

NRB celebrates 67th year of its Anniversary

Bank is committed to external sector management: Governor Adhikari



NRB has entered into 67th year of its establishment after the completion of 66 year. On the occasion of the 67th anniversary, a program was held at the bank's premises at Baluwatar on April 27, 2022 where Governor Adhikari inaugurated the program.

Addressing the program, Governor Adhikari said

that Nepal Rastra Bank was committed to revive the economy affected by Covid and manage the challenges in the external sector. He expressed that, "Nepal Rastra Bank is committed to take additional measures in the coming days for the stability of the external sector. I expect the support

of all stakeholders in this regard."

Governor Adhikari expressed that the balance of payments deficit has widened due to the large portion of the loan going for import of goods and services, during the economic recovery, after Covid crisis which has put pressure on the foreign



exchange reserves and that situation may continue for some time. He further said that the foreign exchange adequacy indicator has remained stable in recent months due to the policy measures adopted by the NRB.

Stating that the prices of food and non-food items have gone up in Nepal due to the continuous rise in the price of petroleum products and the conflict between Russia and Ukraine, and he said that the inflationary pressure will continue for some time. In the program, Governor Adhikari also presented the details of the important performance of Nepal Rastra Bank in the current fiscal year.

In appreciation of the contribution made in the economic, financial, monetary and managerial sectors of Nepal in the program, former Governor Dr. Tilak Bahadur Rawal was

honored. On the occasion, former Governor Rawal said that Nepal's economy is in a critical condition and pointed out the need for all parties of the state to work together to save the economy. Further, he suggested that domestic production should be promoted for import substitution.

Deputy Governor Dr. Neelam Dhungana Timsina delivering closing remarks in the program opined that Rastra Bank is aware of financial stability and external sector stability. She informed that the bank has issued various policy arrangements for external sector management.

On that occasion, Deputy Governor Bam Bahadur Mishra gave a welcome speech and held the view that Nepal Rastra Bank should be tight and flexible in accordance with the needs of the economy and is now focused on the stability of

the financial sector and the external sector. He pointed out the need to introduce electronic currency in the financial system of Nepal along with the development of digital banking. The Executive Director of Office of the Governor was the seniormost among the employees who received the twenty-year long service medal in the program. In this regard Dr. Nephil Matangi Maskay, discussed his twenty years of experience with Rastra Bank and expressed his gratitude to the bank for this invaluable opportunity.

On the occasion of the anniversary, 108 employees who completed 20 years of service in the bank were awarded long service medals. Also, cash prizes and certificates were given to the winning employees in various extra activities organized on the occasion of the anniversary.

Governor Adhikari attended 92nd Annual Meeting of BIS

Governor Maha Prasad Adhikari participated in the 92nd annual meeting of the Bank for International Settlements (BIS) held in Basel, Switzerland on 25-26 June, 2022 where the governors of the member central banks of BIS participated in the meeting.

On the first day of the meeting, the financial stability institute of BIS organized an interaction program on the topic of 'The Policy Approach to Climate-related Financial Risks'. In that program, there was a discussion on the issue that if the climate-related risks are not managed properly, various types of financial risks will increase, and the overall financial stability will be affected.

On the second day of the meeting, the annual report and the annual financial report of BIS were released. Releasing this year's annual economic report, BIS General Manager Agustín Carstens analyzed the pressure on central banks around the world due to global inflation. He also advised the Central Banks to adopt timely policy arrangements to control rising inflation in time by learning from past experiences.

During the meeting



at 'Per Jacobsson Lecture Series', German economist and former head of the Dutch Bundesbank and BIS Board of Directors, Hans Weidmann, presented his talk on the topic of 'A New Age of Uncertainty: Implications for Monetary Policy'.

In his presentation, the complexity and impact of the uncertainty in the economy on the performance of the central banks was analyzed. BIS General Manager Agustín Carstens led the session where Bank of Japan Governor-Haruhiko Kuroda, Bank of Spain Governor-Pablo Hernandez de Cos, South African Reserve Bank Governor-Mr Lesetja Kganyago and Swiss

National Bank Governor-Thomas J. Jordan shared their view as panelists.

Before the official program of BIS began, Governor Maha Prasad Adhikari discussed various studies and world experiences related to central bank digital currency with BIS Innovation Hub Head-Ross Leko and BIS Innovation Hub Switzerland Center Head-Morten Beck. During the annual meeting, the Governor Adhikari held bilateral discussions with Governors of various central banks including Reserve Bank of India's Governor, Shaktikanta Das and former India's Governor Urjit Patel.

