NON-BANK FINANCIAL INSTITUTIONS SUPERVISION REPORT 2024/25



Nepal Rastra Bank

NON-BANK FINANCIAL INSTITUTIONS SUPERVISION DEPARTMENT

Non-Bank Financial Institutions Supervision Report 2024/25

Nepal Rastra Bank

Non-Bank Financial Institutions Supervision Department

Baluwatar, Kathmandu, Nepal

March, 2026

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This Supervision Report aims to enhance public access to information about the Department's supervisory responsibilities and activities. It presents the relevant information as accurately and comprehensively as possible. However, it is only meant to provide general information and should not be interpreted as professional, financial or legal advice.

Most of the data, figures and other information are derived from reports obtained from licensed institutions and internal database maintained by the Department or other departments of Nepal Rastra Bank. While the majority of the data pertains to the Fiscal Year 2024/25, some information may not correspond exactly to this period due to the nature and availability of data. It is also important to note that the data or other materials in this report are not guaranteed to align perfectly with other officially published information.

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Message from the Executive Director

Dear valued stakeholders,

I am happy to present to you the Non-Bank Financial Institutions Supervision Report 2024/25, the third edition to the annual report of the department since its inception in Fagun, 2078.

The report highlights the activities carried out by the Department during the Fiscal Year 2024/25 as the supervisor of non-bank financial institutions licensed by Nepal Rastra Bank (NRB). The institutions under the department's supervisory purview include remittance companies (including commercial banks, separately licensed for remittance transactions), Hire Purchase companies, Hydroelectricity Investment and Development Company Limited (HIDCL), National Cooperative Bank Limited (NCBL) and all other companies licensed to carry out foreign exchange transaction. This makes the department supervise around 3000 institutions with different risks, business models and sizes under its supervisory purview. This is both a challenge and opportunity for the department.

The supervision function of the department is carried out on onsite and offsite basis. Regular onsite and follow-up inspections are carried out by the department. Based on the findings, necessary directions are issued to ensure compliance with regulatory provisions. The department has also been actively following up with these institutions to ensure the enforcement of the given directions. Additionally, the department regularly reviews transaction and financial data submitted by these institutions.

This report is the result of sincere work carried out by all staff of the department. I would like to thank particularly the policy planning unit led by Deputy Director Madhav Prasad Adhikari and Assistant Director Sunil Kadel for taking a lead in preparing this report. I would also like to acknowledge the hard work and dedication of Deputy Director Im Bahadur Chhetri and Assistant Directors Bivek Kumar Sah, Nishan Hitang, Amrita Shrestha, Smriti Ghimire and Assistants Durga Bahadur Ghimire and Kamala Aryal for their contributions to this report. Special thanks also go to Director Ashok Ghimire and Acting Director Nabina Dhakal for their valuable contribution in the preparation of this report.

Warm regards
Chet Prasad Uprety
Executive Director

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Acronyms/Abbreviations

AML	Anti-Money Laundering
ALPA	Asset Laundering (Money Laundering) Prevention Act
BFI	Bank and Financial Institution
BFIRD	Banks and Financial Institutions Regulation Department
BS	Bikram Sambat
BSD	Bank Supervision Department
CFC	Convertible Foreign Currency
CFT	Combating The Financing Of Terrorism
FCY	Foreign Currency
FEMD	Foreign Exchange Management Department
FERA	Foreign Exchange (Regulation) Act
FIU	Financial Intelligence Unit
FOREX	Foreign Exchange
FXOL	Foreign Exchange Licensing and Reporting System
GDP	Gross Domestic Product
HIDCL	Hydroelectricity Investment and Development Company Limited
HR	Human Resources
HRMD	Human Resources Management Department
INR	Indian Rupees
ITD	Information Technology Department
KYC	Know Your Customer
ML	Money Laundering
M-o-M	Month-On-Month
MTO	Money Transfer Operator
MVTS	Money Or Value Transfer Services
NBFI	Non-Bank Financial Institution
NBFISD	Non-Bank Financial Institutions Supervision Department
NCBL	National Cooperative Bank Limited
NFRS	Nepal Financial Reporting Standards
NRB	Nepal Rastra Bank
OCR	Office of the Company Registrar
RBA	Risk-based Approach
SAR	Suspicious Activity Reporting
STR	Suspicious Transaction Reporting
TF	Terrorist Financing
TTR	Threshold Transaction Reporting
USD	United States Dollars
Y-o-Y	Year-On-Year

Executive Summary

1. Non-bank financial institutions are diverse institutions, ranging from large corporations to small, independent businesses providing a variety of financial services. Although they are much smaller in size and significance compared to the banks and financial institutions, NBFIs contribute to the economy by enhancing financial inclusion, diversifying financial services, supporting small businesses and financial sector development. The NBFI Sector in Nepal covers around 20% of the total financial sector assets.

2. While the NBFIs providing payment services, foreign exchange services and credit facilities are mainly regulated and supervised by NRB in Nepal, other NBFIs like insurance company, Contractual saving organizations like Citizen Investment Trust, Employee Provident Fund, Social Security Fund and stockbrokers fall under the purview of other respective regulators.

3. Non-Bank Financial Institutions Supervision Department (NBFISD) was established within NRB in Fagun, 2078 BS with the mandate to supervise the institutions carrying out foreign exchange transactions, Hire Purchase Companies, National Cooperative Bank Limited (NCBL) and Hydroelectricity Investment and Development Company Limited (HIDCL).

4. NBFISD carries out the supervision of the institutions under its supervisory scope on onsite and off-site basis. The onsite supervision is mainly compliance-based. NBFISD supervises remittance companies, NCBL, Hire Purchase Companies and HIDCL. Institutions other than these are jointly supervised by NBFISD and NRB province offices.

5. NRB had developed Foreign Exchange Licensing and Reporting System (FXOL) for offsite supervision and data reporting purpose. The system has been implemented since May, 2017 in order to streamline the reporting of foreign exchange transactions by licensed institutions.

6. In the Fiscal Year 2024/25, the Department carried out a total of 150 onsite inspections, 30 of which were conducted outside the Kathmandu valley. The Department was also engaged in continuous monitoring of the licensed institutions on offsite basis.

7. Remittance companies contribute more than 55% of the total remittance inflows. The region-wise inflow of remittance shows that the top remittance source region for Nepal is Middle East, which occupies 36.82% share of the inward remittances.

8. Upon inspection and supervision, the department has identified issues in non-compliance. The enforcement unit of department continuously follows up on the implementation status of direction provide to NBFIs during onsite and offsite supervision.

9. Department conducts knowledge sharing programs with an aim to share experience and knowledge among colleagues of the Department. Likewise, interaction programs with the stakeholders are organized to understand issues and risks in the relevant sectors as well as increase awareness regarding the relevant Acts, regulations, directives and circulars.

10. The activities carried out by the Department are geared towards achieving Nepal Rastra Bank's objectives of maintaining financial sector and external sector stability.

1. Introduction

1.1. Background

Non-bank financial institutions (NBFIs) are entities that provide financial services to individuals and businesses but they do not hold banking license, cannot accept public deposits or offer checking/current accounts and are subject to comply with respective regulatory framework. NBFIs come in various forms, from large corporations to small independent entities. They serve as an important alternative to traditional bank financing and play a key role in supporting the broader economy. NBFIs contribute to financial inclusion, aid small businesses, and broaden the range of financial services available. The main types of NBFIs include insurance companies, pension funds, investment funds, finance/loan companies, mortgage lenders, and trust companies. The prevalence and types of NBFIs in a country depend on its economic structure and level of financial sector development. Although they aren't as heavily regulated and supervised as banks, NBFIs are typically supervised by national authorities, including the central bank.

1.1.1. NBFIs in the Global Financial System

The NBFI sector consists of a wide range of institutions, from asset management companies and insurance firms to hire purchase companies. Over the past few decades, especially following the global financial crisis, the sector has seen significant growth. On a global scale, NBFIs have become key players in financial intermediation, driving capital flows to emerging and developing markets. They have also acted as stabilizers during times of economic stress, providing loans when bank lending typically decreases. Furthermore, the NBFI sector plays an essential role in promoting financial inclusion, risk pooling, funding diversification, and increasing competition. However, as highlighted in the IMF's Global Financial Stability Report, the expansion of the NBFI sector has introduced new vulnerabilities to the financial system, including higher leverage, liquidity mismatches, and increased interconnectedness with the banking sector.

As per Financial Stability Board's Global Monitoring Report on Non-Bank Financial Intermediation 2025, the NBFI sector grew by 9.4% in 2024 to reach USD 256.8 trillion, raising the NBFI share of total global financial assets from 49.1% to 51%. The growth of the NBFI sector was largely due to mark-to-market instruments, which rebounded after a significant decrease in 2022. Likewise, the investor inflows to NBFI entities also contributed to the increase.

1.1.2. NBFIs: The Nepalese Context

Banks are the dominant players in Nepal's financial system. As per the monthly statistics published by Banks and Financial Institutions Regulation Department, NRB, the total credit (bank loans) to GDP ratio was 91.60 percent and the total Deposit to GDP ratio was 119.59 percent as of Asar end, 2082. While much smaller in size and significance, a number of NBFIs operate in various segments of the Nepalese financial system. NBFI sector in Nepal covers around 20% of the total financial sector assets as per the Financial Stability Report 2023/24 published by Nepal Rastra Bank.

In Nepal, sNBFIs providing credit facilities, payment services and foreign exchange services are regulated and supervised by NRB. Other NBFIs like insurance company and stockbrokers fall under the purview of other regulators such as Nepal Insurance Authority (NIA) and Securities Board of Nepal (SEBON) respectively. Some major NBFIs operating in Nepalese Financial System are as follows:

a) *Insurance companies*: A total of 37 insurance companies are operating in Nepal as on mid-July, 2025. Among them are 14 life insurance companies, 14 non-life insurance companies, 2 reinsurance companies and 7 micro insurance companies (3 micro life insurance and 4 micro non-life insurance companies). These insurance companies are licensed and supervised by NIA. As per the Financial Stability Report 2023/24 published by NRB, the percentage of population covered by life insurance has decreased marginally to 43.27 percent during the review year.

b) Merchant bankers/ Mutual Fund Managers/Stockbrokers: Merchant bankers manage the issuance of new securities in the market. There are currently 32 merchant bankers, 24 mutual fund managers and 90 stock brokers operating in Nepal as on mid-July, 2025. Further, the merchant banks that are the subsidy of the Commercial banks are allowed to manage mutual funds. The mutual funds act as institutional investors. These NBFIs are regulated and supervised by SEBON.

c) *Savings and Credit Cooperatives (SACCOs):* There are estimated 33,000 Savings and Credit Cooperatives in Nepal. They are registered at Department of Cooperatives and fall under the oversight of the Central, Provincial, and Local Government depending on the scope of their operation. These cooperatives basically accept deposits from their members and provide credit to them for various purposes. One of the important sources of fund for these cooperatives is fund borrowed from National Cooperative Bank Ltd. or Microfinance companies.

