

# Payment Systems Oversight Report

FY 2020/21



**Nepal Rastra Bank**  
**Payment Systems Department**  
Baluwatar, Kathmandu

## Message from Executive Director

**Dear Valued Readers,**

Efficient payment system is critical to the economic development of a country. Thus, development of the payment system is a priority of every nation. Like any service area of economy, payment systems also face disruptions from technological innovation. The emergence of FinTech has led to rapid advancement in faster payments and digitalization of other modes of payment causing higher speed, higher efficiency and lower cost. Innovation and competition in payment service has proven successful in bringing many unserved and underserved populations into financial service. Still, many challenges and threats remain in payment services, such as creating public awareness on risks and benefits of digital payment and cyber threats. Central Banks, Bank and Financial Institutions and other payment-related institutions should intensify efforts on awareness building and educational campaigns regarding digital financial services. This can have a long-lasting effect on behavioral changes towards greater adoption of digital payments.

Central Banks around the globe plays key role in payment innovation mainly by facilitating innovation and promoting financial inclusion. One of the objectives of Nepal Rastra Bank is to develop a secure, healthy and efficient system of payment. Nepal Rastra Bank, as a Central Bank is focusing on establishing and improving payment infrastructures, formulating and implementing legal and regulatory frameworks, encouraging innovations, and promoting awareness regarding digital payments.

This report is a continuation of NRB's effort to disseminate information on above-mentioned initiatives by the Payment Systems Department. At this moment, I would like to thank all my colleagues in the Payment Systems Departments and especially to Director Mr. Nishchal Adhikari, Deputy Director Mr. Praksah Rai, Deputy Director Mr. Tirtha Raj Ojha, Deputy Director Mr. Tekraj Bhandari, Deputy Director Mr. Ramkumar K.C. and Deputy Director Mr. Saurav Pokhrel for their valuable contribution on preparing the report on given time.

With this, I present the Payment System Oversight Report 2020/21 with the optimism that it will be beneficial to all the stakeholders.

Thank you!!

**Guru Prasad Paudel**  
**Acting Executive Director**  
**Payment Systems Department**  
**Nepal Rastra Bank**

# Table of Contents

Message from Executive Director .....	ii
Acronyms and Abbreviations .....	v
1. Nepalese Payment Systems .....	1
2. Nepal Rastra Bank as a Regulator and Supervisor/Overseer of the Payment Systems .....	2
3. Legal and Regulatory Provisions.....	3
3.1 Nepal Rastra Bank Act, 2002.....	3
3.2 Payment and Settlement Act, 2019 .....	3
3.3 Payment and Settlement Bylaw, 2020 .....	4
3.4 Licensing Policy for Payment Related Institutions,.....	4
3.5 Payment Systems Inspection and Supervision Bylaw, 2021 .....	4
3.6 Nepal QR Standardization Framework and Guidelines .....	5
3.7 Payment Systems Oversight Manual .....	5
4. Key Developments and Activities .....	5
4.1 Issuance of Unified Directives .....	5
4.2 Notices and Circulars .....	6
4.3 Licensing and Termination of Letter of Intent (LOI) .....	6
4.4 Large Value Payment Systems .....	7
4.5 Retail Payment Systems (RPS).....	8
4.6 National Payment Switch (NPS).....	9
5. Status of Payment Instruments .....	9
5.1 Cards .....	9
5.2 Cheque Clearing.....	10
5.3 Automated Clearing House .....	11
5.4 Instant Payment.....	11
5.4.1 ConnectIPS.....	11
5.4.2 QR Code based payment.....	12
5.4.3 Mobile and Internet Banking .....	12
5.4.4 Mobile Wallet .....	13
6. Payment Systems Oversight .....	14
6.1 Oversight Activities in 2020/21 .....	14
6.1.1 Inspection/supervision .....	14
6.1.2 Reporting Arrangement.....	14

6.1.3 Requirement to approve Financial Statements.....	15
6.1.4 Actions taken for the Non-compliance .....	15
6.2 Policy Facilitation .....	15

### **List of Table**

Table 1: Licensed Institution to operate as PSP/PSO.....	2
Table 2: Number of Transaction and Amount through RTGS .....	7
Table 3: Outstanding Cards .....	9
Table 4: Product wise Transaction Number/count through ECC .....	10
Table 5: Transaction Number/count through IPS.....	11
Table 6: Number/count of Transaction through connectIPS .....	11
Table 7: Number of Customer using Mobile and Internet Banking.....	12
Table 8: Onsite Inspection.....	14

### **Annexures**

Annex 1: Payment Service Provider (PSP) .....	16
Annex 2: Payment System Operator (PSO) .....	17
Annex 3: Commercial Banks licensed as Payment Service Provider (PSP) .....	18
Annex 4: Development Banks licensed as Payment Service Provider (PSP) .....	19
Annex 5: Finance Companies licensed as Payment Service Provider (PSP) .....	19
Annex 6: Number of Cheques Presented and Cleared (NCHL-ECC).....	20
Annex 7: Number of Transaction Presented and Cleared (NCHL-IPS).....	20
Annex 8: Number of Transaction Presented and Cleared (NCHL-connectIPS) .....	20
Annex 9: Number of Payment Instruments Issued.....	20
Annex 10: Number of ATM Terminals and Customers of Mobile and Internet Banking .....	21
Annex 11: Access on Payment Systems.....	21
Annex 12: Usage of Payment Systems.....	22

## **Acronyms and Abbreviations**

ATM	Automated Teller Machine
BFI	Bank and Financial Institutions
CPMI	Committee on Payments and Market Infrastructures
ECC	Electronic Cheque Clearing
EUR	European Euro
FY	Fiscal Year
GBP	UK Pound Sterling
GL	General Ledger
IPS	Interbank Payment System
JPY	Japanese Yen
LOI	Letter of Intent
NCHL	Nepal Clearing House Limited
NPR	Nepalese Rupee
NPS	National Payment Switch
NPSDS	Nepal Payment System Development Strategy
NRB	Nepal Rastra Bank
PFMI	Principles of Financial Market Infrastructure
POS	Point of Sale
POT	Point of Transaction
PSD	Payment Systems Department
PSOs	Payment Systems Operators
PSPs	Payment Service Providers
QR	Quick Response
RPS	Retail Payment Systems
RTGS	Real Time Gross Settlement
SIS	Supervisory Information System
USD	U.S. Dollar

