



नेपाल राष्ट्र बैंक

Regulations on RE Financing & Repatriation of Capital in Nepal

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Presentation Outline

- NRB Regulation on RE Financing and Repatriation
- Repatriation in Foreign Exchange Act
- Foreign Exchange Facility in FDI Policy
- Repatriation Provisions in FITTA
- Requirement for FDI Approval
- Requirement for Dividend Repatriation
- Requirement for Loan Investment by Foreign Company



Presentation Outline (cont..)

- Requirement for Loan Investment by Foreign Individual (equity Investor)
- Requirement for Loan Repatriation
- Requirement for Share Repatriation



NRB Regulations on RE Financing

NRB Directives no. 17

- Productive Sector Lending :
 - Productive sector lending includes the loan extended to agriculture, **energy**, tourism and cottage & small industry sector.
 - Commercial Banks are required to lend at least 20 % of their total loan in the productive sector. (12% of total loan in Agriculture and Energy)
 - Similarly, development banks and finance companies should lend at least 15% and 10% of their total loan respectively in this sector.



NRB Regulations on RE Financing

NRB Directives no. 17

- Deprived Sector Lending
 - A, B & C class institutions are required to lend at least 5%, 4.5% and 4% of their total loan respectively in the deprived sector.
 - Under Deprived sector lending, loan extended to energy sector are also included;
 - Solar Home System, Solar cooker, Solar Dryer, Solar Pump, Biogas, Improved Cook Stoves, Wind Energy



NRB Regulations on RE Financing

- For Hydropower projects
 - Relaxation in loan loss provisioning after restructuring and rescheduling of loan
 - Relaxation in Single Obligor Limit (50% of Core Capital)
 - Relaxation in income recognition during moratorium period
 - Refinance facility from Nepal Rastra Bank



Repatriation in Foreign Exchange Act

- Section 10.a: Foreign investment in foreign country or foreign investors making investment in Nepal is subject to notices published by NRB.
- Section 10.b: One should not receive or disburse loan in FCY except allowed by law & provisions mentioned in public notices of NRB.
- Section 10.c: Repatriation applicable
 - Dividend
 - Loan Repayment (Principal + Interest)
 - Share Repatriation- share transfer, liquidation.
 - Technology Transfer Agreement (TTA), Royalty



Foreign Exchange Facility in FDI Policy

- Foreign investment must bring-in in convertible FCY. Indian nationals can bring IRs. as well.
- Foreign investor can open bank account in Nepalese BFIs either in NPR or FCY or both.
- Companies having FDI can open FCY account and pay imports, salary and dividend from it.
- Foreign employees are allowed to repatriate their salary in FCY, even by exchange facility.



Foreign Exchange Facility in FDI Policy (contd..)

- Classification of Foreign Investors
 - Institutional Foreign Investor
 - Individual Foreign Investor
 - Non-Residential Nepali (NRN) Investor
- Priority Sector- Hydropower (production including transmission)



Repatriation Provisions in FITTA (sec. 5)

Foreign investor entitled to repatriate

- The amount received by the sale of the share of foreign investment as a whole or any part
- The amount received as profit or divided of the foreign investment.
- The amount received as the payment of the principal of and interest on any foreign loan.
- The amount received under an agreement for the transfer of technology.



Requirements for FDI Approval

- Application from the company to NRB requesting for FDI Approval
- Foreign Investment Approval obtained from DOI, with a copy acknowledgement to NRB
- Resolution of company for bringing in foreign investment
- Power of attorney authorizing official representative from the company
- Corporate Profile of the investing company



Requirements for FDI Approval (cont.)

- CIB information about company's black listing
- Certificate of Company Registration
- AoA and MoA of the company
- PAN registration of the company
- Passport of the investors of the investing company (if the investor is company then the ultimate individual's identity or passport)



Requirements for FDI Approval (contd.)

- Commitment letter from the company stating foreign investor will not take back investment for at least 1 year (lock-in-period)
- Source of investment of the investor
- The time schedule of investment (declaration)
- Requested document to validate the above information (only on demand)



Requirements for Dividend Repatriation

- Application Letter
- Approval for investment from Regulatory authority
- Approval letter from NRB to bring-in FDI or record of FDI
- Bank statement (or 429 certificate) as proof of FDI (if recorded then not mandatory)
- Legal Documents (MOA, AOA, PAN, company registration)



Requirements for Dividend Repatriation (contd..)

- Corresponding year's tax clearance certificate
- Audited Financial Report
- AGM minute for dividend declaration



Requirement for Loan Investment by Foreign Company

- Application Letter
- Loan Agreement (approved)
- Declare- bring loan through banking channel
- Reasons to bring loan from foreign company
- Company's decision minute to take loan
- Approval from regulatory authority
- Legal Documents
- Letter of CIB



Requirement for Loan Investment by Foreign Company (contd..)

- Basis to payback loan
- Sector of loan utilization
- Plan to manage foreign exchange risk
- Basis that the loan could not be avail by Nepalese BFIs
- Source of loan and investing time schedule
- Repayment schedule
- Interest rate cap- One year libor rate + upto 5.5%



Requirement for Loan Investment by Foreign Individual (equity investor)

All as foreign company except

- Debt to equity ratio- 60:40 (of the investor)
- Interest rate limit- One year libor rate + 2%



Requirements for Loan repatriation

- Application Letter
- Proof of Loan received through in banking channel (one time)
- Invoice from Investor
- Loan Agreement and Repayment Schedule
- Approval of regulatory authority
- Latest tax clearance certificate
- Proof of applicable tax paid on interest
- CIB information



Requirements for Share Repatriation

- Application Letter
- Approval of Regulator
- Approval of Investment from NRB
- Proof of investment (applicable if not recorded)
- Approved sale & purchase agreement (SPA)
- Latest Audited Financial Report
- Latest Tax clearance certificate of the company and capital gain tax, if applicable



Requirements for Share Repatriation (contd..)

- Attested share register book
- CIB Information of purchaser
- Share valuation report on the basis of fair value amount if company is not listed in NEPSE
- Project completion certificate, if grant is taken from any authority



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Thank you