



Payment Systems Oversight Report

BS 2076/77



Nepal Rastra Bank

Payment Systems Department

Baluwatar, Kathmandu

Nepal

Message from Executive Director

Dear Valued Readers,

Present is the digital age and the payment ecosystem is no exception. There is continuous flow of innovative technologies like artificial intelligence, big data analytics, distributed ledger technology, internet of things, etc. in the financial market. Nepal Rastra Bank is convinced that the purpose of this ecosystem should be to provide the people with an easier, faster, cheaper, and more intuitive way of doing their financial business.

Central banks around the world plays key role in payment innovation mainly by facilitating innovation and promoting financial inclusion. Nepal Rastra Bank is focusing on establishing and improving payment infrastructures, formulating and implementing legal and regulatory framework, encouraging innovations, and promoting awareness.

In this regard, solutions that are ‘infrastructure-light’ would be useful in boosting e-payment acceptance among micro-enterprises who are cost-sensitive. New, cost-effective solutions such as QR payments and “Tap-on-Phone”, which leverage on the already high penetration of smart phones, may be preferred over traditional POS terminals. NRB is in the process of issuing guidelines on QR standards. Such solution has the potential to become a game-changer by facilitating merchants to accept payments from customers of different participating banks and non-banks by using only a unified QR code.

The second focus area is on strengthening public confidence. Large segments of the population still lack awareness and confidence in e-payments. Some consumers are also concerned about overspending, as they are used to relying on cash withdrawals as a way to budget and control expenses. These are cognitive barriers that can be overcome with concerted efforts.

To achieve a more sustainable migration, the industry should strengthen the value proposition of e-payments. Greater focus should be placed on creating innovative and value-added solutions that go beyond payments. This may serve as a natural incentive for customers to adopt digital financial services. Against this backdrop, payment service providers must rethink their strategies to remain relevant and be sustainable in the long run.

Banks and non-banks alike should intensify efforts on awareness-building and education campaigns. Done well, this can have a long-lasting effect on behavioral change towards greater adoption of e-payments.

Thank you,

Bhuban Kadel
Executive Director
Payment Systems Department
Nepal Rastra Bank

Table of Contents

Message from Executive Director	ii
Acronyms and Abbreviations	vi
1. Nepalese Payment Systems	1
2. Nepal Rastra Bank as a Regulator and Supervisor of the Payment Systems	2
3. Legal and Regulatory Provisions	3
3.1 Nepal Rastra Bank Act, 2058 (NRB Act, 2002)	3
3.2 Payment and Settlement Act, 2075	3
3.3 Payment and Settlement Bylaw, 2077	4
3.4 Licensing Policy for Payment Related Institutions, 2073	5
4. Key Developments and Activities	5
4.1 Issuance of Directives	5
4.2 Notices and circulars	6
4.3 Licensing	7
4.4 Large Value Payment Systems	7
4.5 Retail Payment System (RPS)	8
4.6 National Payment Switch	9
5. Status of Payment Instruments	9
5.1 Status of Cards	9
5.2 Cheque Clearing	10
5.3 Automated Clearing House	10
5.4 Instant Payment	10
5.5 QR Code based payment	11
5.6 Mobile Banking and Internet Banking	11
6. Payment Systems Oversight	12
6.1 Oversight Activities in FY 76/77	12
6.1.1 Inspection/Supervision	12
6.1.2 Reporting arrangement	13
6.1.3 Requirement to approve financial statements	13
6.2 Activities done after Covid-19 Outbreak	13
6.3 Ongoing Activities under Oversight	13
Annex 1: List of A-class BFIs licensed to provide payment services	14
Annex 2: List of B class BFIs licensed as PSP	15
Annex 3: List of C class BFIs licensed as PSP	15

Annex 4: List of Non-BFIs licensed as PSO	15
Annex 5: List of Non-BFIs licensed as PSP	16
Annex 6: Number of Cheques Presented and Cleared (NCHL-ECC)	16
Annex 7: Number of Transaction Presented and Cleared (NCHL-IPS).....	16
Annex 8: Number of Transaction Presented and Cleared (NCHL-connectIPS).....	17
Annex 9: Number of Payment Instruments Issued.....	17
Annex 10: No. of ATM Terminals and Customers on Payment Channels	17
Annex 11: Overview of Institutions as on Asadh 2077	18

Acronyms and Abbreviations

ATM	Automated Teller Machine
BFI	Bank and Financial Institutions
CPMI	Committee on Payments and Market Infrastructures
ECC	Electronic Cheque Clearing
FY	Fiscal Year
IOSCO	International Organization Of Securities Commissions
IPS	Interbank Payment System
KYC	Know Your Customer
LOI	Letter of Intent
NCHL	Nepal Clearing House Limited
NEPS	Nepal Electronic Payment Systems Ltd.
NPSDS	Nepal Payment System Development Strategy
NRB	Nepal Rastra Bank
PFMI	Principles of Financial Market Infrastructure
POS	Point of Sale
POT	Point of Transaction
PSA	Payment and Settlement Act
PSD	Payment Systems Department
PSO	Payment System Operator
PSP	Payment Service Provider
RPS	Retail Payment System
RTGS	Real Time Gross Settlement
SCT	Smart Choice Technology Ltd.
SMS	Short Message Service
SIS	Supervisory Information System