## **1. Nepalese Payment Systems**

To fulfill the objective of developing a secure, healthy and efficient system of payment mentioned in the NRB Act, 2002, payment system modernization effort was started in Nepal with the formulation of Nepal Payment System Development Strategy (NPSDS) in 2014. The NPSDS outlined the steps that would be taken by NRB to implement the strategy across the following nine pillars:

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

Establishment of Payment Systems Department was major milestone step in the process of payment system modernization in Nepal. Furthermore, “Licensing Policy for Payment Related Institutions/Mechanism, 2016” and “Payment and Settlement Act, 2019” and the “Payment and Settlement Bylaw 2020” bring another breakthrough in the era of digital payment. These legal frameworks are helping in expanding and improving the digital mode of payments.

38 institutions are licensed as payment institutions. Among them, 28 are Payment Service Providers (PSPs) and 10 are Payment Systems Operators (PSOs). As of mid-July 2021, all commercial banks (27), 13 development banks, and 11 finance companies are licensed by NRB to operate as payment service provider (PSP).

**Table 1: Licensed Institution to operate as PSP/PSO**

(Mid-July 2021)

<b>Category</b>	<b>Number</b>
Payment Service Provider (PSP)	28
Payment System Operator (PSO)	10
Commercial Banks as PSP	27
Development Banks as PSP	13
Finance Companies as PSP	11

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

**Payment Service Provider (PSP):** PSP is the institution which provides payment related service to beneficiaries. It also refers to the institution which makes payment for goods, services, assets or other liability between the institution and beneficiaries, transfers money within country and abroad or conducts payment transaction electronically.

**Payment System Operator (PSO):** PSO is the institution which perform payment related operation, management and clearing. It also refers to the institution which conducts clearing house, electronic card and other electronic (online) payment network.

## **2. Nepal Rastra Bank as a Regulator and Supervisor/Overseer of the Payment Systems**

Nepal Rastra Bank, central bank of Nepal, has been entrusted with carrying out the duties of regulating and supervising/overseeing payment related institutions and activities. There have been adequate legislative provisions in place that authorize NRB to perform such duties. Nepal Rastra Bank Act, 2002 has made NRB as an autonomous institution empowered to regulate and supervise/oversee banking system of Nepal. Similarly, Payment and Settlement Act, 2019 provides the legal basis for regulating and supervising/overseeing the payment and settlement systems in Nepal. To carry its responsibility of maintaining secure, healthy and efficient payment system, NRB has been continuously issuing various directives, guidelines, and policies to the licensed institutions, considering domestic situation and international best practices. Payment Systems Department, as the dedicated department, regulates and supervises/oversees the

payment related institutions based on the existing legal framework, directives, Payment Systems Oversight Framework, and major international guiding policies such as Principles of Financial Market Infrastructures (PFMIs) and other prevalent guiding documents.

### **3. Legal and Regulatory Provisions**

#### **3.1 Nepal Rastra Bank Act, 2002**

As per Nepal Rastra Bank Act, 2002, one of the objectives of Nepal Rastra Bank is to develop a secure, healthy and efficient system of payment. This act also gives powers to regulate, inspect, and supervise payment, clearing, and settlement arrangements.

#### **3.2 Payment and Settlement Act, 2019**

Payment and Settlement Act, 2019 is one of the most important legal documents. The key components of the Act areas follows:

- *National Payment Board:* Act has made the provision of National Payment Board. The main functions of the board are to maintain financial sector stability by making payment system secured, managed and capable, to minimize risk inherent in the payment system, to enhance trust on payment system and to prepare policy provision regarding modernization of payment systems. Payment Systems Department is to provide secretariat service to the Board.
- *Licensing responsibility:* NRB has been tasked with the responsibility of issuance, revoke or refusal of license to an entity to work as a payment service provider or payment systems operator.
- *Oversight and Inspection:* NRB is empowered to supervise and inspect the licensed institutions on a regular basis.
- *Dispute Settlement Committee:* In the event of any dispute arising between the institutions with regard to any work performed under this Act, the same to be handled by the Dispute Resolution Committee.
- *Power to give direction:* NRB has the power to give directions to licensed institutions regarding the implementation of the act.

- *Power to frame bylaw*: NRB under the Act has power to frame bylaw for the implementation of the Act.
- *RTGS*: High value and critical payment (prescribed by bank) and settlement of transaction are to be performed through RTGS gross or net system.
- *Punishment, Fines and Penalties*: Act has mentioned regarding punishment, fines, and penalties in case of violation of or non-adherence of any of the provisions of the Act or bylaw.

### **3.3 Payment and Settlement Bylaw, 2020**

Payment and Settlement Bylaw, 2020 provides further basis to the NRB with the authority to regulate, supervise, inspect and oversee payment services provided by payment related institutions. The bylaw provides following major provisions:

- Qualification of expert member of National Payment Board
- Functions, duties and power of Payment Systems Department
- Provision of Letter of Intent (LOI) to establish company related to payment and settlement
- Required documents and details for the renewal of license
- Qualification of the board members and executive chief of PSPs/PSOs
- Liability of licensed institutions
- Provisions of Consumer Protection
- Provision regarding addition and cancellation of payment instrument
- Securities of payment and settlement system
- Voluntary liquidation of the licensed institution

### **3.4 Licensing Policy for Payment Related Institutions, 2016**

The scope of licensing policy includes all BFIs and PSPs and PSOs. This policy outlines the major requirements to obtain the license and rules and standards of operations. This policy is under the process of revision.