d) *Employee Provident Fund (EPF), Citizen Investment Trust (CIT) and Social Security Fund (SSF):* EPF manages provident fund on the behalf of the Government of Nepal for government, public enterprises and some private sector employees. It also manages Contributory Pension Scheme of public sector employees. CIT manages various retirement fund schemes. Likewise, SSF manages contribution-based retirement/ social security funds.

e) Remittance Companies and Money Changers: The Remittance companies are licensed to carry out international money transfer business. These companies sign agreements with foreign partners to receive inward remittance transactions. They arrange to distribute the remittance money to the beneficiaries through a large network of subagents located throughout the country. The Remittance companies and money changers are licensed, regulated and supervised by NRB.

f) *Hire Purchase Companies:* Hire Purchase Companies provide hire purchase loans to individuals and companies. These loans include loans for the purchase of equipment, machineries and vehicles. There are 10 Hire Purchase Companies in Nepal as on mid-July, 2025. These Hire Purchase Companies are regulated and supervised by NRB.

g) *Hydroelectricity Investment and Development Company Ltd (HIDCL):* HIDCL is a public enterprise established by the Government of Nepal in order to address the funding requirements of the hydroelectricity sector in Nepal. It mainly mobilizes funds for investment in the generation, transmission, and distribution of hydroelectricity. As on mid-July, 2025, HIDCL has provided Rs. 0.43 billion loan to hydropower.

h) National Cooperative Bank Ltd. (NCBL): NCBL is the only cooperative bank in Nepal. It accepts deposits from its member cooperative institutions, as well as, provide various types of loans to these institutions. As per the Mid-July, 2025 financial figures, NCBL mobilizes the deposit of Rs. 47.06 billion from members and has provided loan advances of Rs.15.04 billion to cooperatives.

1.2. Overview of the Department

1.2.1. Establishment and Timeline of the Department

The Department was established on 2078 Falgun 1 with the mandate of inspection and supervision of the following licensed institutions:

- Institutions licensed to carry out foreign exchange transactions
- Hire Purchase Companies
- Hydroelectricity Investment and Development Company Limited
- National Cooperative Bank Limited

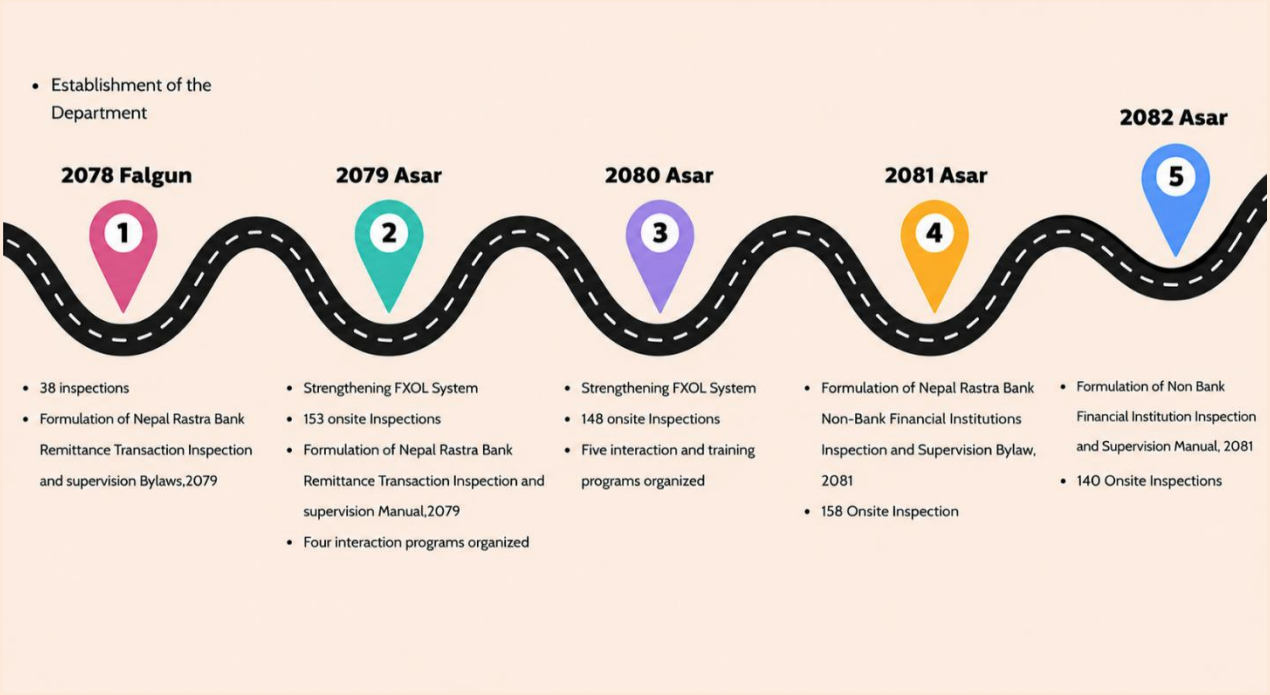


Figure 1: Timeline of the Department

1.2.2. Departmental Responsibilities/ Functions

The responsibilities/functions of the Department are as follows:

a) Carry out onsite inspections (regular/ full-scope, targeted, follow-up and special) based on the annual plan.

b) Monitor transactions of the licensed institutions through offsite surveillance.

c) Carry out enforcement actions as needed.

d) Obtain data and reports on regular basis as well as when needed.

e) Organize workshops and interaction programs with various stakeholders in the matters related to the Department's functions.

f) Coordinate with FIU and other agencies on the relevant issues.

g) Provide policy feedbacks to the regulatory departments of NRB.

Onsite Inspection Function

The Department conducts onsite inspections based on Nepal Rastra Bank Non-Bank Financial Institution Inspection and Supervision Bylaws, 2081 and as per the approved annual plan. Besides, it may carry out special inspections as deemed necessary.

Enforcement Function

Enforcement function starts when the directions are given to the concerned institution after the approval of the inspection report. Enforcement is a continuous process in which the Enforcement Unit communicates with the concerned institution for evidence of the implementation of the directives given. The Enforcement Unit may also initiate the punitive actions against the institution or officials for more serious non-compliance issues.

Offsite Supervision Function

The Offsite Supervision Unit is involved in carrying out offsite surveillance of the licensed institutions under the Department's supervisory purview. The Unit reviews and analyses the transaction and financial data as necessary.

Internal Administration and Policy Planning Function

The Internal Administration and Policy Planning units support other units and serve as the back office.

1.3. Objectives of the Report

This Annual Report of the Department has been prepared with the following objectives:

1. To inform the stakeholders about the Department's scope, structure and process of inspection and supervision.
2. To present financials and transaction details of licensed companies based on the reported data for the fiscal year 2024/25.
3. To inform about the supervision related activities carried out by the Department during the fiscal year 2024/25.

1.4. Scope and Limitations of the Report

This Report mainly covers the inspection and supervision related activities carried out by the Department during the fiscal year 2024/25. The financial analyses presented in the Report are mainly based on the audit reports submitted by the licensed institutions. The transaction details

presented are limited to data obtained from the licensed institutions through emails and other online platforms like FXOL System and NRB Reporting and Analytics System. The list and number of licensed institutions included in the Report areas on Poush end, 2082 BS if not stated otherwise.

The information provided in this Report are mainly of general nature and are not intended to address or depict specific circumstances of any particular individual or institution. Furthermore, the Report should not be interpreted as professional, financial or legal advice.

While the majority of the data pertains to the Fiscal Year 2024/25, some information may not correspond exactly to this period due to the nature and availability of data. It is also important to note that the data or other materials in the Report are not guaranteed to align perfectly with other officially published information.

2. Inspection and Supervision

2.1. Department's Scope of Supervision

The Department has the mandate of carrying out inspection and supervision of diverse institutions that were previously being supervised by other NRB Departments. These licensed institutions are regulated and guided by different laws, rules, policies and directives.

The licensed institutions under the Department's supervisory purview were previously supervised by other Departments of NRB are as follows:

S.N.	Licensed Institutions	Supervision Department (Previous)
1.	Institutions carrying out foreign exchange transactions (Remittance companies, Remittance service providing banks, Money changers, Hotels, Travel and Trekking agencies, Airlines, Cargo companies and others)	Foreign Exchange Management Department
2.	Hire Purchase Companies	Finance Company Supervision Department*
3.	Hydroelectricity Investment and Development Company Limited (HIDCL)	Bank Supervision Department
4.	National Cooperative Bank Limited (NCBL)	Microfinance Institutions Supervision Department

* Now merged to form Financial Institutions Supervision Department

2.2. Objectives of Inspection and Supervision:

The main objectives for the inspection and supervision of NBFIs under the supervisory purview of NBFISD are as below:

- To ensure that these institutions comply with relevant laws, regulation, bylaws and directives while conducting transactions.
- To review and assess corporate governance, internal control and risk management in the licensed institutions.
- To review and evaluate financial condition and operational processes of the licensed institutions.
- To provide appropriate directions based on inspection findings and to carry out enforcement actions if needed.

2.3. Supervision Methodology

NBFISD carries out supervision of the institutions under its supervisory scope on onsite and off-site basis. The onsite supervision is mainly compliance-based. The inspection team examines whether the licensed institutions are adhering to relevant laws as well as bylaws, regulations and circulars issued by NRB. Likewise, transaction and financial details are reviewed both during onsite inspection and offsite supervision. The licensed institutions are given directions for the non-compliances found during onsite inspection or offsite supervision. Enforcement actions may also be taken in case of more serious violations of regulatory provisions. Onsite inspections are mainly carried out based on factors such as volume of transactions, inspection history, geographic regions, nature of business etc.

NBFISD solely supervises remittance companies, NCBL, hire purchase companies and HIDCL. Further, NBFISD also supervises money changers and other institutions licensed to carry out foreign exchange transactions located inside the Kathmandu Valley. In case of companies carrying out foreign exchange transactions located outside the Kathmandu Valley, NRB province offices also perform these supervision function.

2.4. Onsite Inspection

The Department mainly conducts the following types of inspection:

- **Regular or Full-Scope Inspection:** This is a regular inspection conducted by the Department based on the approved annual plan. The regular inspections conducted at licensed institutions such as remittance companies and hire purchase companies are full-scope in nature and covers all the operational and business areas of those institutions. The regular inspections conducted at institutions such as hotels, airlines, travel agencies trekking agencies and cargo companies that are licensed only to accept foreign exchange are mainly limited to foreign exchange transactions carried out by these institutions.
- **Targeted Inspection:** This kind of inspection focuses on a particular area of operation or transaction. Targeted inspections require less supervisory resources and are usually conducted when there is no need for a full-scope inspection for the particular institution during the period.
- **Special Inspection:** Special inspections are carried out based on offsite reports, media reporting, or requests by governmental and other bodies or information obtained from external sources including complaints against the licensed institutions.

- **Follow-up Inspection:** This kind of inspection is carried out to follow up on the implementation of directions given in prior inspections. Follow-up inspections complement the enforcement function of the Department.