1. Nepalese Payment Systems

To fulfill the objective of developing a secure, healthy and efficient system of payment mentioned in the NRB Act, 2058, Payment System modernization effort was started in Nepal with the formulation of NPSDS (Nepal Payment System Development Strategy) in 2014. The NPSDS outlined the steps that would be taken by NRB to implement the strategy across the nine pillars comprising:

- (i) Legal Framework,
- (ii) Large Value Payment systems,
- (iii) Retail payment systems,
- (iv) Government Payments,
- (v) Securities Depository, Clearing and Settlement Mechanisms,
- (vi) Interbank Money Market,
- (vii) International Remittances,
- (viii) Oversight of the National Payments System, and
- (ix) Co-operative Framework for the Payment System.

Establishment of Payment Systems Department was major milestone step in the process of payment system modernization in Nepal. Furthermore, "Licensing Policy for Payment Related Institutions/Mechanism, 2073 and "Payment and Settlement Act, 2075 and the Payment and Settlement Bylaws 2077 bring another breakthrough in the era of digital payment. These legal frameworks are helping in expanding and improving the digital mode of payments.

Up to the review period, all 27 commercial banks, 19 development banks, and 7 finance companies are licensed by NRB to operate as payment institutions. Similarly, 23 non-bank institutions are licensed to operate as payment institutions. Among them, 14 are Payment Service Providers and 9 are Payment System Operators.

NRB's interest in ensuring the smooth functioning of payment systems is based on encouraging greater use of digital payment mechanisms instead of cash transaction and its effect on economic transformation.

The Retail Payment Systems in Nepal consist of cheque clearing, electronic funds transfer, card payment systems, e-money and remittances. Retail Payment Systems are typically a low value payment system catering to the needs of consumers, businesses and the Government in serving their payment requirements. The Retail Payment Systems in Nepal are mainly operated by Nepal Clearing House Limited (NCHL), which provides image-based cheque clearing solution and electronic fund transfers. The other major operators in the cards payment space are Smart Choice Technologies (SCT) P. Ltd and Nepal Electronic Payment System (NEPS) Ltd. Similarly, FonePay Payment Services Limited is operating as PSO and provides the platform for QR payment as well as mobile banking services to BFIs. Also, internationally recognized institutions like VISA Worldwide Pvt. Ltd, Union Pay International, Master Card Asia/Pacific are also operating as PSO in the Nepalese payment industry. The e-money and remittance service providers complement the retail payment infrastructure. The retail payment infrastructure in Nepal, such as the automated clearing house and the payment switches are operated by PSOs. The scenario of retail payment has changed rapidly in these years. ConnectIPS, IPS, Mobile Banking, Internet Banking, Wallets, QR Code etc. are the major developments in the field of retail payments and are providing fast payment services.

Large value payment system is mainly the Real Time Gross Settlement system operated by Nepal Rastra Bank.

2. Nepal Rastra Bank as a Regulator and Supervisor of the Payment Systems

Nepal Rastra Bank, as the central bank of Nepal, has been entrusted with carrying out the duties of regulating and supervising payment institutions. There has been adequate legislative provision in place that authorize NRB to perform such duties. Nepal Rastra Bank Act, 2058, has made NRB as an autonomous institution empowered to regulate and supervise Nepal's banking industry. Similarly, Payment and Settlement Act, 2075 provides the legal framework for regulating and supervising the payment and settlement systems in Nepal, including to Payment Service Providers and Payment System Operators. To carry its responsibility of maintaining secure, healthy and efficient payment system, NRB has been continuously issuing various directives, guidelines, and

policies to the licensed institutions, considering domestic situation and international best practices. A dedicated department, Payment Systems Department, has been set up in NRB's organizational structure to regulate and oversight of payment institutions.

NRB oversees the payment systems based on the existing legal framework, directives issued through Payment Systems Department, Payment System Oversight Framework, and major international guiding polices such as Principles of Financial Market Infrastructures (PFMIs) and other prevalent guiding documents.

3. Legal and Regulatory Provisions

3.1 Nepal Rastra Bank Act, 2058 (NRB Act, 2002)

Nepal Rastra Bank Act has an objective to develop a secure, healthy and efficient system of payment and this act also gives powers to regulate, inspect, and supervise payment, clearing, and settlement arrangements.