Discussions between the Governor Adhikari and senior officials of the World Bank Group



A meeting was held between Governor Maha Prasad Adhikari and senior officials of the World Bank Group at the governor's office on June 20, 2022. In the meeting, the macroeconomic and financial situations after the Covid-19 pandemic and macro economic outlook of the country were discussed.

The meeting was led by Managing Director of World Bank Group Mr. Mari E. Pangestu where there was a discussion about the support received from the World Bank in the past for enhancing the capacity of Nepal's financial system & Nepal Rastra Bank and the possibility of bilateral

cooperation in the future.

During the meeting, Managing Director, Pangestu expressed his views on the overall impact of the Covid-19, digital financing, financial inclusion and customer protection, along with the experience of other countries. On the occasion, Governor Adhikari informed about the policy arrangements adopted by the bank for the promotion of digital banking and its achievements and shared his opinion on the latest efforts for environment-friendly financial services. Besides, he also informed that financial customer protection is a priority of the bank, where

the bank is in the process of establishment of 'Financial Inclusion and Customer Protection Division' has reached its final stage.

On the occasion, Managing Director of the World Bank Group: Mari E. Pangestu expressed his opinion that the World Bank is committed to provide necessary support to the Nepal Rastra Bank in coordination with the International Monetary Fund for the economic growth and financial stability of Nepal. In addition, he informed that in the near future, the World Bank will be conducting the Financial Sector Assessment Program.

Third Quarterly Review of Monetary Policy released

Nepal Rastra Bank has released the third quarterly review of the monetary policy of FY 2078/79 on 27th May, 2022.

As the pressure on prices and external sector stability has remained unchanged, the course of action taken in the semi-annual review of monetary policy has been continued. However, it is mentioned in the review that if there is pressure on inflation and foreign exchange reserves due to higher import, the monetary policy will be tightened further.

The existing policy of refinancing facilities availed for the revival of industrial businesses affected by the COVID-19, which is only focused on the most affected areas and are yet to be revived, has been continued. It is mentioned in the review that interest rate as well as other selective instruments will be used to maintain macroeconomic stability by reducing the existing pressure in the internal and external sectors.

The existing mandatory cash reserve

ratio, statutory liquidity ratio, bank rate and refinancing rate have been kept unchanged. According to the review, emphasis will be placed for increasing the flow of financial instruments in the productive sector, micro, small and medium businesses, domestic production enhancement and export promotion, keeping in mind the price and external sector stability.

Domestic economic and financial scenario

It is mentioned in the review that the speed of economic revival has increased and the internal demand has also expanded due to flexible policy direction adopted during the COVID-19 and decrease in infection. The review concluded that the increasing gap between domestic production and demand has created pressure on external sectors such as trade deficit, current account and balance of payment deficit and foreign exchange reserves.

Though the rate

of decrease in foreign exchange reserves is somewhat lower, as a result of the policies adopted to reduce the pressure on the external sector; the internal demand situation, remittance flows, increase in import prices due to the increase in the prices of goods and services and petroleum products in the international market, the external sector will still be in some pressure for some time. Due to the increase in global prices of goods and fuel and adjustments in public transport fares, prices have come under pressure in Nepal as well and it is estimated that this situation will remain for some time.

According to the review, “Due to the widening resource gap and contraction in foreign exchange reserves, liquidity has been drained from the banking system and there has been pressure on interest rates on one hand, and on the other hand, the direction of monetary policy should be kept tight to maintain external sector stability.”

Siwakoti and Acharya appointed as Directors in Bank's Board

Former Deputy Governor Chintamani Siwakoti and former Executive Director Dr. Shankar Prasad Acharya has been appointed as a member of the Board of Directors of Nepal Rastra Bank.

The Government of Nepal, Council of Ministers on May 20, 2022 appointed them as directors as per section 17 of the Act where there is a provision that the Council of Ministers shall appoint eminent persons in the fields of economic, monetary, banking, finance, commerce, management and commercial law as directors of the bank. The term of office of the



director is five years.

The newly appointed directors Siwakoti and Acharya have taken the oath of office and secrecy before the acting Chief Justice Deepak Kumar Karki on 26th May, 2022.

In Section 108 (1) of the Nepal Rastra Bank Act, 2058, there is a provision that the director of the bank must take an oath before the Chief Justice of the Supreme Court or a judge appointed by him.