### **3.5 Payment Systems Inspection and Supervision Bylaw, 2021**

Payment Systems Inspection and Supervision Bylaw, 2021 provides a clear roadmap of inspection and supervision of PSPs and PSOs. The major components of the bylaw are as follows:

- Functions of Oversight Unit
- Objectives of inspection and supervision
- Process of inspection and supervision
- Code of conduct, duty, responsibility and security of supervisor
- Format of inspection report
- Direction regarding the merger or acquisition of needed institutions

### **3.6 Nepal QR Standardization Framework and Guidelines**

Nepal QR Standardization Framework and Guidelines determine standards to bring in uniformity and provide equal opportunity for all players in payment space.

### **3.7 Payment Systems Oversight Manual**

Payment Systems Oversight Manual is intended to serve as a guide in the process of implementing oversight function of payment and settlement systems. This document recognizes the Off-sight Supervision and On-sight Inspection as the key components of oversight function or as oversight tool.

## **4. Key Developments and Activities**

### **4.1 Issuance of Unified Directives**

Nepal Rastra Bank issues Payment related unified directives and also continuously updates existing directives to ensure safety and efficiency of the payment systems. Altogether, fourteen directives related to payment services are issued by the bank till mid- July 2021.

A brief overview of Payment Systems related Unified Directives is as follows:

Directive No. 1	Related to Electronic Payment Cards
Directive No. 2	Related to Financial Service Operation in domestic currency through Telecommunication Networks
Directive No. 3	Related to Security Measures while providing electronic payment services
Directive No. 4	Related to Settlement Bank
Directive No. 5	Related to transaction limit for electronic transactions
Directive No. 6	Related to Approval of Annual Financial Report before Publishing

Directive No. 7	Related to RTGS System
Directive No. 8	Related to Branchless Banking (BLB)
Directive No. 9	Related to Electronic Cheque Clearing (ECC)
Directive No. 10	Related to Statistics Description
Directive No. 11	Related to Corporate Governance Provision
Directive No. 12	Related to Risk Management Provision
Directive No. 13	Related to Customer Protection Provision
Directive No. 14	Related to Miscellaneous Provisions

## 4.2 Notices and Circulars

NRB has issued PSD related following notices and circulars in the review period:

<b>Notices</b>
<ul style="list-style-type: none"> <li>• Moratorium/suspension of Licensing as PSP/PSO</li> <li>• Remitting money (earned through E-commerce activities) from abroad through Online Financial Service</li> <li>• Payment related activities only by licensed institution</li> </ul>
<b>Circulars</b>
<ul style="list-style-type: none"> <li>• Waiving fee to customer in the case of off-us ATM transaction</li> <li>• Service fee limit for paying government revenue</li> <li>• Upper limit of fee (Rs. 20) in the case of off-us ATM transaction</li> <li>• Charging fee for providing internet, mobile and SMS banking service after permission of concerned customer and prior notification</li> <li>• Continuation of internet, mobile and SMS banking service by self-retrieving/setting username and password in the case of loss/forgotten</li> <li>• Revision of upper limit of daily transaction through mobile and internet banking service</li> </ul>

## 4.3 Licensing and Termination of Letter of Intent (LOI)

In 2020/21, NRB has issued license to fourteen institutions as PSP and one institution as PSO. Similarly, NRB issued license to one development bank and four finance companies to operate as PSP in the review period.

In the review period, LOI of eight institutions was terminated attributed to not submitting all required documents, not establishing separate company and being incompatible with sub-clause of clause 6 of Payment and Settlement Act, 2019.

#### 4.4 Large Value Payment Systems

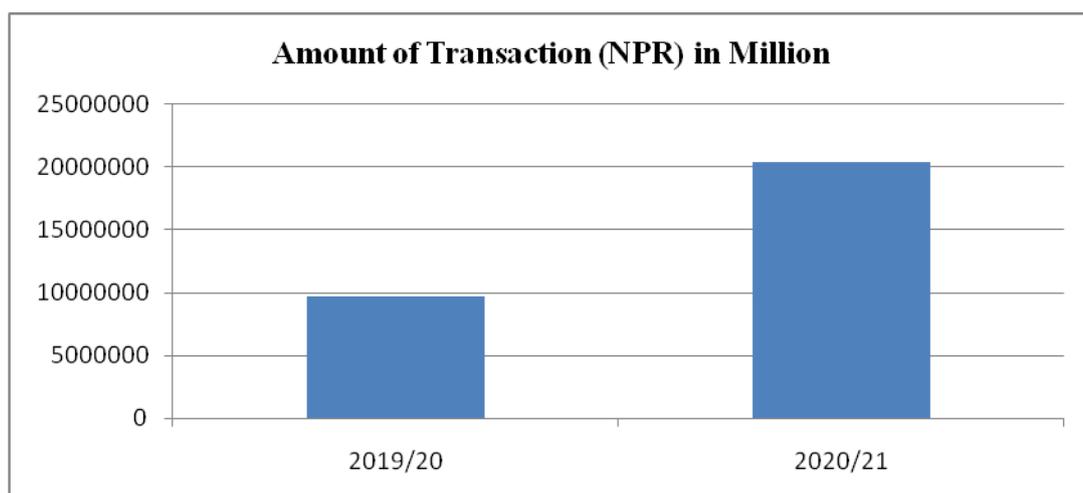
As an operator of the payment system and based on the mandate given by Payment and Settlement Act, 2019 and Payment and Settlement Bylaw, 2020, NRB installed and is operating Real Time Gross Settlement (RTGS) System for large value and critical payment. RTGS System is an electronic fund transfer system in which the transfer of funds between one bank/financial institution to another takes place in "real-time" and on a "gross" (transaction by transaction) basis, without bundling or netting with any other transaction.

RTGS System formally started on 12<sup>th</sup> September 2019. PSD has issued RTGS System Rules, 2019 which regulates the membership criteria, responsibilities of members, settlement rules, operating procedures of the RTGS system. Similarly, NRB has issued a separate directive for the operation of RTGS. Transactions can be settled in five different currencies i.e. Nepalese Rupees (NPR), US Dollar (USD), Euro (EUR), Pound Sterling (GBP) and Japanese Yen (JPY). Minimum limit for value of credit transfers in RTGS is NPR 2,00,000 and threshold for mandatory transaction has been set to NPR 2 million. As of mid-July 2021, all Commercial Banks (27), eight Development Banks, two Finance Companies and Nepal Infrastructure (NIFRA) Bank Limited are involved in RTGS system as direct participants.