3.2 Payment and Settlement Act, 2075

Payment and Settlement Act 2075 is one of the most important legal frameworks that came into existence. The key components of the Act are following:

- ✚ *National Payment Board*: Act has made the provision of National Payment Board to establish a safe, sound and efficient payment mechanism, to minimize the risk inherent with payment systems, to play the role of facilitator, mediator and dispute handler. Payment Systems Department is to provide secretariat service to the Board.
- ✚ *Licensing responsibility*: NRB has been tasked with the responsibility of issuance, revoke or refusal of license to an entity to work as a payment service provider or payment system operator.
- ✚ *Oversight*: NRB is empowered to monitor and conduct inspection/supervision of the licensed institutions and the services they provide on a regular basis.
- ✚ *Dispute Settlement Committee*: In the event of any dispute arising between the institutions with regard to any work performed under this Act, the same to be handled by the Dispute Resolution Committee.

- ✚ *Powers to give direction:* NRB has the powers to give directions to licensed entities. with regard to payment services.
- ✚ *Powers to frame regulations:* NRB under the Act has powers to frame bye laws for administration of the Act.
- ✚ *Institution responsibility:* Act has clearly mentioned the responsibilities of PSP and PSO.
- ✚ *RTGS:* NRB has given authority to operate RTGS system for large value payment.
- ✚ *Punishment, Fines and Penalties:* Act has mentioned regarding punishment, fines, and penalties in case of violation of or non-adherence of any of the provisions of Act or Bylaws.

The objectives of this Act are to regulate supervise, inspect and oversee to develop a secure, healthy, and efficient payment system of the country. Similarly, it encourages a safe and sound payment system and ensures public confidence and trust over the payment system.

3.3 Payment and Settlement Bylaw, 2077

Payment and Settlement Bylaw, 2077 provides further basis to the NRB with the authority to regulate, supervise, inspect and oversee services and instruments issued by those payment services institutions. The Bylaw provides following major provisions:

- ✚ Expert board member's qualifications for National Payment Board.
- ✚ Functions, duties and power of the Department.
- ✚ Pre-requisites for getting license, renewal of license and provisions of termination of license.
- ✚ Qualification of the Board members and CEO of PSO/PSP.
- ✚ Responsibility of licensed PSO/PSP/BFIs,
- ✚ Provisions of Consumer Protection.
- ✚ Provision of operating payment instruments.
- ✚ Clearing and Settlement of transaction,
- ✚ Liquidation procedures of Institutions.
- ✚ Security measures to follow by licensed institutions.

3.4 Licensing Policy for Payment Related Institutions, 2073 (Licensing Policy, 2016)

Licensing Policy aims to regulate institutions and mechanisms that operate payment related activities. The scope of this policy includes all BFIs and non-BFIs and includes licensing policy for payment institutions which are classified as PSPs and PSOs. This policy outlines the major requirements to obtain the license and rules and standards of operations.

4. Key Developments and Activities

4.1 Issuance of Directives

Nepal Rastra Bank issues Payment Systems related unified directives and also continuously update existing directives to ensure safety and efficiency of the payment systems. Directives related to transactions of POS machine, operation of RTGS system, Branch Less Banking (BLB) Electronic Cheque Clearing (ECC) and about reporting format etc. are issued during the review period. Altogether, eleven directives related to payment services are issued by the bank till mid- August 2020.

Brief overview of payment related directives issued by the bank so far is as presented below:

A.	Directives issued before FY 2076/77
	<ul style="list-style-type: none"><li data-bbox="347 1283 1436 1570">✚ The first directive was issued on January 30, 2017 (Magh 17, 2073) that regulated the Electronic Payment Cards in terms of the issue and operation and regulatory compliance of electronic cards as well as the settlement of transactions. It also set timelines for all electronic payment instruments like electronic payment cards, POS/POT Terminals, and ATMs to be chip-based within the given time frame.<li data-bbox="347 1581 1436 1832">✚ The second directive issued on January 30, 2017 (Magh 17, 2073) was about conducting Financial Service Operation in domestic currency through Telecommunication Networks. It established policy and process to be adopted while providing Internet Banking Services. It also defined different kinds of services that can be delivered through the Internet, Telephone and SMS service.<li data-bbox="347 1843 1436 2040">✚ The third directive issued on January 30, 2017 (Magh 17, 2073) specified on adoption of security measures while providing electronic payment services. It asked for needful arrangements from the service provider to make the transactions secured. It provided regulations for Risk Management, Disaster Recovery Plan and