2.5. Supervision Tools and Techniques

In the course of onsite inspection, the inspection team may use following tools and techniques:

- **Checklist:** The team may use detailed checklist for compliance and inspection areas.
- **Sampling:** Sampling of transactions, records, or customer files may be necessary as it is not feasible to review all of them. Likewise, sampling may be needed for the visit of branches or subagent outlets.
- **Interviews:** Inspection team may discuss with board members, management, employees or subagents during the inspection.
- **Documents review:** Review of documents is an important part of onsite inspection. The team reviews documents such as board minutes, policies & procedures, audit reports, bank statements, agreements etc.
- **System and Software review:** The team may review the safety and integrity of IT Systems and software such as accounting software, core banking software and remittance software implemented by the concerned institutions.

2.6. Institutions under Department's Supervisory Scope

2.6.1 Remittance Companies

Remittance companies in Nepal are engaged in cross-border remittance inflows into Nepal. In partnership with money transfer operators or other financial institutions worldwide, they distribute the transferred funds to the beneficiary, usually through a network of subagents or sub-representatives. These companies are licensed, regulated and supervised by NRB as mandated by Foreign Exchange (Regulation) Act, 2019 and Nepal Rastra Bank Act, 2058. Further, as money remitters, these companies have the responsibilities and obligations of a reporting entity under Asset (Money) Laundering Prevention Act, 2064. Remittance companies contribute a substantial portion of the total remittance inflows. A significant portion of the remittances entering Nepal originates from Nepalese migrants employed abroad. The remittance companies, however, are not allowed to remit funds out of Nepal.

As on Poush end 2082, there were 50 licensed remittance companies. Out of these companies, the following 25 were active (not expired for more than 6 months as on Poush end, 2082):

Table 1: List of Remittance Companies

S. N.	Company Name	S. N.	Company Name
1	A.T.T. Remit Pvt. Ltd.	14	Ipay Remit Pvt. Ltd
2	Advance Money Transfer Pvt. Ltd.	15	Isend Money Transfer Pvt. Ltd.
3	CG Finco Ltd.	16	Maya Remit Pvt. Ltd
4	CG Remit Pvt Ltd	17	MyPay Money Transfer
5	City Express Money Transfer	18	Neo Money Transfer Pvt. Ltd.
6	Digitek Remittance P. Ltd	19	Nepal Remit International Pvt. Ltd.
7	Easylink Remittance Pvt. Ltd.	20	Prabhu Money Transfer Pvt. Ltd.
8	Esewa Money Transfer Pvt. Ltd.	21	Remit To Nepal Pvt. Ltd
9	Goodwill Remit Pvt. Ltd.	22	Samsara Remit Pvt. Ltd.
10	Hamro Patro Remit Pvt. Ltd.	23	Surya Remit Pvt. Ltd.
11	Hub Remit Pvt. Ltd.	24	Thamel Remit Pvt. Ltd.
12	Hulas Remittance Pvt. Ltd.	25	United Remit Pvt. Ltd
13	IME Limited.		

Source: FXOL System as on Poush end, 2082

Under the current NRB provision, sub-agents are not required to obtain license from NRB. The remittance companies can themselves appoint sub-agents for the distribution of remittances. By the end of the fiscal year 2081/82, the number of sub-agents appointed by licensed remittance companies as well as banks and financial institutions has reached 6,993. The province-wise distribution of these sub-agents during the review period is presented as below:

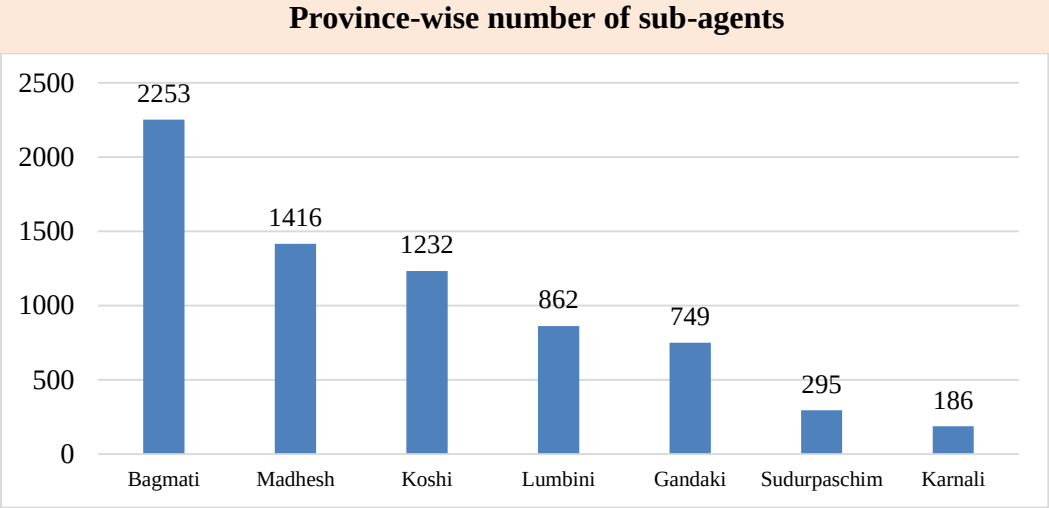


Figure 2: Province-wise number of sub-agents

2.6.2 Money Changers

Money changers are licensed to engage in the exchange of foreign currencies with foreigners and Nepalese with foreign exchange source. Only those located at the international airports are allowed to obtain permission to sell a limited amount of convertible foreign currencies (up to USD 200 per customer). The details of money changer companies (Active) licensed by NRB are as follows:

Table 2: Number of Money Changers (Active List)

Licensing Department/Office	Buying CFC Only	(INRBuy & Sale / CFC - Buy Only / POS - Buy Only)	(INR - Buy & Sale / CFC - Buy Only / POS - Buy Only / Passport - Nepali Citizens Only)	(INR Buy and Sale/ CFC - Buy Only)	INR - Buy and Sale only	Total
FEMD	127	3	1	10	-	141
Biratnagar	1	-	-	-	54	55
Janakpur	-	-	-	3	4	7
Birgunj	4	-	-	2	7	13
Pokhara	35	0	1	-	-	36
Siddarthanagar	-	-	-	4	40	44
Nepalgunj	-	-	-	-	9	9
Dhangadhi	-	-	-	-	2	2
Total	**167**	**3**	**2**	**19**	**116**	**307**

Source: FXOL System as on Poush end, 2082

2.6.3 Other Companies Licensed to carryout Foreign Exchange Transactions

NRB provides foreign exchange license to institutions such as hotels, travel agencies, trekking agencies, airlines, cargo companies and other firms/companies allowing them to accept foreign currency while providing services. Besides FEMD, these institutions may also be provided license through the provincial offices in accordance with their place of business.

Table 3: Other Licensed Institutions

Licensing Department/ Office	Airlines	Cargo	Hotel	Travel	Trekking	Others (Casino, Hospital, Banks etc.)	Total
FEMD	36	39	123	651	1343	75	2267
Biratnagar	-	-	1	1	1	2	5
Janakpur	-	-	1	-	-	-	1
Birgunj	-	-	3	-	-	-	3
Pokhara	-	-	27	23	28	6	84
Siddarthanagar	-	-	4	6	-	4	14
Nepalgunj	-	-	2	-	1	1	4
Total	**36**	**39**	**161**	**681**	**1373**	**88**	**2378**

Source: FXOL System as on Poush end, 2082

2.6.4 Other NBFIs

a) Hire Purchase Companies

Hire purchase companies are those companies licensed to provide hire purchase loans for the

financing of motor vehicles, machinery, and other equipment used for agricultural, industrial, commercial, or private purposes. There are currently ten hire purchase companies licensed by NRB.

Table 4: Hire Purchase Companies

S. N.	Name of Company	S. N.	Name of Company
1	Agni Hire Purchase Pvt. Ltd.	6	M.A.W. Hire Purchase Pvt. Ltd.
2	Batas Hire Purchase Pvt. Ltd.	7	Omni Hire Purchase Pvt. Ltd.
3	Hulas Fin Serve Hire Purchase Pvt. Ltd.	8	Sipradi Hire Purchase Pvt. Ltd.
4	Jagadamba Hire Purchase Pvt. Ltd.	9	Syakar Hire Purchase Pvt. Ltd.
5	Manokamana Hire Purchase Pvt. Ltd.	10	Venture Hire Purchase Pvt. Ltd.

Source: BFIRD, NRB

b) NCBL

NCBL was established on 2060/03/25 BS as per the Article 26 sub-article (5) of the then Cooperative Act, 2048. It received its license from Nepal Rastra Bank to carry out limited banking activities on 2067/04/10 BS. NCBL has been carrying out financial activities like accepting deposits from and providing loans to its member cooperative institutions. Its central office is located in Pulchowk, Lalitpur and has 62 branches along with province offices.

c) HIDCL

HIDCL is a state-owned enterprise established with the primary objective of mobilizing funds for the investment in hydroelectricity generation, transmission, and distribution projects in Nepal. The company obtained approval from NRB on 2069/03/26 BS to make loan investments to the specified sectors. Besides investing in hydropower projects as a part of consortium financing with other BFIs, the company has made equity investments in several hydropower companies. The Government of Nepal holds the majority share in the company.

2.7. Onsite Inspections Details

2.7.1 Onsite Inspections by NBFISD

Table 5: Onsite Inspections conducted by NBFISD in FY 2024/25

Licensed Institution	No. of Inspection			
	Regular	Follow-up	Special	Total
NCBL	1	-	-	1
HIDCL	1	-	-	1
Hire Purchase Companies	8	-	-	8

Licensed Institution	No. of Inspection			
	Regular	Follow-up	Special	Total
Commercial Bank	10	-	-	10
Remittance Companies	12	-	-	12
Money Changers	44	1	1	46
Airlines	6	-	-	6
Cargo	5	-	1	6
Hotel	24	-	-	24
Travel	19	-	-	19
Trekking	6	-	-	6
Others	11	-	-	11
Total	**147**	**1**	**2**	**150**

Note: Out of total 150 inspections, 30 were conducted outside the Kathmandu Valley

2.7.2 Onsite Inspections by NRB Provincial Offices

Table 6: Onsite Inspections conducted by Provincial Offices in FY 2024/25

Office	Money Changers	Hotel	Travel	Trekking	Others	Total
Biratnagar	34	4		1	2	41
Janakpur	7	-	-	-	-	7
Birgunj	14	4				18
Pokhara	24	9	8	8	4	53
Siddharthanagar	26	3	1			30
Nepalgunj	10	2	-	1	-	13
Dhangadi	2	-	-	-	-	2
Total	**117**	**22**	**9**	**10**	**6**	**164**

Source: FXOL System

2.8. FXOL System

The Foreign Exchange Licensing and Reporting System was implemented by NRB in May, 2017 in order to streamline the reporting of foreign exchange transactions by the licensed institutions. Initially, the system was accessible to the licensed institutions through FEMD. Presently, the institutions licensed by the provincial offices are also included in the system. The reporting entities are provided with unique username and password. They have also been given training from time to time regarding the reporting process.