RTGS operation has eased the large value and critical payment process which was earlier based on manual clearing in NRB's GL System. Further, it is expected that the RTGS System will enhance the trust and confidence towards the payment system as it significantly reduces settlement risk in payment mechanism. It helps to increase the velocity of money and boost up economic activities.

**Table 2: Number of Transaction and Amount through RTGS**

Currency	FY 2019/20		FY 2020/21	
	No. of Transaction	Amount (in million)	No. of Transaction	Amount (in million)
NPR	1,89,554	9714580.87	5,22,174	20445704.04
USD	8,928	637.2	10,364	688.04
EUR	1,186	511.17	702	161.09
GBP	698	7.63	426	3.23
JPY	246	4078.46	175	1891.12



#### 4.5 Retail Payment Systems (RPS)

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

As an effort for payment systems modernization, NRB formulated a Retail Payment Strategy (RPS), 2019. RPS focuses on following key pillars:

- (i) Strengthening the legal and regulatory framework,
- (ii) Deepening digital retail payment systems,
- (iii) Government and remittances payment to transaction account,
- (iv) Settlement in central bank money,
- (v) Financial awareness, literacy and access,
- (vi) Oversight, and
- (vii) Co-operation between authorities.

#### 4.6 National Payment Switch (NPS)

As mentioned in Payment and Settlement Act, 2019 and mandated by Payment and Settlement Bylaw, 2020 and as also announced on Monetary Policy Statement of FY 2019/20, National Payment Switch (NPS) is under the process of establishment through NCHL with the objective of establishing interoperable payment infrastructure and settling all the domestic transactions within a country.

## 5. Status of Payment Instruments

### 5.1 Cards

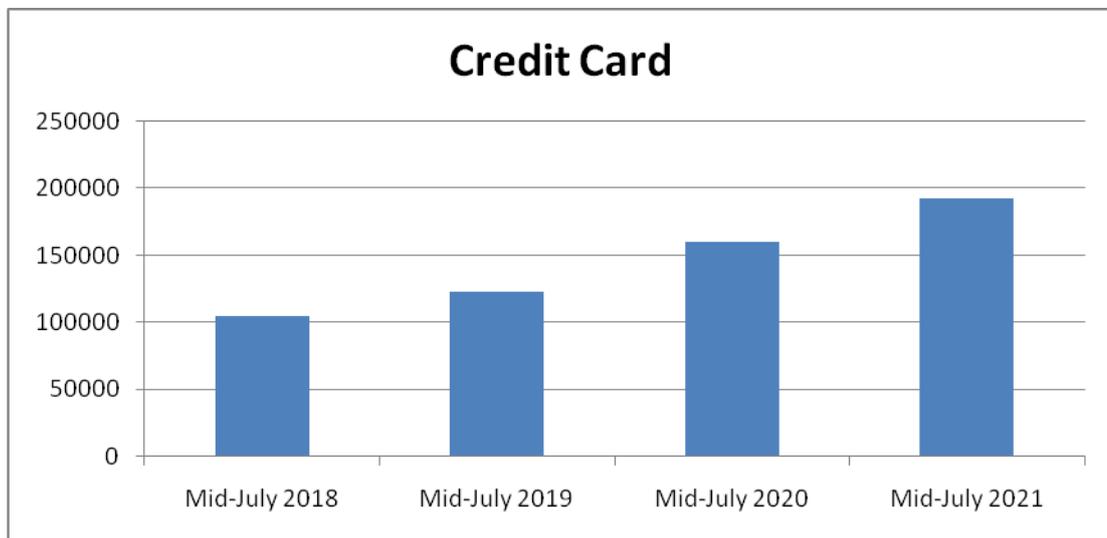
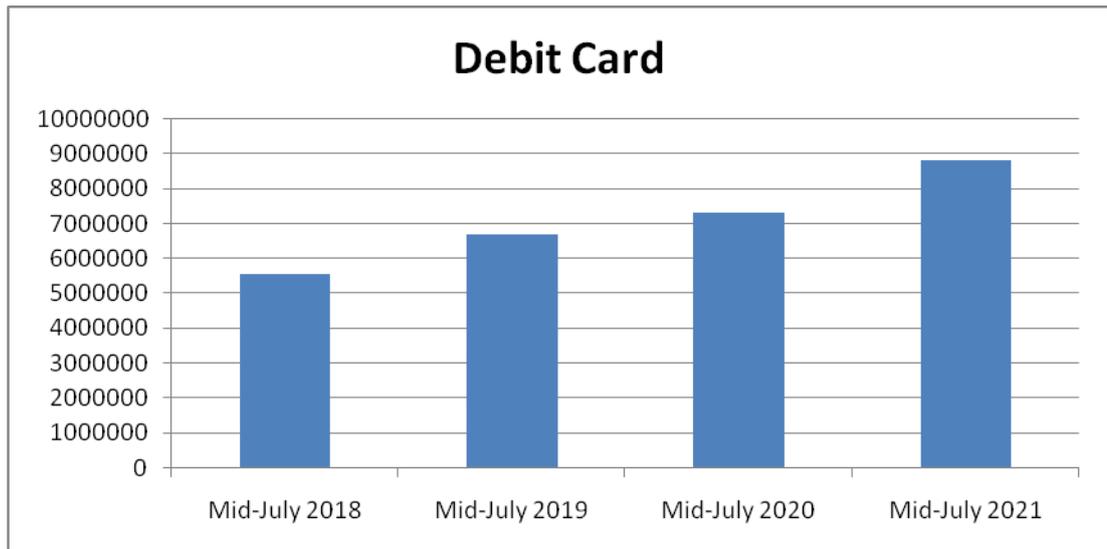
Though the majority of payment is still made through cash and cheques in Nepal, transactions through digital payment instruments (ATM, Wallet, POS machine, QR code, etc.) are also gradually increasing.