	<p>System Audit.</p> <ul style="list-style-type: none"> ✚ The fourth directive was issued on July 29, 2017 (Shrawan 14, 2074) which mandated the provision of Settlement Bank. The directive was for all non-bank PSPs to have a settlement account in class A Bank. Specific criteria had been defined for the selection of the settlement bank. ✚ The fifth directive issued on July 15, 2018 (Ashad 31, 2075) defined transaction limit for different electronic payment instruments like credit card, debit card, prepaid card, mobile banking, internet banking, e-wallets, etc. ✚ The sixth directive issued on August 30, 2018 (Bhadra 14, 2075) defined the timeline for submitting the Annual Financial Report. All licensed institutions other than BFIs are required to conduct a statutory audit within four months from the end of the Fiscal Year and submit the report to NRB within one month from completion of audit for approval of financial statements. ✚ The seventh directive issued on October 02, 2018 (Ashwin 16, 2075) defined the prerequisites, procedures, infrastructures required to obtain license for payment system function by Micro-Finance Institutions.
B.	Directives issued during FY 2076/77
	<ul style="list-style-type: none"> ✚ The eighth directive was issued on September 05, 2019 (Bhadra 19, 2076) for the operation of RTGS system for large value payment. ✚ The ninth directive was related with branchless banking operation by BFIs. This directive was issued earlier by Bank and Financial Institution Regulation Department on November 11, 2019 (Kartik 25, 2076). ✚ The tenth directive was related to Electronic Cheque Clearing (ECC) operation. This directive was issued earlier by Bank and Financial Institution Regulation Department and reissued on November 11, 2019 (Kartik 25, 2076).

4.2 Notices and circulars

NRB, PSD has issued various notices and circulars during the review period and the major notices and circulars are as follows:

- a. Cash withdrawal limit on Debit cards.
- b. Revision on transaction limit of Internet Banking, Mobile banking and Wallets.
- c. Requirement to have proper monitoring mechanism on ATM booth to reduce potential frauds. Similarly, PSP/PSO/BFIs are required to form a

- Information Technology Incident Response Team to respond instantly on an unfavorable incidence and conduct a System Audit regularly.
- d. BFIs shall not charge any kind of fees to customer in case of on-us and off-us ATM transactions from the starting of lock down caused by Covid-19 Pandemic.
 - e. Requirement to strengthen physical security by BFIs by having security guard at ATM booth for 24 hours.
 - f. Removing charge levied in RTGS transactions from the starting of lockdown Caused by Covid-19 Pandemic.

4.3 Licensing

During the review period, NRB has issued license to five institution as PSOs and eight as PSPs. Thus, the total licensed institution to work on payment services, other than banks and financial institutions, has gone up to twenty-three. Out of that total nine are PSO and fourteen are PSP. In addition, six institutions have been issued LOI during the review period to operate as PSP and one institution has been issued LOI to operate as PSO.

Similarly, during the period, NRB has issued license to four development banks, two finance company. NRB has also reissued license of PSP to Prabhu Technologies Pvt. Ltd. by cancelling the earlier license issued to it as PSO/PSP. With this, all 27 commercial banks, twelve development banks, and seven finance companies have got license to work on payment services.

4.4 Large Value Payment Systems

As an operator of the payment system and based on the mandate given by Payment and Settlement Act and Payment and Settlement Bylaw, NRB has installed and implemented Real Time Gross Settlement (RTGS) System for large value payment. RTGS System is an electronic fund transfer system in which the transfer of funds between one bank to another takes place in "real-time" and on a "gross" - transaction by transaction - basis, without bundling or netting with any other transaction.

RTGS System formally started from 12th September 2019. PSD has issued RTGS System Rule, 2019 which regulates the membership criteria, members' responsibilities, settlement rules, operating procedures in the RTGS system. Similarly, NRB has issued a separate directive for the operation of RTGS. Transactions can be settled in five different currencies i.e. Nepalese Rupees (NPR), US Dollar (USD), Euro (EUR), Pound Sterling (GBP) and Japanese

Yen (JPY). Minimum limit for value of credit transfers in RTGS is NPR 200,000 and threshold for mandatory transaction has been set to NPR 2 Million or above. Currently, all Commercial Banks are operating as direct participants of the RTGS System and all Development Banks and Finance Companies are going to be on boarded within FY 2077/78.

RTGS implementation has eased the large value payment process which was earlier based on manual clearing in NRB's GL System. Further, it is expected that the RTGS System will enhance the trust and confidence towards the payment system as it significantly reduces settlement risk in payment mechanism. One of the main features of RTGS is instant payment which is helpful to make a quick business decision. It helps to increase the velocity of money and boost up the economic activities. NRB's liquidity management is also expected to be more efficient with this system.

Following Table shows the currency wise RTGS transaction during review period.

S.N.	Currency	Transaction Count	Amount (in Millions)
1	NPR	189554	9,714,580.87
2	USD	8928	637.2
3	EUR	1186	511.17
4	GBP	698	7.63
5	JPY	246	4,078.46

4.5 Retail Payment System (RPS)

The retail payment systems in Nepal have been experiencing significant developments. Banks continue to be the major providers of retail payment services to consumers, businesses and Government. NRB has licensed to 27 Commercial Banks, 12 Development Banks and 7 Finance Companies to carry out payment services.