Interaction with commercial bank's Board of Director

Make financial stability a priority: Governor Adhikari

Governor Maha Prasad Adhikari requested the directors of commercial banks to conduct banking business by prioritizing

financial stability during an interaction program organized by the Banking and Financial Institutions Regulation Department with

the directors of commercial banks in Kathmandu on June 2. He said, "Our financial sector focused more on profit than stability. Now



let's prioritize stability. If a bank does not make any profit for a year, it will not create serious issue, but if the financial system is unstable, what will be the result? Think about it!"

Governor Adhikari made it clear that there will be no agreement for the implementation of the policy arrangements issued by the Nepal Rastra Bank and the banks that violate the regulatory instructions will be punished in accordance existing provisions.

Although policy concessions have been given in the past for mergers and acquisitions, he informed that such facilities will not be available in the future where he drew the attention of the directors of the bank to invest in loans only by looking at the financial resources of the organization.

Stating that the foreign exchange reserves have

decreased by about three billion due to high imports, Governor Adhikari opined that the pressure on the external sector will remain until consumption is controlled. He informed that the upcoming monetary policy will be issued to support the budget/programme of the fiscal year 2079/80.

In the program, Deputy Governor Dr. Neelam Dhungana Timsina drew the attention of the directors to play a responsible role for the institutional governance and risk management of the bank.

On that occasion, Executive Director of Bank Supervision Department Dev Kumar Dhakal mentioned that the board of directors of commercial banks is focused on administrative work but rather urged the directors to focus on effective implementation of

policy and risk management. Executive Director of Banks and Financial Institutions Regulation Department, Gunakar Bhatta presented a working paper with current issues of economy and banking sector. The working paper covered topics such as the state of the world economy, macro-economic condition of Nepal, indicators of the financial sector, institutional governance of commercial banks and the state of risk. After the presentation of the working paper, there was an interaction on the same topic. Deputy Governor Bam Bahadur Mishra facilitated the interaction session.

Director of Banks and Financial Institutions Regulation Department, Kiran Pandit gave a welcome speech and highlighted the purpose of the program while Assistant Director Asmita Khanal hosted the program.

Preparatory interaction for mutual evaluation



The Financial Information Unit organized an interaction program for the preparation of third mutual evaluation by Asia Pacific Group (APG) in Kathmandu on 25th May, 2022.

In the program, Governor Maha Prasad Adhikari along with both Deputy Governors Dr. Neelam Dhungana Timsina and Bam Bahadur Mishra, representatives of Banks and Financial Institutions and department officials were present.

On that occasion, Governor Adhikari highlighted the process of mutual evaluation and pointed out the need for effective compliance of policy arrangements related to prevention of money

laundering and control of financial investment in terrorist activities. He said, “No one should give any excuses in the supervisory proceedings of licensed banks and financial institutions and other institutions in the matter of prevention of money laundering”. Also, Governor Adhikari advised to carry out the preparations related to the mutual evaluation of the third phase, in an effective manner.

In the program, Deputy Governor Dr. Neelam Dhungana Timsina stressed on the need to make inter-departmental coordination and cooperation more effective for the effective implementation of the National Strategy and Action Plan 2076-2081

on prevention of money laundering and financial investment in terrorist activities. Deputy Governor Bam Bahadur Mishra opined that risk-based regulation, supervision and monitoring should be prioritized while strengthening the AML/CFT system of Nepal Rastra Bank.

On that occasion, the head of the Financial Information Unit, Dirgha Bahadur Rawal, while highlighting the purpose of the program, informed that the Secretariat of the APG has prepared a detailed work schedule for mutual evaluation and has also sent the list of experts for the evaluation.

In the discussion session of the program, the unit's Deputy Director,

Sworup Shrestha presented a working paper on 'Preparation for Mutual Evaluation: Approach of the Financial Information Unit'. Also, the unit's Deputy Director Asmita Gorkhali, discussed the performance status of the Financial Information

Unit in the context of the National Strategy and Action Plan under the same presentation.

Assistant Director Abhiyan Upadhyaya, of Bank Supervision Department, presented the second working paper on 'Preparation for Mutual

Evaluation: Supervisory Approach'. Similarly, the human resource management department's Deputy Director Dr. Hari Kumar Nepal gave his presentation on the role of Nepal Rastra Bank in the context of overall mutual evaluation.

Interaction on Succession planning and information technology security



Bankers Training Center organized an interaction program on succession planning and information technology security in Kathmandu on June 4 and 5.

