised during the audit. He stressed on the need to keep priority to off site audits, timely update the policy areas and plans of internal audits and make risk-based audits effective.

In the virtual seminar, interaction was conducted on the aspects of internal audit report and its improvement. On the occasion, the heads of various departments and offices expressed their views and suggestions on the aspects

of internal audit report. Dr. Suvod Kumar Karn, member of the Board of Directors of NRB and coordinator of the Audit Committee of NRB facilitated the interaction.

Deputy Governor Dr. Neelam Dhungana Timsina expressed that the internal audit system of NRB was more effective than in the past and drew the attention of the department/offices to improve the audit. Deputy Governor Mr. Bam Bahadur Mishra suggested that audits should be concentrated in the departments/offices that are more risky and sensitive.

Expert member of the Audit Committee Mr. Keshav Prasad Bhattarai was also present at the seminar. Mr. Askok Ghimire, Acting Director of IAD, conducted the virtual seminar. ●



NRB Released Third Quarterly Review of Monetary Policy

Nepal Rastra Bank (NRB) has released third quarterly review of the monetary policy for the fiscal year 2077-78 on May 18, 2021.

Through the review, NRB has stated that due to the second wave of COVID-19, monetary easing and revival programs will be continued and vigilance will be adopted to avoid any risk to financial stability. The review states, 'The existing policy direction of monetary policy will be continued to support economic growth by facilitating the availability of financial instruments for economic growth, employment generation and economic recovery.' In addition, the third quarterly review of the monetary policy will facilitate the flow of credit for the import, production and distribution of public goods and medical equipments related to COVID treatment.

The existing cash reserve ratio (CRR), statutory liquidity ratio (SLR), bank rate and interest rate corridor have been kept unchanged. It has been stated in the review that if there is a demand for loans for the

purpose of setting up liquid oxygen plant or oxygen plant to supplement the existing health care provider, hospital or industry; arrangement will be made to provide loan at base rate through Banks and Financial Institutions (BFIs). The review also states that special refinance will be provided upto one year for loans up to Rs. 500 million for liquid oxygen plant and up to Rs. 200 million for the purpose of setting up an oxygen plant.

It is mentioned that BFIs will not be allowed to charge any penalty or additional fee for the recovery of loans from the customers during the period of prohibition issued for the reduction of COVID-19 infection. As per the third quarterly review, arrangements will be made by the BFIs to renew the term deposits expired during the period, renew the collateral and issuance of letter of credit and renew the loan at the request of the customer.

The provision of Loan to Value ratio for margin loan against shares will continue to be 70 percent but valuation shall be made as 180 days average value or current market price, whichever is

lower. Earlier, valuation was made as 120 days average value or current market price, whichever was lower. The policy stipulates that BFIs should immediately provide information related to interest rate change on deposits and loans to the general public through electronic means.

As per the third quarterly review, the funds allocated by the BFIs under corporate social responsibility will be made available throughout the country by giving priority to life saving, public interest and humanitarian activities. 'Arrangements will be made to spend the funds on oxygen cylinders, oxygen concentrators, life-saving vaccines, medicines etc', the review stated.

The third quarterly review of monetary policy has concluded that the economy is in a challenging situation due to the prohibition imposed after the second wave of the COVID-19 pandemic. Due to which, it is mentioned in the review that it will be difficult to achieve the estimated economic growth of four percent in the Fiscal Year 2077/78. ●

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