The following table provides the number of debit, credit and prepaid cards.

**Table 3: Outstanding Cards**

Time	Debit Card		Credit Card		Prepaid Card	
	Number	Growth (Percent)	Number	Growth (Percent)	Number	Growth (Percent)
Mid-Jul 2018	55,44,253	-	1,04,721	-	96,816	-
Mid-Jul 2019	67,08,521	20.9	1,23,146	17.5	67,386	-30.3
Mid-Jul 2020	73,29,202	9.2	1,60,297	30.1	63,775	-5.3
Mid-Jul 2021	88,39,855	20.6	1,92,370	20.0	68,265*	7.0

\* Also includes card issued by PSPs



## 5.2 Cheque Clearing

Following table shows the product wise transaction number/count of ECC operated by NCHL.

**Table 4: Product wise Transaction Number/count through ECC**

FY	High Value	Express	Regular	Overall
2016/17	751	4,37,324	95,13,194	99,51,269
2017/18	245	9,37,877	87,48,155	96,86,277
2018/19	310	15,72,514	1,01,82,248	1,17,55,072
2019/20	288	14,66,094	1,04,31,951	1,18,98,333
2020/21	608	10,04,817	1,34,05,996	1,44,11,101

Source: NCHL

### 5.3 Automated Clearing House

Another major product offered by NCHL is Inter-Bank Payment System (IPS) which allows direct debit or direct credit facility. In 2020/21, total number of IPS transactions increased by 84.5 percent and reached to 1,08,41,023.

**Table 5: Transaction Number/count through IPS**

FY	Total Transaction Presented Count (Yearly)	Growth (Percent)
2018/19	49,31,949	-
2019/20	58,75,765	19.1
2020/21	1,08,41,023	84.5

Source: NCHL

### 5.4 Instant Payment

There are two types of instant payment, namely, high value and retail. Currently, there are two major networks that provide instant payment. NCHL operates connectIPS and corporate pay instant payment system. Fonepay also offers instant payment through fonepay direct and funds transfer. Through instant payment, these two networks link one bank customer with another. Fonepay's instant payment is embedded in mobile banking apps of BFIs whereas NCHL offers its own connectIPS web portal. Mobile banking app-fund transfer can be done through QR Code. By linking mobile wallets with bank account, customers can deposit or withdraw funds and pay for services instantly. RTGS System operated by NRB also offers instant payment for high and critical payment.

#### 5.4.1 ConnectIPS

ConnectIPS is one of the most popular products offered and operated by NCHL where the system allows the bank customers to make instant payments. In 2020/21, total number of connectIPS transactions increased significantly (560.8 percent) and reached to 1,88,33,752.

**Table 6: Number/count of Transaction through connectIPS**

FY	Total Transaction Presented Count (Yearly)	Growth (Percent)
2018/19	1,86,041	-
2019/20	28,49,964	1431.9
2020/21	1,88,33,752	560.8

Source: NCHL

#### 5.4.2 QR Code based payment

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

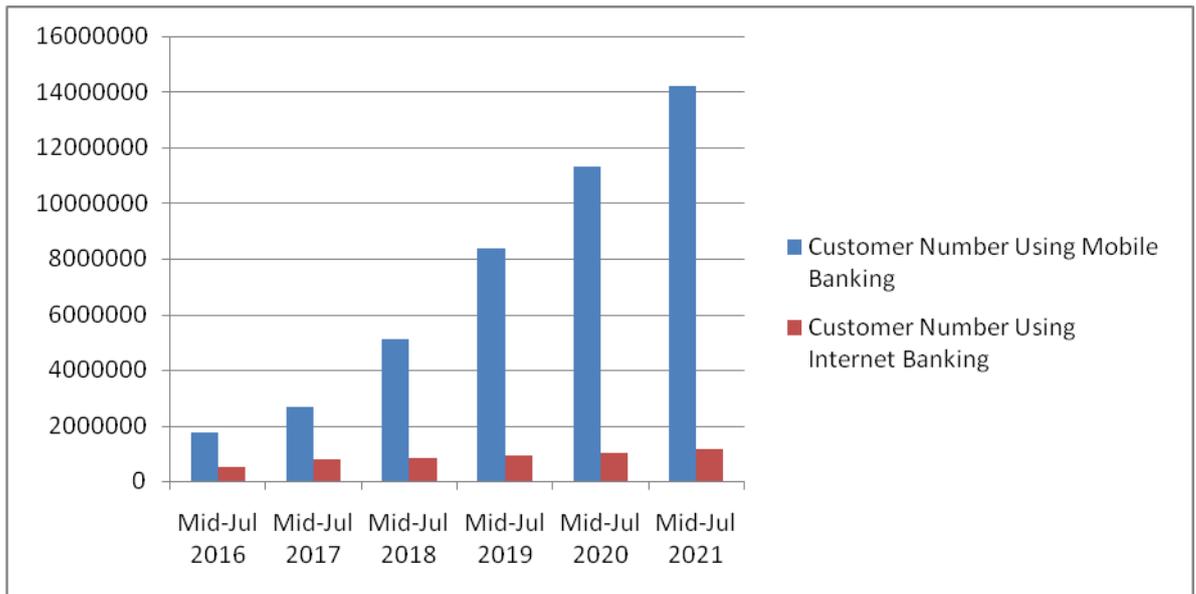
#### 5.4.3 Mobile and Internet Banking

Mobile and Internet banking services are being provided by the BFIs to their customer which allows users to perform financial transactions on digital mode like Electronic Fund Transfer, QR Payments and Utility Payments.