2.8.1. Upgrading FXOL System

- **Location mapping:** The exact location of reporting companies is marked in the map. Different categories of reporting entities can also be filtered. Location of over 1800 institutions have been added till Poush end, 2082 BS.

- **Inspection module**: This module has allowed for listing inspections done by the department and provincial offices.
- **Reports**: Month-wise, Year-wise, M-o-M (current month to previous month), Y-o-Y (one period to the exact same period from the previous year) of remittance inflows reporting have been added.
- **Report Statistics:** This tool shows the report submission delay by companies.
- **Report Submission Unlock:** This function can be used to unlock report submission portal for back-date report submission.

3. Financial and Transaction Analysis

NBFISD supervises the institutions under its scope through both onsite and offsite basis. For offsite surveillance, the licensed institutions are required to submit their transactions and financial details. The institutions licensed to carry out foreign exchange transactions submit details of foreign exchange transactions through FXOL System. Likewise, Hire purchase companies and NCBL submit their financial details through NRB Reporting and Analytics System. Further, the Department also obtains information related to the institutions' transactions, financials and other details through emails.

For the purpose of this Report, the data from the FXOL system was retrieved as of Poush end, 2082 BS unless otherwise stated. Likewise, the transactions reported by businesses carrying out foreign exchange transactions like hotels, trekking companies are mainly limited to foreign currency cash receipts and the foreign currencies received in their foreign currency accounts. Further, in case of foreign exchange transactions, the data for the period from August to July of the following is considered as the data for the fiscal year. These figures may not reflect the actual service income that the licensed institutions earned by selling services to foreigners.

3.1. Remittance Companies

Remittance companies are licensed by NRB in accordance with Foreign Exchange (Regulation) Act, 2019 and Nepal Rastra Bank Act, 2058 to carry out international money transfer business. These companies enter into agreements with foreign remittance companies and financial institutions to receive inward remittances. Remittance companies contribute a significant portion of the total remittance inflows.

A substantial portion of the remittance entering Nepal originates from Nepalese migrants employed abroad. The remittance companies, however, are not allowed to remit funds out of Nepal.

3.1.1. Financial Data of Remittance Companies

Remittance companies are licensed by Nepal Rastra Bank in accordance to the Foreign Exchange (Regulation) Act, 1962, and the Nepal Rastra Bank Act (NRB Act), 2002 to facilitate inward remittance transactions. These companies collaborate with foreign partners to bring remittances into Nepal. As of mid-July 2025, 25 remittance companies are licensed by the NRB. However, only 22 companies actively conducted remittance transactions during the review period.

Table 7: Financial Indicators of Remittance Companies

Indicators*	Rs. Billion		Percent Change
	Mid-July 2024	Mid-July 2025	
Paid-Up Capital	3.07	3.69	20.19
Assets	10.63	16.38	54.09
Revenue	2.74	3.12	13.86
Expenses	2.19	2.3	5.02
Reserves	1.73	1.57	(9.24)

Source: Financial Reports of Remittance companies

** Aggregate data of the remittance companies that carried out transactions during the review year*

The total paid-up capital of the remittance companies increased by 20.19 percent to Rs.3.69 billion during the review period. On the other hand, the aggregate revenue and expenses increased to Rs.3.12 billion and Rs.2.3 billion respectively. Whereas reserve declined to Rs.1.57 billion.

3.1.2. Region wise Remittance inflow

The share of remittance companies in total remittance inflows stood at around 58% in the review period (*The review period is assumed from August 2024 to July 2025)*. The remaining share portion is transferred through BFIs. As per FXOL Reporting System, the total remittance inflows during the review period amounted to USD 12.82 billion, a 10.70 percent increase compared to the previous year. The Asia Pacific region, including India, and the Middle East region are the largest sources of remittance inflows.

3.1.3. Yearly and Monthly Remittance inflow trend from Remittance companies

Figure 3: Yearly inflow of remittance by remittance companies (million USD)

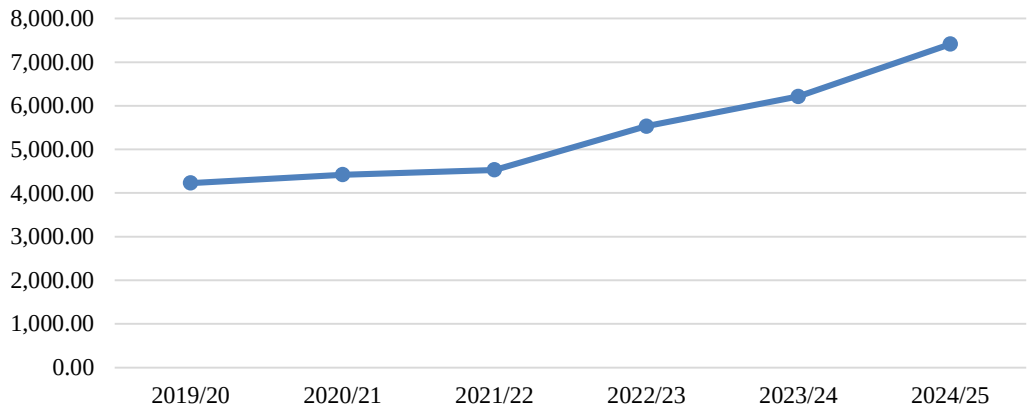
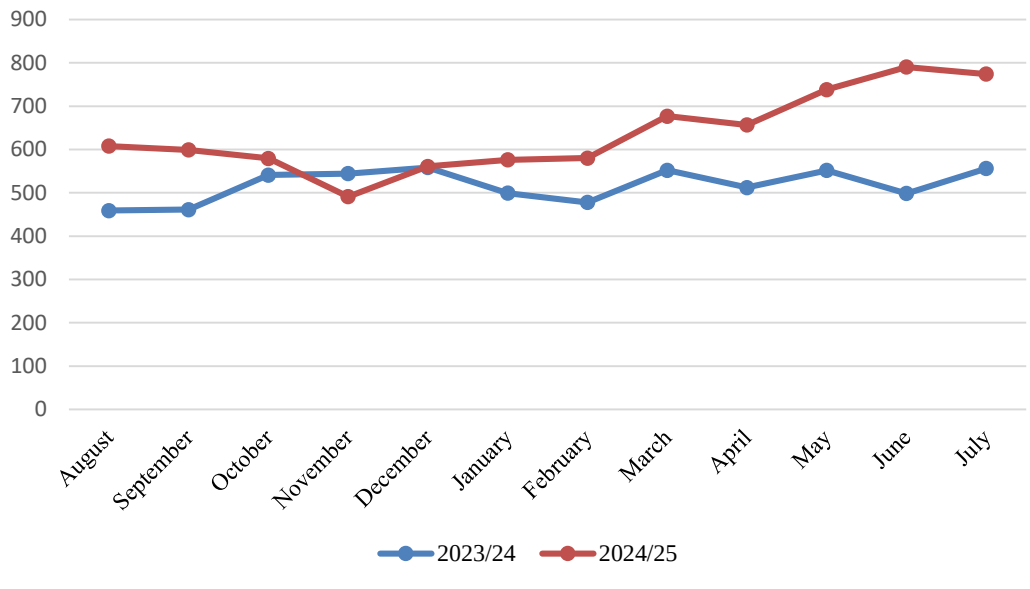


Figure 4: Monthly inflow of remittance by remittance companies (million USD)



A consistent and gradual growth in the inflow of remittances through remittance companies is seen in the last six fiscal years. The M-o-M data of the remittance inflows show that there was an increased remittance inflow in all the months of FY 2024/25 when compared with FY 2023/24, except in the month of November. Further, the M-o-M data shows highest remittances inflow was in the month of December in FY 2023/24 and in the month of July in FY 2024/25. The Y-o-Y growth was 19.32% in the FY 2024/25 when compared to FY 2023/24.

3.1.4. Disbursement through Sub-agents

Remittance companies are allowed to appoint sub-agents to distribute remittances to

beneficiaries. As of mid-July 2025, remittance companies disbursed remittance through 6,993 sub-agents located throughout the country. Bagmati Province had the most number of sub-agents, whereas Karnali Province had the least number of sub-agents.

3.1.5. Yearly and Monthly Remittance inflow trend from commercial banks

Figure 5: Yearly inflow of remittance by commercial banks
(million USD)

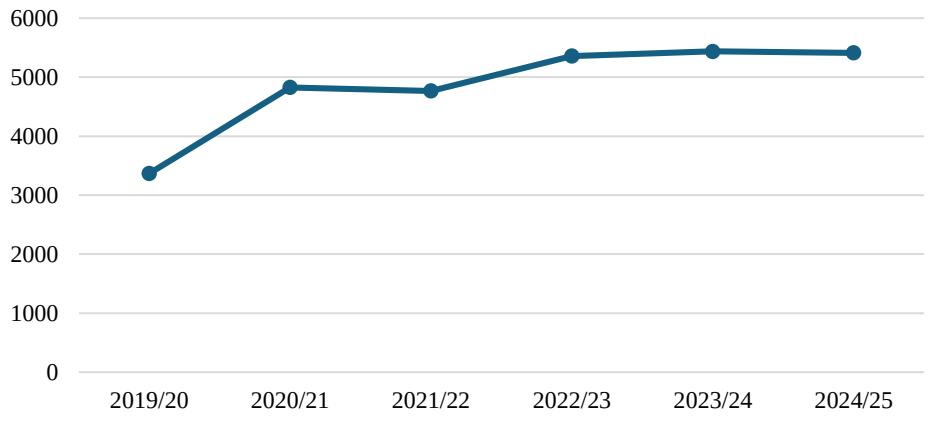
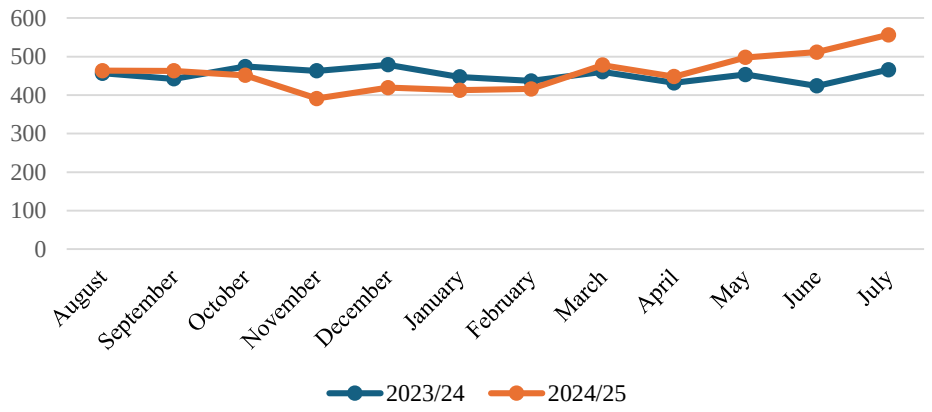


Figure 6: Monthly inflow of remittance by Commercial Banks
(million USD)



The yearly trend of Remittance inflow from BFIs has been in increasing trend except in November 2024. However, the monthly trend has been quite consistent over months in FY 2023/24 as compared to FY 2024/25.