Banks provide their customers with account-based services, cheque facility, debit and credit cards, remittance services and online banking facilities (internet/mobile). Non-bank PSPs provide e-money services to their customers. NRB has initiated the process to give permission to domestic payment institutions to acquire international wallets through settlement arrangement in Nepal. NRB has also taken initiation to establish national payment switch to allow, among other, interoperability in the retail payment systems.

As an effort for payment system modernization, NRB formulated and published a Retail Payment Strategy (RPS), 2019. RPS focuses on key pillars (i) strengthening the legal and regulatory framework, (ii) deepening digital retail payment systems, (iii) Government and remittances payment to transaction account, (iv) settlement in central bank money, (v) financial awareness, (vi) oversight- covering endpoint security, and (vii) coordination with authorities amongst others.

4.6 National Payment Switch

As mentioned in Payment and Settlement Act, 2075 and mandated by Payment and Settlement Bylaws and as also announced on Monetary Policy Statement of FY 2076/77, NRB is in the process of establishing National Payment Switch with the objective of, among others, establishing interoperable payment infrastructure and settling all the domestic transactions within a country.

A National Payment Switch would enable the Nepalese card industry to enjoy world-class card payment functionality, access to expertise and a seamless digital platform for the future.

5. Status of Payment Instruments

5.1 Status of Cards

Though majority of payment is still made through cash and cheques in Nepalese economy, digital payment instruments i.e. ATM, Wallet, POS machine, QR code etc. are also gradually increasing.

Following table provides the data on the number of prepaid, debit and credit cards and the number of Automated Teller Machines (ATMs).

Table: Cards outstanding and ATMs deployed

(Figures in Actual; figures in bracket indicate the percentage change over previous year)

	2018 (Mid Jul)	2019 (Mid Jul)	2020 (Mid Jul)
Total number of Cards	5,745,790	6,899,053 (20.07%)	7,553,274 (9.48%)
Of which			
Prepaid Cards	96816	67,386 (-30.40%)	63775 (-5.36%)
Credit cards	104,721	123,146 (17.59%)	160297 (30.17%)

Debit cards	5,544,253	6,708,521	7329202
		(21.00%)	(9.25%)
Total number of ATMs	2,791	3,316	4106
		(18.81%)	(23.82%)

Source: NRB Monthly Statistics

- ✚ Debit card users increased by 9.25 percent in 2020 as compared to 2019.
- ✚ Credit card users increased by 30.17 percent in 2020 as compared to 2019.
- ✚ Prepaid card users decreased by 5.36 percent in 2020 as compared to 2019.
- ✚ Total number of ATMs increased by 23.82 percent in 2020 as compared to 2019.

5.2 Cheque Clearing

Following table shows the product wise transaction volume of ECC operated by NCHL.

Sessions	2073/74	2074/75	2075/76	2076/77	Growth in 2076/77
High Value	751	245	310	288	-7.10%
Express	437,324	937,877	1,572,514	1,466,094	-6.77%
Regular	9,513,194	8,748,155	10,182,248	10,431,951	2.45%
Overall	9,951,269	9,686,277	11,755,072	11,898,333	1.22%

Source: NCHL

5.3 Automated Clearing House

Another major product offered by NCHL is inter-bank payment system (IPS) which allows direct debit or direct credit facility. In Fiscal Year 2076/77, total number of IPS transactions increased by 19.14 percent and reached to 5,875,765. Following figures show the popularity of IPS.

Particular	2074/75	2075/76	2076/77
Total Transaction Presented Count (Yearly)	1,879,663	4,931,949	5,875,765
Growth in IPS Transaction		162.38%	19.14%

Source: NCHL

5.4 Instant Payment

Instant payment includes connectIPS and QR Code based payment.

ConnectIPS

ConnectIPS is one of the most popular products, at public level, offered and operated by NCHL since Shrawan 2075, where the system allows the bank customers to make instant payments. In Fiscal Year 2076/77, total number of connectIPS transactions increased significantly by 1431.90 percent and reached to 2,849,964.

Particulars	Fiscal Year	
	2075/76	2076/77
Total Transaction Presented Count (Yearly)	186,041	2,849,964
Growth in ConnectIPS Transaction		1431.90%

Source: NCHL

5.5 QR Code based payment

Recently QR Code based payment service has been started by one of the PSO (FonePay Payment Service Ltd) and some of PSPs (IME Digital Solution Ltd, Q Pay Pvt Ltd, Sparrow Pay Pvt Ltd, Cellcom Pvt Ltd and Nepal Pay Time Pvt Ltd). QR Code based payment system is one of the cheapest and easy payment platforms for instant payment. Customer can pay to a merchant after scanning QR code plate through mobile. NRB is encouraging QR code-based payment and accordingly developing QR Code Standard and Guidelines.