**Table 7: Number of Customer using Mobile and Internet Banking**

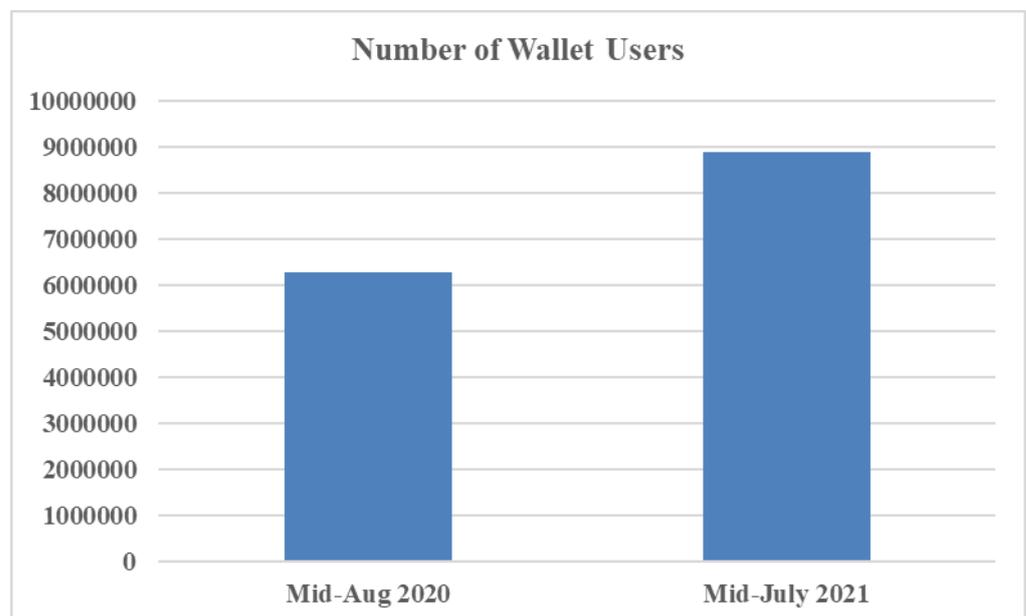
Time	Mobile Banking		Internet Banking	
	Number	Growth (Percent)	Number	Growth (Percent)
Mid-Jul 2016	17,54,566	-	5,15,465	-
Mid-Jul 2017	26,69,732	52.2	7,83,751	52.0
Mid-Jul 2018	50,86,069	90.5	8,34,302	6.4
Mid-Jul 2019	83,47,187	64.1	9,17,344	9.9
Mid-Jul 2020	1,13,06,797	35.5	10,31,227	12.4
Mid-Jul 2021	1,41,94,839	25.5	11,60,321	12.5

In 2020/21, number of mobile banking users increased by 25.5 percent and reached to 1,41,94,839. Similarly, number of internet banking users increased by 12.5 percent and reached to 11,60,321.



#### 5.4.4 Mobile Wallet

Use of mobile wallet (e-money) provided by PSPs is increasing significantly in Nepal. Number of mobile wallet users was 88,85,914 at mid-July 2021 (Annex 11). They transacted of Rs. 114.43 billion in the review year (Annex 12).



## 6. Payment Systems Oversight

### 6.1 Oversight Activities in 2020/21

#### 6.1.1 Inspection/supervision

In 2020/21, PSD conducted on-site inspection of four licensed payment institutions. In the review period, targeted number of on-site inspections could not be achieved due to covid-19 pandemic.

**Table 8: Onsite Inspection**

<b>Name of Institution</b>	<b>Nature of Institution</b>
Nepal Pay Time Pvt. Ltd.	PSP
First Pay Technology Pvt. Ltd.	PSO
Sparrow Pay Pvt. Ltd.	PSP
Focus One Payment Solutions Pvt. Ltd.	PSP

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

- Involvement of board member in day to day business of the institutions
- Lack of sufficient policies
- Inadequate physical infrastructure for the operation
- Poor corporate governance
- No proper strategy for running business at the time of crisis
- No procedure for Board Meetings.
- Concentration of business in city area only

#### 6.1.2 Reporting Arrangement

Licensed institutions are required to submit periodic reports to NRB in prescribed formats. Such reports are used in oversight of the institutions as well as in publication of indicators.

### **6.1.3 Requirement to approve Financial Statements**

As per the Payment and Settlement Act, 2019, Payment Institutions are required to complete their statutory audit within four months of the completion of the fiscal year and are required to get approval on the financial statements from NRB before publishing. Based on the document submitted by the institution, PSD prepares off-site supervision report of the concerned institution.

### **6.1.4 Actions taken for the Non-compliance**

In the review period, actions were taken against some PSPs on the following issues:

- Annual general meeting conducted without prior approval
- Remuneration taken by directors
- Executive chief, not appointed on stipulated time and given qualification
- Involvement of board member in day to day business operation
- Chairperson assuming office without taking oath

### **6.2 Policy Facilitation**

In the review period, NRB has carried out the following activities to ease payment system:

- Removal of off-us ATM withdrawal fee/charge
- Increase in transaction limit on Mobile Banking, Internet Banking and Wallet Transaction.
- Waiving out RTGS transaction fee