3.2. Money Changers

Money changers are licensed to exchange Indian Rupees (INR) and convertible foreign currencies (CFCs). A three-year renewable license is provided through both the Foreign Exchange Management Department and seven Provincial offices of NRB. As of mid-July 2025,

a total of 308 money changers are operational inside and outside the Kathmandu valley. The three types of license provided are:

(i) Purchase and sale of INR (Minimum required paid up capital of Rs.1 million)

(ii) Purchase of CFC (Minimum paid up capital of Rs.1.5 million)

(iii) Conduct both (i) and (ii) (Minimum paid up capital of Rs.2 million)

Table 8: Number of Licensed Money Changers

Licensing Office	Buy CFC Only	INR Buy & Sale	Both (INR & CFC)	Total
FEMD	127	-	14	141
Biratnagar	1	57	-	58
Janakpur	-	5	3	8
Birgunj	4	7	2	13
Pokhara	34	-	-	34
Siddharthanagar		41	2	43
Nepalgunj	-	9	-	9
Dhangadi	-	2	-	2
Total	**166**	**121**	**21**	**308**

Source: Foreign Exchange Management Department, NRB

3.2.1. Yearly foreign currency purchase by money changers

Figure 7: FCY purchases by money changers (yearly trend)
(million USD)

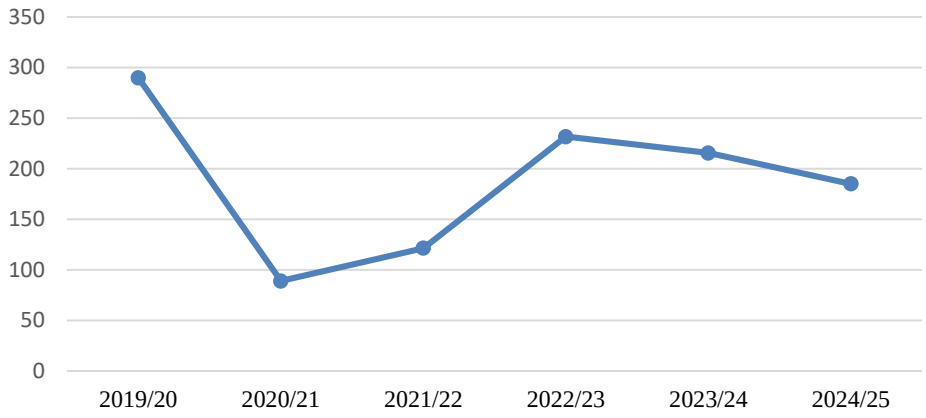
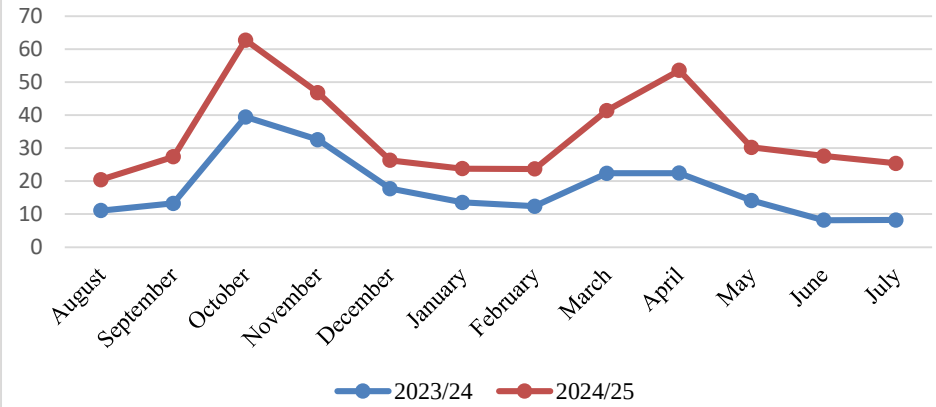


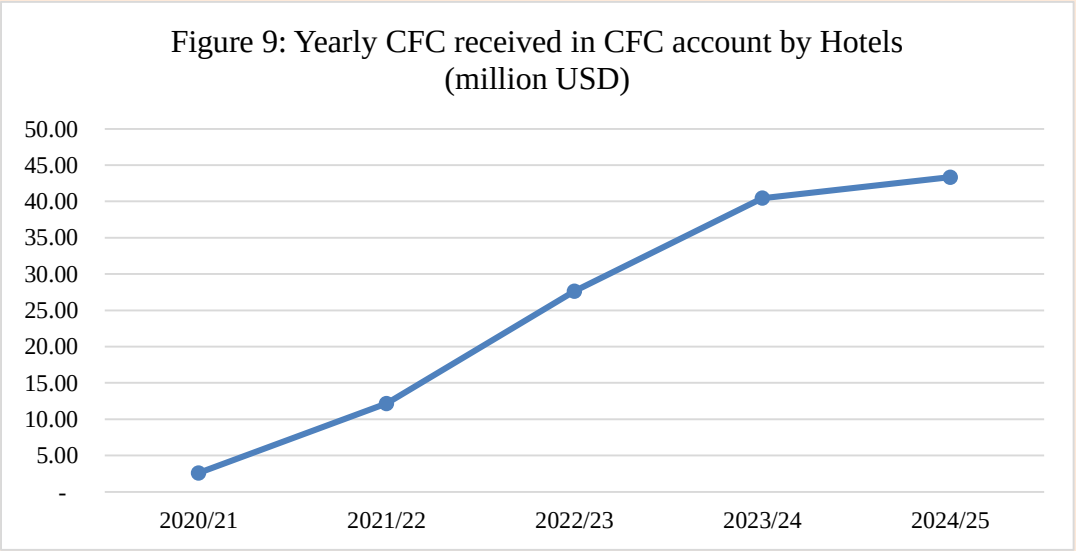
Figure 8: FCY purchases by money changers (monthly trend)
(million USD)



There was a decreasing trend in the transactions of foreign currency by money changers from FY 2019/20 to FY 2020/21 as per the reported data. The transaction has seen increasing trend from 2020/21 to 2022/23. There has been a slight decrease in transaction in 2023/24 and 2024/25. The monthly statistics show that 2024/25 saw highest number of foreign exchange during September/October. This can be attributed to this month being favorable for tourism activities which led to high number of tourist inflow. March/April follows the rank as it is also high tourist season in Nepal. June/July/August is observed to be the season with least foreign exchange transactions. This could be result of monsoon and many natural disasters affecting tourism activities in Nepal.

3.3. Hotels

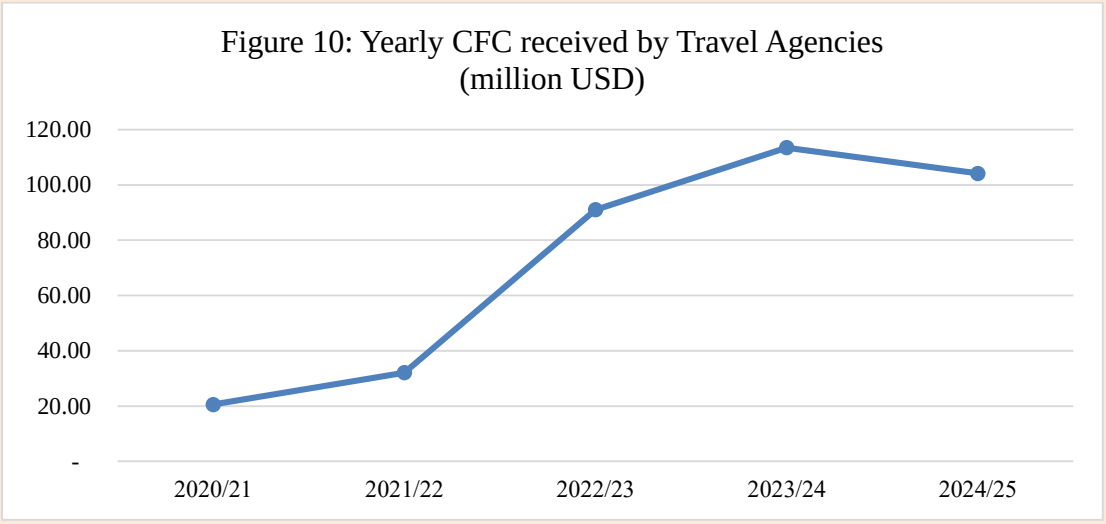
Figure 9: Yearly CFC received in CFC account by Hotels
(million USD)



There is an increasing trend in the CFC received in CFC account by hotels since 2020/2021 to 2024/2025.

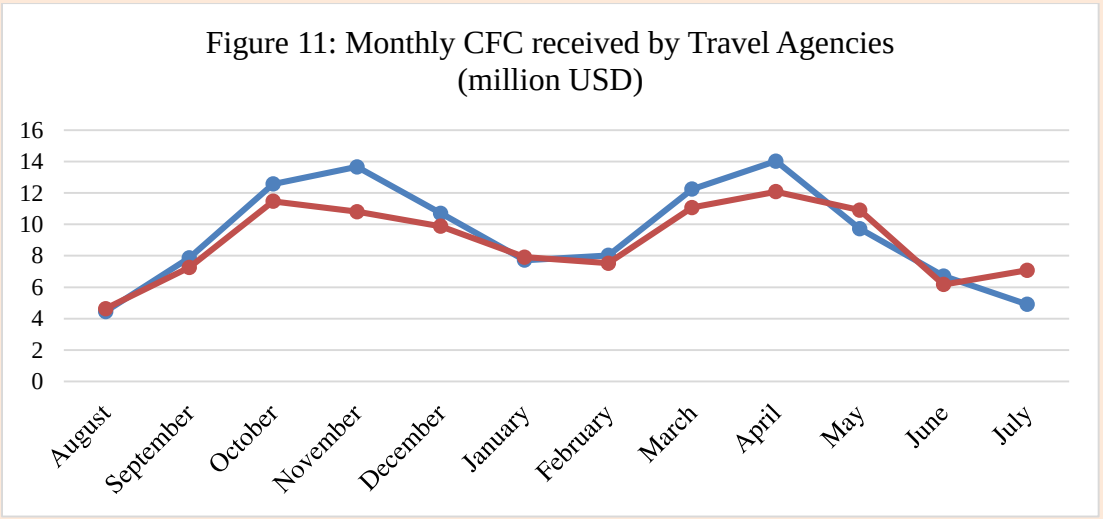
3.4. Travel Agencies

Figure 10: Yearly CFC received by Travel Agencies (million USD)



The foreign currency receipt shows increasing trend from 2020/21 till 2023/24. However, foreign currency receipt has declined in 2024/25.