5.6 Mobile Banking and Internet Banking

Mobile banking and Internet banking services are being provided by the BFIs to its customers which allows its users to perform financial transactions on digital mode like Electronic Fund Transfer, QR Payments, Utility Payments, Direct Debit and Direct Credit. Mobile banking is done by using a mobile device such as a Smartphone or tablet and Internet banking is done through the website.

Following table shows the number of customers using mobile banking and internet banking in Nepal.

Table: Number of Customer using Mobile Banking and Internet Banking

Channel	Fiscal Year				
	2072/73	2073/74	2074/75	2075/76	2076/77
Mobile Banking	1,754,566	2,669,732	5,086,069	8,347,187	11,306,797
Internet Banking	515,465	783,751	834,302	917,344	1,031,227
Change in Mobile Banking		52.16%	90.51%	64.12%	35.46%
Change in Internet Banking		52.05%	6.45%	9.95%	12.41%

Source: Nepal Rastra Bank

In FY 2076/77, number of mobile banking users increased by 35.46 percent and reached to 11,306,797. Similarly, number of internet banking users increased by 12.41 percent and reached to 1,031,227.

6. Payment Systems Oversight

6.1 Oversight Activities in FY 76/77

6.1.1 Inspection/Supervision

During the review period, the Departments conducted on-site inspection of four licensed payment institutions. As further on-site inspections could not be conducted due to ongoing covid-19 pandemic, off-site inspection mechanism is strengthened.

Table: Onsite Inspection during FY 2076/77

Date of Inspection	Institutions Name
2076/09/27 to 28	Q Pay Pvt. Ltd.
2076/09/27 to 29	Sparrow Pay Pvt. Ltd.
2076/09/27 to 28	Cellcom Pvt. Ltd.
2076/09/27 to 29	IME Digital Solution Ltd.

During the time of on-site inspection, NRB collects the information related to systematic risks, operational risk, settlement risk and liquidity risks of licensed institutions and analysis is done based on the available information and prevailing market scenario. Major issues observed on on-site inspection during the period are:

- + Lack of sufficient policies
- + Inadequate physical infrastructure for the operation
- + Poor corporate governance
- + Poor compliance to the NRB's circulars and directives
- + No proper strategy for running business at the time of crisis
- + Shortcomings in handling Board Meetings and maintaining board minutes
- + Business is concentrated in city area only

Necessary instruction has been given to address the shortcomings and remarks.

6.1.2 Reporting arrangement

All the licensed institutions are required to report their transaction at various time frame and in various prescribed format through the reporting portal. This will provide assistance in the process of decision making in course of oversight activities. The implementation of Supervisory Information System (SIS) will further enhance the quality of data that would further ease the analysis.

6.1.3 Requirement to approve financial statements

As per the Payment and Settlement Act, 2075 Payment Institutions are required to complete their statutory audit within four months of completing fiscal year and are required to get approval on the financial statements from NRB before publishing. Based on the document submitted by the institution, PSD prepares off-site supervision report of the concerned institution.

6.2 Activities done after Covid-19 Outbreak

Major activities carried out by the bank to ease to the public from the discomfort caused by Covid-19 pandemic are as below:

- ✚ Removal of off-us ATM withdrawals charges
- ✚ Extend transaction limit on ATM Withdrawal, Card Transactions, POS Transaction, Mobile Banking, Internet Banking, OR Code, Wallet Transaction etc.
- ✚ Waiver in RTGS transaction fees.

6.3 Ongoing Activities under Oversight

- ✚ NRB is in the process of formulating Oversight Bylaws as well as Oversight Manual to streamline oversight activities.
- ✚ NRB is in the process of collecting data through SIS.