On that occasion, Governor Adhikari mentioned that cyber security challenges have recently increased in the financial system and pointed out the need to make the information technology system effective in order to

address it. He also shared that the role of succession planning is important in order to organize the operations of the bank. He also expressed his belief that the succession plan in the bank will be well organized in future.

In the program, Director Bigyan Raj Subedi, of NRB's Human Resource Management Department, presented a working paper

on 'Succession Plan in Nepal Rastra Bank'. In the program, he informed about the introduction of the succession plan, its requirements, process and the preparation of the bank's succession plan. Deputy Director Ajit Regmi, of NRB's Information Technology Department, presented a working paper on the topic, 'IT Security Risk Management in Nepal Rastra Bank'. In his working

paper, the information technology system of Nepal Rastra Bank, IT and cyber security risks inherent in the bank, the policies and infrastructure adopted by the bank to minimize such risk are covered.

Similarly, information technology expert Bibek Rana gave his presentation on the topic of ‘Improving Cybersecurity Resiliency in NRB and BFIs’. During that, he discussed about the introduction of cyber security, the existing risks of cyber security in the global financial system, strategies needed

to minimize cyber risks, etc. Former DIG of Nepal Police Dr. Rajeev Subba gave information about the world’s major incidents related to cyber attacks and the changing nature of attacks, cyber attacks on financial institutions in Nepal, and the state of cyber security in Nepal.

Similarly, journalist and blogger Umesh Shrestha presented a paper on ‘Effectiveness of Social Networks’. During that, he discussed the global situation of social media use, its relevance, precautions to be taken while using the

network, etc. In the program, Deputy Governor Dr. Neelam Dhungana Timsina gave the closing speech and opined that all the interaction sessions were very productive. Deputy Governor Bam Bahadur Mishra, Executive Directors and Directors of the bank were participated in the program.

Executive Director Tulsi Prasad Ghimire, of NRB’s Human Resource Management Department, gave welcome speech in the program, while Deputy Director duo Kamal Prakash Kalathoki and Bishnu Prasad Subedi conducted the program.

Interaction on monetary policy formulation

Macro economic stability is the priority of monetary policy: Governor Adhikari



Governor Maha Prasad Adhikari said that the upcoming monetary policy will be formulated to support the macroeconomic stabilization.

The interaction in connection with the formulation of monetary policy with the representatives of concerned bodies and organizations was

organized by Nepal Rastra Bank in Kathmandu on July 04, Governor Adhikari in the program said, “We are all aware of the current status



of the country's economy where all our indicators are negative and the upcoming monetary policy will be focused on addressing this issue.

Stating in the program that the country's economy is import-oriented, he stated that due to high imports, there is pressure on the stability of the external sector. Governor Adhikari made it clear that the upcoming monetary policy will be focused on addressing the external pressures.

In the program, Executive Director Dr. Prakash

Kumar Shrestha, of the NRB's Economic Research Department, presented a working paper on the current macroeconomic situation of the country. Secretary of the Ministry of Finance Madhukumar Marasini, Deputy Governor Bam Bahadur Mishra, Director of the Bank Chintamani Siwakoti and Dr. Shankar Prasad Acharya, representatives of Securities Exchange Board Nepal and Insurance Board, directors of banks and financial institutions, Chief Executive Officers, industrialists, tourism

professionals, participated in the program.

On that occasion, representatives from banks and financial institutions suggested to increase domestic production and increase credit investment in areas that help import substitution. They suggested to reduce the risk weight of such loans going to the productive sector.

Similarly, it was suggested that certain policy concessions should be continued to deal with Covid-19 from the representatives of industry, commerce and tourism related organizations.

Knowledge Sharing Program conducted by Office of the Governor

Office of the Governor organized a Knowledge Sharing program on 11th May, 2022 on a topic 'Falling Use of Cash and Demand for Retail Central Bank Digital Currency (CBDC)' presented by IMF's, Tanai Khiaonarong in a virtual mode.

During his presentation, he discussed the global trend of cash usage. With

the promotion of electronic payments, there has been a decrease in the amount of cash usage where he discussed the reasons for the decrease in cash usage. Besides, he also presented the comparative data of cash usage in different countries. Mr. Khiaonarong also talked about the possibility of Central Bank Digital Currency (CBDC)

in the coming days.

About a hundred NRB employees from various departments/offices participated in the program. On this occasion, the Executive Director of the Office of the Governor, Dr. Nephil Matangi Maskay delivered closing speech and Director Muktinath Sapkota conducted the program.

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