

ANNEX-IV

Finance: Some Policies Highlights

1. Principles of liberal economic policy have been adopted in financial Sector and insurance service.
2. No intervention will be made to determine interest rate (deposit and lending).
3. Foreign Investment is allowed in financial sector and insurance service as a form of joint venture and subsidiary company.
4. Only licensed holder Public limited company from Nepal Rastra Bank is allowed to conduct banking Services.
5. On the basis of Paid up Capital Nepal Rastra Bank has classified banks and Financial Institutions into four categories as A, B, C and D and type of financial transaction is vary according to the class of licensee .
6. Foreign Bank and financial institutions interested in opening their office in Nepal are required to submit their application in the form and with fees as prescribed by NRB.
7. Well Performing Bank and financial Institution may be upgraded if it has prescribed capital requirement and has been profit for 5 years and NRB can downgrade any bank and financial institution from 'A' to 'B' or 'B' to 'C' class.
8. One Licensed institution may be merged to another by permission of NRB provided both of such institution have the proposal passed by General Meeting and submit a joint request to NRB.
9. Bank and Financial institution are required to allocate minimum of 30 percent shares for the public.
10. Financial institution and general insurance company has to pay 30 percent income tax on their net income.
11. Industry can import raw materials from India on convertible currency.
12. Nepal Rastra Bank has fixed 5.50 percent Cash Reserve Ratio and 6.50 percent Bank Rate for financial year 2006/07.
13. Generally, 6 to 8 percent spread rate is prevailing in Nepalese financial market.

Source: Various publications from Nepal Rastra Bank.