Annexures

Annex 1: List of A-class BFIs licensed to provide payment services

SN	Name	Type/ Class	Address	Date of Approval (B.S.)
1	Nepal Bank Limited	A	Dharmapath, Kathmandu	2073/12/17
2	Agricultural Development Bank Limited	A	Ramshahpath, Kathmandu	2073/12/17
3	Global IME Bank Limited	A	Panipokhari, Kathmandu	2073/12/17
4	NIC Asia Bank Limited	A	Thapathali, Kathmandu	2073/12/17
5	Prime Commercial Bank Limited	A	Nayasadak, Kathmandu	2073/12/17
6	NMB Bank Limited	A	Babarmahal, Kathmandu	2073/12/20
7	Laxmi Bank Limited	A	Hattisar, Kathmandu	2073/12/20
8	Century Commercial Bank Limited	A	Putalisadak, Kathmandu	2073/12/20
9	Mega Bank Limited	A	Kamaladi, Kathmandu	2073/12/24
10	Nabil Bank Limited	A	Durbarmarg, Kathmandu	2073/12/24
11	Prabhu Bank Limited	A	Babarmahal, Kathmandu	2073/12/24
12	Kumari Bank Limited	A	Durbarmarg, Kathmandu	2073/12/24
13	Nepal Investment Bank Limited	A	Durbarmarg, Kathmandu	2073/12/24
14	Siddhartha Bank Limited	A	Hattisar, Kathmandu	2073/12/24
15	Civil Bank Limited	A	Kamaladi, Kathmandu	2073/12/24
16	Himalayan Bank Limited	A	Kamaladi, Kathmandu	2073/12/24
17	Machhapuchhre Bank Limited	A	Lazimpat, Kathmandu	2073/12/24
18	NB Bank Limited	A	Kamaladi, Kathmandu	2073/12/29
19	Sanima Bank Limited	A	Naxal, Kathmandu	2073/12/29
20	Bank of Kathmandu Limited	A	Kamalpokhari, Kathmandu	2073/12/29
21	Citizens Bank International Limited	A	Kamaladi, Kathmandu	2073/12/29
22	Rastriya Banijya Bank Limited	A	Singh Durbar Plaza, Kathmandu	2073/12/29
23	NCC Bank Limited	A	Bagbazar, Kathmandu	2073/12/29
24	Sunrise Bank Limited	A	Gairidhara, Kathmandu	2073/12/29
25	Standard Chartered Bank Nepal Limited	A	NayaBaneshwor, Kathmandu	2073/12/30
26	Everest Bank Limited	A	Lazimpat, Kathmandu	2073/12/30
27	Nepal SBI Bank Limited	A	Hattisar, Kathmandu	2073/12/30

Annex 2: List of B class BFIs licensed as PSP

SN	Name	Type/ Class	Address	Date of Approval (B.S.)
1	Shangrila Development Bank Limited	B	Baluwatar, Kathmandu	2075/01/21
2	Garima Bikash Bank Limited	B	Lazimpath, Kathmandu	2075/02/22
3	Excel Development Bank Limited	B	Birtamod, Jhapa	2075/04/17
4	Saptakoshi Development Bank Limited	B	Biratnagar, Morang	2075/06/15
5	Kanchan Development Bank Limited	B	Mahendranagar, Kanchanpur	2075/07/29
6	Shine Resunga Development Bank Limited	B	Siddhartha Road, Butwal	2075/09/20
7	Miteri Development Bank Limited	B	Dharan, Sunsari	2075/11/30
8	Sindhu Bikash Bank Limited	B	Barhabise, Sindhupalchowk	2076/02/19
9	KamanaSewa Bikash Bank Limited	B	Gyaneshwor, Kathmandu	2076/03/25
10	Muktinath Bikash Bank Limited	B	Kamaladi, Kathmandu	2076/05/09
11	Green Development Bank Limited	B	Baglung	2076/05/22
12	Lumbini Bikas Bank Limited	B	Dillibazar, Kathmandu	2076/09/20

Annex 3: List of C class BFIs licensed as PSP

SN	Name	Type/ Class	Address	Date of Approval (B.S.)
1	Pokhara Finance Limited	C	Pokhara, Kaski	2074/09/13
2	United Finance Limited	C	Durbarmarg, Kathmandu	2074/10/24
3	ICFC Finance Limited	C	Bhatbhateni, Kathmandu	2075/01/16
4	Gurkha's Finance Limited	C	Dillibazar, Kathmandu	2075/02/24
5	Goodwill Finance Limited	C	Hattisar, Kathmandu	2075/08/17
6	Manjushree Finance Limited	C	Baneshwor, Kathmandu	2076/08/19
7	Progressive Finance Limited	C	Tinkune, Kathmandu	2076/09/20

Annex 4: List of Non-BFIs licensed as PSO

SN	Name	Type	Address	Date of Approval (B.S.)
1	Nepal Clearing House Limited	PSO	Kamaladi, Kathmandu	2074/04/15
2	Smart Choice Technology	PSO	Baluwatar, Kathmandu	2074/09/17
3	Nepal Electronic Payment Systems	PSO	Narayanchaur, Kathmandu	2076/01/29
4	Union Pay International	PSO	Shanghai, China	2076/03/30
5	Visa Worldwide Private Limited	PSO	Singapore	2076/04/29
6	Nepal Payment Solution	PSO	Sundhara, Kathmandu	2076/07/19
7	Master Card Asia/Pacific Pvt. Limited	PSO	Singapore	2076/08/24
8	Foneway Payment Services Limited	PSO	Hattisar, Kathmandu	2076/10/26
9	First Pay Technology Private Limited	PSO	Hattisar, Kathmandu	2076/11/12