## Annexures

### Annex 1: Payment Service Provider (PSP)

S.N.	Name	Address	Licensed Date (B.S.)
1	IME Digital Solution Limited	Panipokhari, Kathmandu	2074/03/05
2	E Sewa Fonepay Pvt. Limited	Hattisar, Kathmandu	2074/03/05
3	Cellcom Pvt. Limited	Sinamangal, Kathmandu	2075/09/08
4	CG pay Nepal Pvt. Limited	Sanepa, Lalitpur	2075/09/13
5	Sparrow pay Pvt. Limited	Pulchowk, Lalitpur	2076/01/02
6	Pay Nep Pvt. Limited	Naxal, Kathmandu	2076/04/15
7	Q Pay Pvt. Ltd	Baluwatar, Kathmandu	2076/05/19
8	Nepal Pay Time Pvt. Ltd	Putalisadak, Kathmandu	2076/05/19
9	Smart Card Pvt. Ltd	Anamnagar, Kathmandu	2076/06/29
10	Mohar Digital Pvt. Ltd	Kumaripati, Lalitpur	2076/06/30
11	Prabhu Technology Private Limited	Kamaladi, Kathmandu	2074/03/04
12	E-Net Payment Pvt. Ltd.	Durbarmarg, Kathmandu	2076/11/21
13	Focusone Payment Solutions Pvt. Ltd.	Kamaladi, Kathmandu	2076/11/29
14	Kurakani Pay Pvt. Ltd.	Kamaladi, Kathmandu	2077/02/29
15	PayWell Nepal Pvt. Ltd.	Baluwatar, Kathmandu	2077/06/11
16	G.M.E. Pay Pvt. Ltd.	Lainchaur, Kathmandu	2077/06/22
17	Goldmine Business Group Pvt. Ltd.	Baneshwor, Kathmandu	2077/08/29
18	We Pay Pvt. Ltd.	Sundhara, Kathmandu	2077/09/15
19	Fintech International Pvt. Ltd.	Naksal, Kathmandu	2077/10/20
20	LendenSewa Pvt. Ltd.	Teku, Kathmandu	2077/10/20
21	Digi Pay Pvt. Ltd.	Anamnagar, Kathmandu	2077/11/18
22	Nepal E Biz Management Pvt. Ltd.	Sundhara, Kathmandu	2077/11/18
23	I Pay Pvt. Ltd.	Khichapokhari, Kathmandu	2077/11/21
24	I Cash Private Limited	Jamal, Kathmandu	2077/12/03
25	Nepal Digital Payments Company Ltd.	Tripureshwor, Kathmandu	2077/12/03
26	Sulav Pay Private Limited	Kuleshwor, Kathmandu	2077/12/05
27	Chitto Paisa Private Limited	Sanepa, Lalitpur	2077/12/05
28	Sajilo Pay Payment Services Pvt. Ltd.	Baluwatar, Kathmandu	2077/12/17

**Annex 2: Payment System Operator (PSO)**

<b>S.N.</b>	<b>Name</b>	<b>Address</b>	<b>Licensed Date (B.S.)</b>
1	Nepal Clearing House Ltd.	Kamaladi, Kathmandu	2074/04/15
2	Smart Choice Technology Ltd.	Baluwatar, Kathmandu	2074/09/17
3	Nepal Electronic Payment Systems Ltd.	Narayanchaur, Kathmandu	2076/01/29
4	Union Pay International Company Ltd.	Shanghai, China	2076/03/30
5	Visa Worldwide Private Ltd.	Singapore	2076/04/29
6	Nepal Payment Solution Pvt. Ltd.	Sundhara, Kathmandu	2076/07/19
7	Master CardAsia/Pacific Pvt. Ltd.	Singapore	2076/08/23
8	Fonepay Payment Services Ltd.	Hattisar, Kathmandu	2076/10/26
9	First Pay Technology Private Ltd.	Hattisar, Kathmandu	2076/11/13
10	Gateway Payment Service Pvt. Ltd.	Banasthali, Kathmandu	2077/11/05

**Annex 3: Commercial Banks licensed as Payment Service Provider (PSP)**

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

**Annex 4: Development Banks licensed as Payment Service Provider (PSP)**

S.N.	Name	Nature of License	Address	Licensed Date (B.S.)
1	Shangrila Development Bank Ltd.	PSP	Baluwatar, Kathmandu	2075/01/21
2	Garima Bikash Bank Ltd.	PSP	Lazimpat, Kathmandu	2075/02/22
3	Excel Development Bank Ltd.	PSP	Birtamod, Jhapa	2075/04/17
4	Saptakoshi Development Bank Ltd.	PSP	Biratnagar, Morang	2075/06/15
5	Kanchan Development Bank Ltd.	PSP	Mahendranagar, Kanchanpur	2075/07/29
6	Shine Resunga Development Bank Ltd.	PSP	Siddhartha Road, Butwal	2075/09/20
7	Miteri Development Bank Ltd.	PSP	Dharan, Sunsari	2075/11/30
8	Sindhu Bikash Bank Ltd.	PSP	Barhabise, Sindhupalchowk	2076/03/03
9	Kamana Sewa Bikash Bank Ltd.	PSP	Gyaneshwor, Kathmandu	2076/03/30
10	Muktinath Bikash Bank Ltd.	PSP	Kamaladi, Kathmandu	2076/05/16
11	Green Development Bank Ltd.	PSP	Baglung	2076/05/25
12	Lumbini Bikas Bank Ltd.	PSP	Dillibazar, Kathmandu	2076/09/23
13	Jyoti Bikas Bank Ltd.	PSP	Kamalpokhari	2077/10/25

**Annex 5: Finance Companies licensed as Payment Service Provider (PSP)**

S.N.	Name	Nature of License	Address	Licensed Date (B.S.)
1	Pokhara Finance Ltd.	PSP	Pokhara, Kaski	2074/09/13
2	United Finance Ltd.	PSP	Durbarmarg, Kathmandu	2074/10/24
3	ICFC Finance Ltd.	PSP	Bhatbhateni, Kathmandu	2075/01/16
4	Gurkha's Finance Ltd.	PSP	Dillibazar, Kathmandu	2075/02/24
5	Goodwill Finance Ltd.	PSP	Hattisar, Kathmandu	2075/08/17
6	Manjushree Finance Ltd.	PSP	Baneshwor, Kathmandu	2076/08/25
7	Progressive Finance Ltd.	PSP	Tinkune, Kathmandu	2076/09/23
8	Reliance Finance Company Ltd.	PSP	Pradashanimarga, Kathmandu	2077/10/25
9	Samridhi Finance Company Ltd.	PSP	Hetauda, Makawanpur	2078/01/14
10	Best Finance Company Ltd.	PSP	Kamaladi, Kathmandu	2078/01/19
11	Guheshwori Merchant Banking and Finance Company Ltd.	PSP	Pulchowk, Lalitpur	2078/01/31

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

<b>Particulars</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Cheque Presented Count (000) (Yearly)	9951	9641	11708	11898	14411
Cheque Value (in billions) (Yearly)	5175	6341	7657	7346	9234
Cheque Cleared Count (000) (Yearly)	9153	8541	10083	10150	12295