Figure 11: Monthly CFC received by Travel Agencies (million USD)



3.5. Trekking Agencies

Figure 12: Yearly CFC received in CFC account by Trekking Agencies
(million USD)

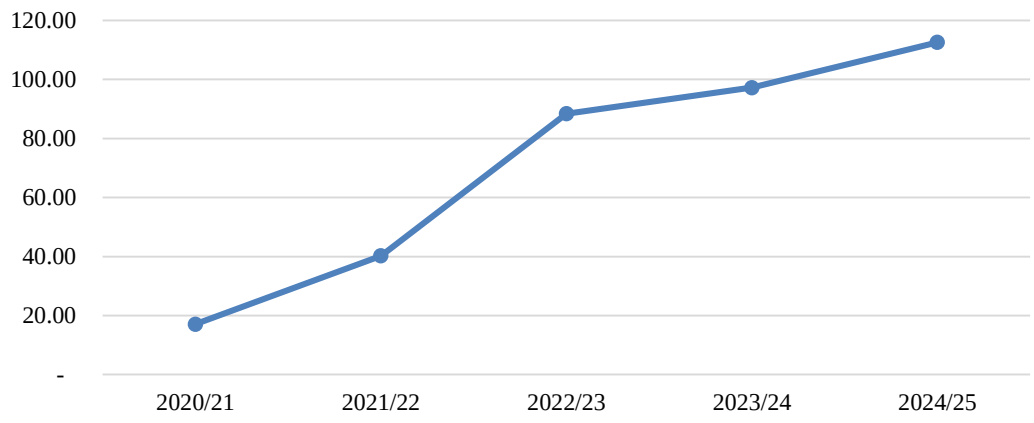
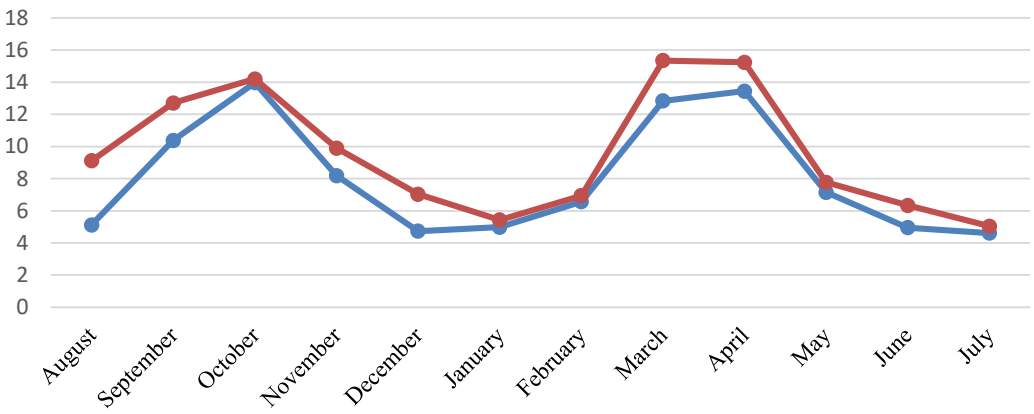
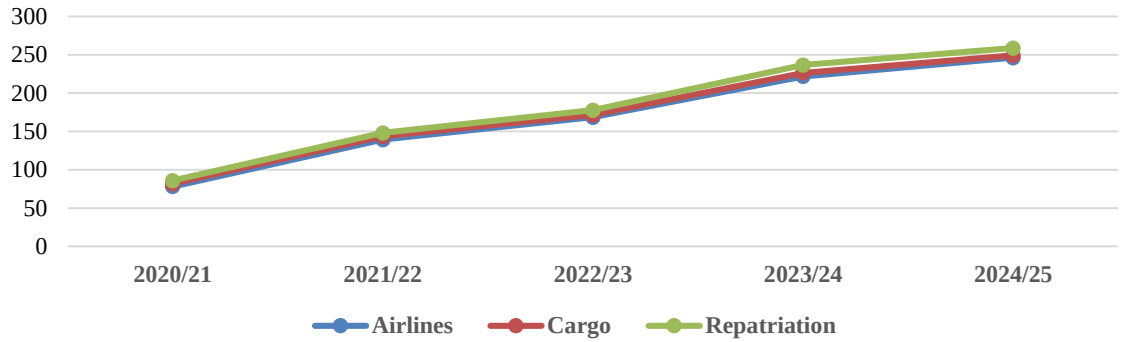


Figure 13: Monthly CFC received in CFC account by Trekking Agencies
(million USD)



3.6. Airlines

Figure 14: CFC received and repatriation made by Airlines, Cargo companies (Yearly trend)
(million USD)



3.7. Hire Purchase Companies

As of mid-July 2025, 10 hire purchase companies operated to extend loans and advances. During the review year, the total loans and advances extended by the hire purchase companies stood at Rs.25.87 billion, an increase of 27.9 percent. Similarly, borrowings from banks and financial institutions elevated by 38.6 percent to Rs.17.69 billion. These borrowings are utilized to fund the hire purchase loans provided by these companies.

Table 9: Sources and Uses of Fund - (Hire Purchase Companies)

Indicators	Rs. Billion		
	Mid-July 2024	Mid-July 2025	Percent change
Sources of Fund	22.28	29.97	34.5
Share Capital	3.70	3.87	4.60
Reserves and Surplus	2.73	3.41	24.90
Borrowings	12.76	17.69	38.60
Other Liabilities	3.09	5.00	61.80
Uses of Fund	22.28	29.97	34.5
Cash and Bank	0.66	0.54	(18.2)
Loan and Advances	20.22	25.87	27.90
Fixed Assets	0.36	0.36	-
Other Assets	1.04	3.2	207.69

Source: Audited Financial Report of Hire Purchase Companies

3.8. National Cooperative Bank Limited

National Cooperative Bank Limited (NCBL) was established on 9th July 2003 as per Section 26 (5) of the Cooperative Act, 1992 (First Amendment, 2000). NCBL obtained its license from NRB to conduct limited banking activities on 26th July 2010. Since then, NCBL has been providing financial services, including accepting deposits from and providing loans to its member cooperatives.

NCBL operates through its 68 branch offices spread across 37 districts. Out of its 16,426 member cooperatives, 1,332 (8.1%) cooperatives availed loans from NCBL.

Table 10: Sources and Uses of Funds - (NCBL)

Indicators	Rs. Billion		Percent Change
	Mid-July 2024	Mid-July 2025	
Uses of Funds	64.66	50.71	(21.56)
Cash and Cash Equivalent	19.04	13.05	(31.46)
Deposit at NRB	0.33	0.27	(15.77)
Fixed Deposit at BFIs	13.37	13.95	4.34
Loans and Advances to cooperatives	22.24	15.04	(32.35)
Investment in Securities	6.30	4.19	(33.43)
Tax Assets	0.37	0.25	(33.79)
Investment in Assets	1.11	1.52	36.73
Property and equipment	0.58	0.52	(10.54)
Goodwill and Other Assets	0.00	0.01	213.17
Deferred Tax Assets	0.59	0.84	41.74
Other Assets	0.72	1.06	48.08
Sources of Fund	64.66	50.71	(21.56)
Share Capital	2.79	2.89	3.67
Retained Earnings	(3.40)	(4.28)	25.89
Reserves and Surplus	3.68	4.52	23.06
Deposit from Members	61.08	47.06	(22.96)
Other Liabilities	0.51	0.52	1.68

Source: Audited Financial Report of NCBL

During the review period, deposits from member cooperatives decreased by 22.96 percent to Rs.47.06 billion. Similarly, loans extended to member cooperatives declined sharply by 32.35 percent to Rs.15.04 billion. Additionally, retained earnings further deteriorated to a negative

figure of Rs.4.28 billion.

Table 11: Key Financial Indicators of NCBL

Indicators	Mid-July 2024	Mid-July 2025
Core Capital to Risk Weighted Assets Ratio	2.44	0.34
Capital Adequacy Ratio	3.35	0.82
Loan loss Provisioning (In Billion)	4.27	5.16
Credit to Deposit Ratio	36.41	31.97
Non-Performing Loans (NPL to Total Loan Ratio)	25.54	33.01
Net Interest Income (In Billion)	1.16	1.57
Net Profit (Loss) In Billion	(1.67)	(0.01)
Liquidity Ratio	53.61	57.98

Source: Audited Financial Report of NCBL

The financial condition of NCBL worsened during the review period. Loan loss provisioning surged from Rs.4.27 billion to Rs.5.16 billion, reflecting a deterioration of asset quality. As of mid-July 2025, 33.01 percent of total loans are classified as non-performing, an increase from 25.54 percent in the previous year.

The credit to deposit ratio declined from Rs. 36.41 billion to Rs. 31.97 billion. Whereas, the net interest income stands at Rs. 1.57 billion. Furthermore, NCBL reported a net loss of Rs.0.01 billion compared to net loss of Rs. 1.67 billion in the previous year. The decline in profitability, coupled with the rise in loan loss provisioning, has severely affected NCBL's capital position. The capital adequacy ratio dropped to 0.82 percent, likewise the core capital to risk-weighted assets ratio decreased to 0.34 percent, which indicates the deteriorating financial health.

3.9. Hydroelectricity Investment and Development Company Limited

Hydroelectricity Investment and Development Company Limited (HIDCL), a state-owned enterprise, is primarily focused on mobilizing funds for investments in hydroelectricity generation, transmission, and distribution projects.

During the review year, the reserves grew by 3.19 percent, reaching Rs.3.47 billion. The total sources of funds increased by 7.32 percent to Rs.28.53 billion during the period. Likewise, loans extended to hydro-power projects increased by 0.51 percent and stood at Rs.7.35 billion as of mid-July, 2025. Out of the total fund of HIDCL, 52.06 percent was held as term deposits in banks, which stood at Rs. 14.85 billion at the end of the review period.

Table 12: Sources and Uses of Funds - (HIDCL)

Indicators	Rs. Billion		Percent Change
	Mid-July 2024	Mid-July 2025	
Sources of Fund	**26.59**	**28.53**	7.32
Share Capital	22.87	24.56	7.37
Reserves	3.36	3.47	3.19
Current Liabilities	0.20	0.21	3.28
Non-Current Liabilities	0.15	0.30	96.66
Uses of Fund	**26.59**	**28.53**	7.32
Cash and Bank Balance	1.15	1.98	71.31
Term Deposits with Banks	13.78	14.85	7.75
Other Current Assets	0.03	0.05	72.25
Loan to Power Projects	7.32	7.35	0.51
Investment in Equity	4.15	4.23	2.02
Investment in Corporate Bonds	0.08	-	(100.00)
Other Non-Current Assets	0.08	0.07	(10.72)

Source: Audited Financial Report of HIDCL

4. Regulatory Provision

4.1. Regulatory Provisions for Institutions carrying out Foreign Exchange Transactions

Some of the major provisions related to the licensing, regulation and supervision of the institutions carrying out foreign exchange transactions mentioned in the relevant Acts are mentioned below. (Included here are just the summary of major provisions. Please consult the relevant documents for details)

4.1.1. Foreign Exchange (Regulation) Act, 2019

- Individuals, firms, companies or institutions willing to carry out foreign exchange transactions are required to obtain license from NRB.
- NRB may give necessary directions to the licensed institutions from time to time. The licensed institutions are obliged to comply with such directions.
- Government of Nepal or NRB may inspect or cause to inspect accounts or other documents of licensed institutions at any time.