Annex 5: List of Non-BFIs licensed as PSP

SN	Name	Type	Address	Date of Approval (B.S.)
1	IME Digital Solution Limited	PSP	Panipokhari, Kathmandu	2074/03/05
2	E SewaFonepay Pvt. Limited	PSP	Hattisar, Kathmandu	2074/03/05
3	Cellcom Pvt. Limited	PSP	Sundhara, Kathmandu	2075/09/08
4	CG pay Nepal Pvt. Limited	PSP	Sanepa, Lalitpur	2075/09/13
5	Sparrow pay Pvt. Limited	PSP	Pulchowk, Lalitpur	2076/01/02
6	Pay Nep Pvt. Limited	PSP	Naxal, Kathmandu	2076/04/15
7	Q Pay Pvt. Ltd	PSP	Baluwatar, Katmandu	2076/05/19
8	Nepal Pay Time Pvt. Ltd	PSP	Putalisadak, Kathmandu	2076/05/19
9	Smart Card Pvt. Ltd	PSP	Anamnagar, Kathmandu	2076/06/29
10	Mohar Digital Pvt. Ltd	PSP	Kumaripati, Lalitpur	2076/06/30
11	Prabhu Technology Private Limited	PSP	Kamaladi, Kathmandu	2074/03/04
12	E-Net Payment Pvt. Ltd.	PSP	Durbarmarg, Kathmandu	2076/11/21
13	Focusone Payment Solutions Pvt. Ltd.	PSP	Kamaladi, Kathmandu	2076/11/29
14	Kurakani Pay Pvt. Ltd.	PSP	Kamaladi, Kathmandu	2077/02/29

Annex 6: Number of Cheques Presented and Cleared (NCHL-ECC)

Particulars	2072/73	2073/74	2074/75	2075/76	2076/77
Cheque Presented count (000) (Yearly)	7322	9951	9641	11708	11898
Cheque Value (in billions) (Yearly)	3605	5175	6341	7657	7346
Cheque Cleared count (000) (Yearly)	6779	9153	8541	10083	10150
Average Cheque Presented count	31475	43326	40509	46836	44269
Source: NCHL					

Annex 7: Number of Transaction Presented and Cleared (NCHL-IPS)

Particular	2074/75	2075/76	2076/77
Total Transaction Presented Count (Yearly)	1879663	4931949	5875765
Total Transaction Rejected Count (Yearly)	147641	503780	484601
Source: NCHL			

Annex 8: Number of Transaction Presented and Cleared (NCHL-connectIPS)

Particular	2075/76	2076/77
Total Transaction Presented Count (Yearly)	186041	2849964
Total Transaction Rejected Count(Yearly)	6004	65390
Source: NCHL		

Annex 9: Number of Payment Instruments Issued

Cards	Issuer	2073 Asar (July 2016)	2074 Asar (July 2017)	2075 Asar (July 2018)	2076 Asar (July 2019)	2077 Asadh (July 2020)
Debit Card	A Class	4,142,390	4,694,066	5,307,970	6,454,285	7,062,472
	B Class	479,318	260,225	206,589	216,991	231,287
	C Class	35,417	26,667	29,694	37,245	35,443
	Total	4,657,125	4,980,958	5,544,253	6,708,521	7,329,202
Credit Card	A Class	52,014	68,966	104,721	123,146	160,297
Prepaid Card	A Class	82,797	101,458	96,816	67,386	63,775

Annex 10: No. of ATM Terminals and Customers on Payment Channels

Channel	Institution	2073 Asar (July 2016)	2074 Asar (July 2017)	2075 Asar (July 2018)	2076 Asar (July 2019)	2077 Asadh (July 2020)
ATM	A Class	1,661	1,874	2,552	2,951	3759
	B Class	230	177	209	318	296
	C Class	17	30	30	47	51
	Total	1,908	2,081	2,791	3,316	4,106
Mobile Banking	A Class	1,604,578	2,438,222	4,711,097	7,406,802	10,115,313
	B Class	133,561	217,432	351,796	909,512	1,100,743
	C Class	16,427	14,078	23,176	30,873	90,741
	Total	1,754,566	2,669,732	5,086,069	8,347,187	11,306,797
Internet Banking	A Class	489,835	766,958	816,074	888,268	1,001,866
	B Class	23,036	14,634	14,634	24,124	23,332
	C Class	2,594	2,159	3,594	4,952	6,029
	Total	515,465	783,751	834,302	917,344	1,031,227

Annex 11: Overview of Institutions as on Asadh 2077

A. Number of Bank and Financial Institutions	
Commercial Banks	27
Development Banks	20
Finance Companies	22
Microfinance Institutions	85
Infrastructure Development Bank	1
B. Number of Payment Outlets	
Branches of A-class banks	4436
Branches of B class banks	1029
Branches of C class banks	243
Branchless Banking Centers	1,574
Number of ATM Terminals	4106
C. Number of Licensed PSPs & PSOs	
Total number of Commercial Banks working as PSP	27
Total number of Development Banks operating as PSP	19
Total number of Finance Companies working as PSP	7
Total number of Non-BFIs working as PSO	9
Total number of Non-bank institution operating as PSP	14