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

<b>Particular</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Total Transaction Presented Count (Yearly)	18,79,663	49,31,949	58,75,765	1,13,76,327
Total Transaction Rejected Count (Yearly)	1,47,641	5,03,780	4,84,601	5,35,304

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

<b>Particular</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Total Transaction Presented Count (Yearly)	1,86,041	28,49,964	1,89,80,725
Total Transaction Rejected Count(Yearly)	6,004	65,390	1,46,973

**Annex 9: Number of Payment Instruments Issued**

<b>Cards</b>	<b>Issuer</b>	<b>Mid-July 2016</b>	<b>Mid-July 2017</b>	<b>Mid-July 2018</b>	<b>Mid-July 2019</b>	<b>Mid-July 2020</b>	<b>Mid-July 2021</b>
Debit Card	Commercial Banks	41,42,390	46,94,066	53,07,970	64,54,285	70,62,472	84,59,435
	Development Banks	4,79,318	2,60,225	2,06,589	2,16,991	2,31,287	3,48,411
	Finance Companies	35,417	26,667	29,694	37,245	35,443	32,009
	<b>Total</b>	<b>46,57,125</b>	<b>49,80,958</b>	<b>55,44,253</b>	<b>67,08,521</b>	<b>73,29,202</b>	<b>88,39,855</b>
Credit Card	Commercial Banks	52,014	68,966	1,04,721	1,23,146	1,60,297	1,92,370
Prepaid Card	Development Banks	82,797	1,01,458	96,816	67,386	63,775	65,786

**Annex 10: Number of ATM Terminals and Customers of Mobile and Internet Banking**

<b>Channel</b>	<b>Institution</b>	<b>Mid-July 2016</b>	<b>Mid-July 2017</b>	<b>Mid-July 2018</b>	<b>Mid-July 2019</b>	<b>Mid-July 2020</b>	<b>Mid-July 2021</b>
ATM Terminals	Commercial Banks	1,661	1,874	2,552	2,951	3,759	3,983
	Development Banks	230	177	209	318	296	301
	Finance Companies	17	30	30	47	51	41
	<b>Total</b>	<b>1,908</b>	<b>2,081</b>	<b>2,791</b>	<b>3,316</b>	<b>4,106</b>	<b>4,325</b>
Mobile Banking	Commercial Banks	16,04,578	24,38,222	47,11,097	74,06,802	1,01,15,313	1,26,38,366
	Development Banks	1,33,561	2,17,432	3,51,796	9,09,512	11,00,743	15,00,050
	Finance Companies	16,427	14,078	23,176	30,873	90,741	56,423
	<b>Total</b>	<b>17,54,566</b>	<b>26,69,732</b>	<b>50,86,069</b>	<b>83,47,187</b>	<b>1,13,06,797</b>	<b>1,41,94,839</b>
Internet Banking	Commercial Banks	4,89,835	7,66,958	8,16,074	8,88,268	10,01,866	11,15,532
	Development Banks	23,036	14,634	14,634	24,124	23,332	37,063
	Finance Companies	2,594	2,159	3,594	4,952	6,029	7,726
	<b>Total</b>	<b>5,15,465</b>	<b>7,83,751</b>	<b>8,34,302</b>	<b>9,17,344</b>	<b>10,31,227</b>	<b>11,60,321</b>

**Annex 11: Access on Payment Systems**

<b>Particulars</b>	<b>Number</b>	
	<b>Mid-August 2020</b>	<b>Mid-July 2021</b>
PSPs Agent	5,139	9,279
Wallet Users	62,74,129	88,85,914
connectIPs Users	1,62,117	5,34,615
ECC Members	65	60
IPS Members	85	103

## Annex 12: Usage of Payment Systems

Particulars	Amount (In Rs. Millions)												Total
	Mid Jul - Mid Aug 2020	Mid Aug - Mid Sep2020	Mid Sep - Mid Oct 2020	Mid Oct - Mid Nov 2020	Mid Nov - Mid Dec 2020	Mid Dec 2020 - Mid Jan 2021	Mid Jan - Mid Feb2021	Mid Feb - Mid Mar 2021	Mid Mar - Mid Apr 2021	Mid Apr - Mid May 2021	Mid May - Mid Jun 2021	Mid Jun - Mid Jul 2021	
RTGS	1213870	835526	1406545	1108297	1304852	1684031	1701030	1736329	2177812	1980870	1900994	3502057	<b>20552212</b>
ATM-Cash Withdrawal	38393	32320	46785	55490	56256	58769	60284	60711	70604	58065	46201	64389	<b>648268</b>
ECC	657113	402477	687075	545185	612782	762766	722284	701808	930789	657311	389071	987788	<b>8056449</b>
IPS	156360	153073	234498	170810	200590	242531	202283	179697	211432	173879	144897	299059	<b>2369108</b>
ConnectIPS	47367	61958	88979	73594	90015	100779	104394	110572	141802	141270	158254	237758	<b>1356742</b>
Debit Cards	41787	33667	49109	58472	58835	61601	63354	63797	74146	60699	47468	66417	<b>679353</b>
Credit Cards	708	407	760	816	1201	955	1020	1039	1131	690	400	859	<b>9986</b>
Prepaid Cards	57	30	58	60	89	108	101	102	77	61	38	73	<b>853</b>
Internet Banking	3082	4741	6314	5436	7206	8503	9227	8880	10215	10080	11142	13832	<b>98656</b>
Mobile Banking	18393	20340	28804	25654	30287	33153	38597	40359	48652	48887	53160	73729	<b>460014</b>
Branchless Banking	1042	815	1066	1009	1048	1115	1086	1123	1453	1092	710	1309	<b>12869</b>
Wallet	7579	7339	9883	8592	8987	9656	9948	10180	11021	10106	8353	12790	<b>114432</b>
QR-Based Payments	589	648	969	939	1256	1245	1712	2055	2722	2529	1968	3651	<b>20282</b>
Point of Sales (POS)	1858	1223	2349	3038	3106	3053	3260	3322	3691	2617	1544	2665	<b>31725</b>
E-Commerce	1201	561	794	820	763	843	932	904	1058	768	161	296	<b>9101</b>