Box 1: Relevant Legal and Policy Documents

1. Nepal Rastra Bank Act, 2058
2. Foreign Exchange (Regulation) Act, 2019
3. Nepal Rastra Bank Non-Bank Financial Institution Inspection and Supervision Bylaws, 2081
4. Nepal Rastra Bank Non-Bank Financial Institution Inspection and Supervision Manual, 2081
5. Nepal Rastra Bank Remittance Bylaws, 2079
6. Nepal Rastra Bank Money Changer Licensing and Inspection Bylaws, 2077
7. Foreign Exchange Transaction Licensing and Inspection Bylaws, 2077
8. Circulars issued by Foreign Exchange Management Department
9. Policy and Procedural Provisions for License Approval of Hire Purchase Companies, 2070
10. Licensing Terms and Conditions of Institutions

4.1.2. NRB Act, 2058

As per Clause 63 of the Act, NRB shall manage the foreign exchange and shall have the following rights for the management of foreign exchange:

- Provide license to the persons willing to carryout foreign exchange transactions.
- Formulate regulations and bylaws as well as issue directives or notices to regulate foreign exchange transactions carried out by the licensed persons.
- Conduct inspection, supervision and monitoring of licensed persons.

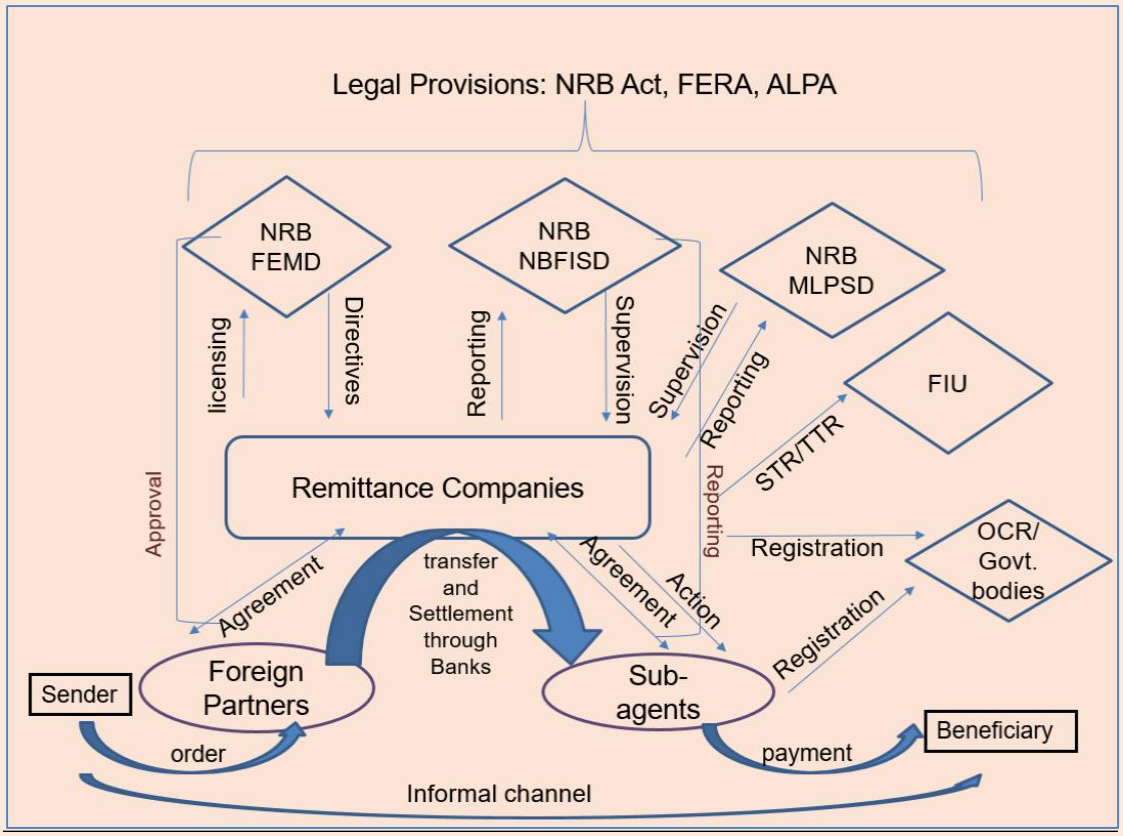
4.1.3. NRB Remittance Bylaws, 2079

Major provisions in NRB Remittance Bylaws, 2079 are as follows:

- Provisions related to Capital (Min. Paid-up capital to be Rs.100 million by 2084 Asar end)
- Functions and Responsibilities of Remittance Companies
- Functions not to be carried out by Remittance Companies

- Provisions related to approval of agreements made with foreign institutions
- Provisions related to renewal, suspension, and cancellation of License
- Provisions related to punishment and enforcement actions
- Provisions related to Mergers and Acquisitions

Figure 15: Remittance Ecosystem (Nepal)



4.1.4. NRB Money Changer Licensing and Inspection Bylaws, 2077

Major provisions in NRB Money Changer Licensing and Inspection Bylaws, 2077 are as follows:

- Provisions related to Fees and Deposits
- Provisions related to Capital (Min. Paid-up capital to be Rs.1 million, Rs.1.5 million or Rs.2 million based on the types of currencies allowed to exchange)
- Functions and responsibilities of Money Changers
- Functions not to be carried out by Money Changers
- Provisions related to Inspection and Supervision
- Provisions related to Enforcement Actions, Punishment and Fines
- Provisions related to renewal, suspension and cancellation of License

4.1.5. NRB Foreign Exchange Transaction Licensing and Inspection Bylaws, 2077

Major provisions in NRB Foreign Exchange Transaction Licensing and Inspection Bylaws, 2077 are as follows:

- Provisions related to Fees and Deposits
- Provisions related to renewal and cancellation of License
- Functions and responsibilities of Licensed Institutions
- Provisions related to Inspection and Supervision
- Provisions related to Enforcement Actions and Punishment

4.1.6. Relevant Circulars issued by FEMD

Table 13: Relevant Circulars issued by FEMD in FY 2024/25

S. N.	Circular	Issue Date	Amended Circular No.	Amended Provision
1	3/2081-82	2081.06.30	14/2080	The provision relating to the authorization of foreign exchange transactions through Point of Sale (POS) systems has been amended. Pursuant to Rule 10(1)(ja) of the Nepal Rastra Bank Money Changer Licensing and Inspection Regulation, 2077 (as amended), licensed money changers are now permitted to provide exchange facilities through electronic payment instruments, including POS terminals, QR codes, and other electronic means.
			20/2080	The provision permitting hotels to exchange foreign currency up to a maximum of USD 300 (or its equivalent in convertible foreign currency) per customer, limited to a single transaction during the period of stay, has been revised. Under the amended provision, hotels are authorized to exchange foreign currency up to a maximum of USD 1,000 per customer during a single stay, either in a single transaction or through multiple transactions
			24/2080	Remittance Companies must use the FEDAN rate for the settlement of remittance transaction with foreign partners.
			24/2080	New provision has been added as Only licensed remittance companies may appoint sub-agents

S. N.	Circular	Issue Date	Amended Circular No.	Amended Provision
				or sub-representatives under NRB Regulation 2079. No additional tiers are permitted. Appointed sub-agents must operate directly under the company and are prohibited from appointing further sub-agents or sub-representatives
			24/2080	Under the 'Purpose of Amount' column of this statement, the purpose of the transaction shall be specified as 'Workers Remittance', 'Other Transfer', 'Primary Income', 'Computer and information service', 'Other services' and Merchandise Trade'
2	4/2081-82	2081.08.06	20/2080	Under the prevailing provisions, the Omani Rial of Oman has been added to the list of convertible foreign currencies that licensed institutions may buy and sell by determining their own buying and selling exchange rates.
3	5/2081-82	2081.11.05	20/2080	New provision has been added as Danish Kroner (DKK) banknotes losing legal tender after May 31, 2025 must be exchanged by Falgun end, 2081 and deposited by Chaitra 7, 2081. After the deadline, NRB will not accept them. Banks must publish the notice; details are available on Denmark's central bank website.

4.2. Regulatory Provisions for other NBFIs

4.2.1. Terms and Conditions of Licensing for NCBL

Some of the terms and conditions mentioned while providing license to NCBL are as follows:

- Maintain minimum capital fund and liquidity level similar to Microfinance Institution.
- Comply with the directives/directions of NRB with respect to loan, interest rate, liquidity and capital.
- Obtain preapproval from NRB before amendment of the institution's Article of Association.
- Obtain approval from NRB while opening a new branch.

- The ratio of total loans to deposit and core capital shouldn't be higher than 80%.
- Submit reports as required by NRB.

4.2.2. Terms and Conditions of Licensing for HIDCL

Some of the terms and conditions mentioned while providing license to HIDCL are as follows:

- The company is required to implement necessary policies and bylaws for lending after approval from the company's board of directors.
- The company has to submit reports as required by NRB.
- The company shall be regulated and supervised by NRB. It is the duty of the company to avail information during inspection.

4.2.3. Policy and Procedural Provisions for License Approval of Hire Purchase Companies

Some of the provisions mentioned in Policy and Procedural Provisions for Hire Purchase Companies, 2079 are as follows:

- Provision related to minimum paid-up capital (Rs. 300 million)
- Provision related to the renewal of license.
- Provision related to the appointment of the Executive Chief/ Managing Director.
- Not allowed to borrow more than 10 times of their net worth.
- Maintain the interest rate spread within 4%.
- The Single Obligor Limit (SOL) in lending is 30% of the company's net worth.
- The annual penal interest rate should not be greater than 2%.
- Maintain the loan to value (LTV) ratio of 80%.
- Follow the provision of Non-Bank and Financial Institution Supervision Bylaws.

4.3. International Context

4.3.1. Provisions related to Remittance Services

The Word Bank and Bank for International Settlements (BIS) jointly published the general principles for international remittance services in 2007. The General Principles are aimed at the public policy objectives of achieving safe and efficient international remittance services. To this end, the markets for the services should be contestable, transparent, accessible and sound.

Likewise, Financial Action Task Force has published the Guidance for a Risk-Based Approach for Money or Value Transfer Services (MVTS) to help countries and financial institutions implement a risk-based approach to combat money laundering and terrorist financing ML/TF risks associated with MVTS.

- MVTS providers play a crucial role in the financial system and financial inclusion, but are also vulnerable to ML/TF abuse.
- The RBA requires measures to counter ML/TF to be proportionate to the risks posed by each MVTS provider.
- The guidance is primarily for non-banking MVTS providers but applies to the entire sector.
- It outlines factors to consider when assessing ML/TF risks associated with MVTS, including:
    - Customer base and type of transactions,
    - Geographic reach and business model,
    - Products and services offered,
    - Internal controls and risk management practices.
- It recommends risk-mitigating measures based on the assessed risks, such as:
    - Customer due diligence and KYC procedures,
    - Transaction monitoring and reporting of suspicious activity,
    - Record keeping and information sharing,
    - Staff training and awareness.

Box 2: The General Principles for International Remittance Services

Transparency and consumer protection
General Principle 1. The market for remittance services should be transparent and have adequate consumer protection.

Payment system infrastructure
General Principle 2. Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.

Legal and regulatory environment
General Principle 3. Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.

Market structure and competition
General Principle 4. Competitive market conditions, including appropriate access to domestic payment infrastructures should be fostered in the remittance industry.

Governance and risk management
General Principle 5. Remittance services should be supported by appropriate governance and risk management practices.

Roles of remittance service providers and public authorities
A. Role of remittance service-providers: Remittance service-providers should participate actively in the implementation of the General Principles.

B. Role of public authorities: Public authorities should evaluate what action to take to achieve the public policy objectives through implementation of the General Principles

4.3.2. Provisions related to NBFIs

The composition of Non-Bank Financial Institutions in the overall financial system is growing worldwide. The World Bank Group outlines the importance of NBFIs in providing financial services to unserved and underserved customers, emphasizing the need for regulatory certainty in a rapidly evolving financial sector. It proposes a structured framework called I-SIP to identify synergies and trade-offs in regulation, considering four key regulatory objectives:

- *Inclusion***:** Focusing on promoting access, usage, quality, and customer well-

being/impact.

- *Stability***:** Ensuring the safety and soundness of individual NBFI provider and the financial system as a whole.
- *Protection:* Preventing harm to users of formal financial services.
- *Integrity:* Preventing criminal exploitation of the financial system.

The application of Basel Core Principles to NBFIs is discussed across various domains:

- *Licensing and permissible activities:* Tailoring requirements based on the scope and complexity of NBFI activities, considering factors like capital requirements and specific issues for financial cooperatives and Microfinance Institutions (MFIs).
- *Corporate governance:* Ensuring alignment with culture and values, understanding governance structures unique to NBFIs and providing guidance on sound governance practices.
- *Capital adequacy requirements:* Implementing specific measures such as group-based capital adequacy ratios and addressing weaknesses with higher capital requirements.
- *Cooperation and collaboration:* Encouraging formal and informal arrangements among regulators and NBFIs to minimize regulatory burden and share information.
- *Supervisory approaches:* Utilizing alternative methods like collective supervision and auxiliary supervision, alongside the use of external auditors and technology.
- *Operational risk:* Addressing risks associated with third parties through policies, procedures, and accountability of NBFIs to supervisors and customers.
- *AML/CFT:* Adopting a proportionate or risk-based approach for compliance, allowing simplified Customer Due Diligence measures for lower-risk products.
- *Consumer protection:* Implementing internal controls, IT systems, and policies to manage consumer protection and conduct risks effectively.

Overall, the focus is on ensuring that NBFIs operate sustainably, responsibly, and contribute to greater consumer trust through proportionate regulation aligned with key regulatory objectives.

5. Stakeholder Outreach

Non-Bank Financial Institutions Supervision Department is mandated to inspect and supervise diverse institutions including remittance companies, money changers, other institutions licensed to carry out foreign exchange transactions, as well as, NBFIs like NCBL, HIDCL and Hire Purchase Companies. It is important for the department to prioritize ongoing learning and knowledge sharing mechanism so as to carry out its mandate effectively. Further, the department is required to ensure that the regulatory provisions amended in relevant Acts, regulations, directives, circulars etc. are complied by NBFIs. The interaction programs with the stakeholders are organized to make them aware about regulatory provisions and its amendments, identify issues and risks in the relevant sectors as well as increase awareness regarding fair and legitimate business practices.

The department has also been continuously upgrading the Foreign Exchange Licensing and Reporting System (FXOL) to bolster reporting mechanism for the institutions conducting foreign exchange transactions to meet regulatory compliance. To edify various stakeholders including NRB staff and officials of licensed NBFIs about upgraded FXOL system, the department has been conducting various FXOL orientation programs inside as well as outside valley.

In FY 2024/25, the department has carried out different interaction programs involving senior management and employees of Remittance Companies, Hire Purchase Companies etc. for the discussion on issues identified during inspection and offsite supervision, reporting requirements, corrective and preventive feedback, supervisory observations of onsite, offsite and enforcement and other related contemporary issues. Likewise, the department has also conducted training for departmental and province office staff in regards to regulatory provisions and supervisory aspects. The knowledge sharing program with staff members helps in brainstorming ideas for improvement of NBFIs sector and also help develop the capability of new staff members joining the department/office.

The training and interaction program with licensed NBFIs will provide them platform to give policy feedbacks which will help the department to work for necessary improvements. It will also help to ensure regulatory compliance by them while carrying out their business transactions. Hence, the department has implemented holistic approach in building capability of not only NRB staff through internal/external trainings but also of licensed institutions through the interaction programs.

6. Issues and Way forward

6.1 Issues

Some non-compliance issues identified through the onsite and offsite inspection during the review period are summarized as follows:

- **Corporate governance and risk management**

  Most of the NBFIs as private limited company have a fusion of ownership and management by a single person or a group interfering in day-to-day operations.

- **Weak internal control system**

  There has been weak internal control system as most of the companies like travel agencies, trekking agencies, cargo etc. are managed by a single person with limited staffing.

- **Lack of adequate internal policies and procedures**

  Most of the licensed entities have inadequate policies and procedures related to AML-CFT and Risk Management of their business.

- **Lapses in record keeping**

  The lapses in complete documentation and standardized accounting have increased the risk of operational procedures and accounting manipulation.

- **Lack of proper credit appraisal**

  There has been poor credit appraisal by lending companies such as Hire Purchase companies, NCBL etc. which has led to increasing non-performing loans.

- **Delayed submission of reports**

  Delay in submissions of required monthly reports has limited the supervisor from conducting effective off-site surveillance.

- **Weak and inadequate grievance handling mechanism**

  Customers lack access to formal, structured grievance cells and therefore complaints are often verbal and ignored by the companies.

- **Insufficient training and capacity development programs**

  There has been lack of proper and adequate training to the staff causing processing errors, misinterpret NRB policies, or fail to spot fraudulent customer documents.

6.2 Way forward

The department aims to strengthen supervisory framework by ensuring compliance with the relevant Acts, Bylaws, Directives and Circulars thereby minimizing the operational and regulatory gaps. Further, the department will prioritize in strengthening corporate governance, internal controls, transparency and consumer protection mechanism of Non-Bank Financial Institutions through onsite and offsite surveillance.

Going forward, the department will further intensify supervision and enforcement of NBFIs through regular follow up on the implementation of the directions and closely monitor on the implementation status.

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Annexures

Annexure 1: **Remittance Inflow from Remittance Companies (USD million)**	
Year	**Amount**
2019/20	4,228.43
2020/21	4,420.12
2021/22	4,529.25
2022/23	5,530.86
2023/24	6,212.71
2024/25	7413.58

Annexure 2: **Remittance inflow from Remittance Companies (M-o-M) (USD million)**		
Month	**2023/24**	**2024/25**
August	458.99	607.8
September	461.31	598.9
October	541.20	579.5
November	544.42	491.2
December	558.49	561.1
January	499.49	576.2
February	478.00	580.1
March	551.99	677.2
April	512.24	656.6
May	551.82	738.4
June	498.67	790.3
July	556.09	774.1

Annexure 3: **Remittance Inflow from BFIs (USD million)**	
Year	**Amount**
2019/20	3,368.85

2020/21	4,824.97
2021/22	4,767.69
2022/23	5,357.59
2023/24	5,435.14
2024/25	5411.18

Annexure 4:
Remittance inflow from BFIs (M-o-M) (USD million)

Month	2023/24	2024/25
August	456.96	463.50
September	442.24	463.16
October	474.20	451.38
November	463.12	391.25
December	478.73	419.60
January	447.42	412.69
February	437.03	416.07
March	460.47	477.90
April	431.81	448.29
May	453.48	497.99
June	423.89	511.85
July	465.79	556.66

Annexure 5:
CFC Exchanged by Money Changer (USD million)

Year	Amount
2019/20	289.66
2020/21	89.03
2021/22	121.43
2022/23	231.69
2023/24	215.49
2024/25	185.04

Annexure 6: CFC Exchanged by Money Changer (M-o-M) (USD million)		
Month	**2023/24**	**2024/25**
August	11.06	9.40
September	13.28	14.08
October	39.45	23.24
November	32.54	14.28
December	17.72	8.56
January	13.57	10.21
February	12.37	11.30
March	22.38	19.00
April	22.41	31.16
May	14.13	16.10
June	8.15	19.47
July	8.23	17.16

Annexure 7: CFC Received by Hotels (USD million)	
Year	**Amount**
2019/20	23.11
2020/21	2.60
2021/22	12.17
2022/23	27.63
2023/24	40.44
2024/25	43.33

Annexure 8: CFC Received by Travel Agencies (USD million)	
Year	**Amount**
2019/20	129.18
2020/21	20.53
2021/22	32.09
2022/23	90.99
2023/24	113.45
2024/25	104.15

Annexure 9: **CFC Received by Travel Agencies (M-o-M) (USD million)**		
Month	**Year 2023/24**	**Year 2024/25**
August	4.45	4.63
September	7.87	7.26
October	12.56	11.46
November	13.65	10.8
December	10.70	9.88
January	7.72	7.91
February	8.02	7.52
March	12.24	11.07
April	14.02	12.08
May	9.72	10.9
June	6.71	6.17
July	4.91	7.08

Annexure 10: **CFC Received by Trekking Agencies (USD million)**	
Year	**Amount**
2019/20	59.55
2020/21	17.12
2021/22	40.25
2022/23	88.39
2023/24	97.24
2024/25	112.59

Annexure 11: **CFC Received by Trekking Agencies (M-o-M) (USD million)**		
Month	**Year (2023/24)**	**Year (2024/25)**
August	5.12	9.11
September	10.38	12.7
October	13.97	14.2
November	8.19	9.9
December	4.73	7.03
January	4.98	5.43
February	6.56	6.94
March	12.83	15.34
April	13.44	15.23
May	7.15	7.77
June	4.95	6.33
July	4.61	5.04

Annexure 12: **Foreign Currency Transactions of Airlines (USD million)**			
Year	**Sales**		**Repatriation**
	Airlines	**Cargo**	
2019/20	150.49	231.04	214.77
2020/21	78.08	3.59	4.16
2021/22	139.26	4.15	4.57
2022/23	168.57	2.83	6.39
2023/24	221.73	4.69	10.12
2024/25	246.08	3.05	9.53

Annexure 13: **Foreign Currency Transactions of Cargo (USD million)**		
Year	**Total Sales**	**Repatriation**
2019/20	66.20	48.85
2020/21	53.18	31.66
2021/22	27.30	9.55
2022/23	8.99	6.56
2023/24	7.15	5.41
2024/25	4.74	3.65

Annexure 14: **CFC Received by Other Businesses (USD million)**	
Year	**Amount**
2019/20	6.36
2020/21	4.63
2021/22	15.20
2022/23	7.08
2023/24	5.78
2024/25	7.90

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