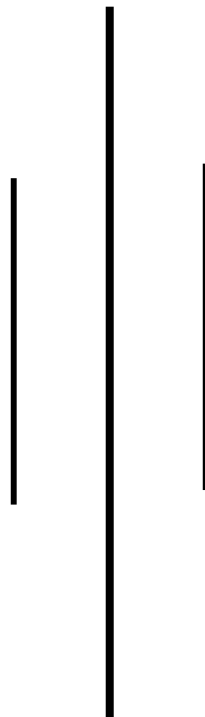


An Act for Establishment Of Nepal Rastra Bank



Nepal Rastra Bank Act, - 2002

Date of Royal Assent - Jan. 2, 2002

Preamble: Whereas, it is expedient to establish a Nepal Rastra Bank to function as the Central Bank to formulate necessary monetary and foreign exchange policies, to maintain the stability of price, to consolidate balance of payment for sustainable development of the economy of the Kingdom of Nepal, and to develop a secure, healthy and efficient system of payment; to appropriately regulate, inspect and supervise in order to maintain the stability and healthy development of banking and financial system; and for the enhancement of public credibility towards the entire banking and financial system of the country.

Now, therefore, be it enacted by Parliament in the first year of reign of His Majesty the King Gyanendra Bir Bikram Shah Dev.

Chapter - 1 **Preliminary**

1. **Short Title and Commencement:** (1) This Act Shall be cited as (the) "Nepal Rastra Bank Act, 2002".

(2) This Act shall come into force at once.

2. **Definition:**

Unless the subject or context otherwise requires, in this Act, -

- (a) "Bank" means the Nepal Rastra Bank established under section 3.
- (b) "Board" means the Board of Directors of the Bank constituted under section 14.
- (c) "Director" means a member of the Board and the word also includes the Governor and Deputy Governors.
- (d) "Governor" means the Governor of the Bank appointed under section 15.
- (e) "Deputy Governor" means the Deputy Governor of the Bank appointed under section 16.
- (f) "Commercial Bank" means a commercial bank established under the prevailing laws.

- (g) "Financial Institution" means a financial institution established under the prevailing laws with the objectives of providing loans for agriculture, co-operative, industry or for any other specific economic purpose or of collecting deposits from the general public and the word also includes an institution prescribed as financial institution by His Majesty's Government by publishing notice in the Nepal Gazette.
- (h) "Money" means all types of currency notes, postal orders, postal notes, money orders, cheques, drafts, traveller's cheques, letters of credit, bills of exchange, promissory notes and credit cards and the word also includes similar types of monetary instruments as the Bank may prescribe, as per the requirement, through the publication and transmission of public notices.
- (i) "Currency note" means the bank note in circulation in the form of cash and the word also includes coins.
- (j) "Foreign Currency" means the currencies other than the Nepalese currency and the word includes the special drawing rights on the International Monetary Fund, the Asian Currency Units, the European Currency Units and other instruments as the Bank may prescribe, as per the requirement, by publication and transmission of public notices.
- (k) "Nepalese Currency" means the currency of Nepalese rupee denominations.
- (l) "Convertible Foreign Currency" means the foreign currencies, which have been prescribed by the Bank as convertible foreign currencies, as per the requirement, by publication and transmission of public notices.
- (m) "Foreign Exchange" means foreign currencies, all types of deposits, credits, stocks, foreign securities payable or to be obtained in foreign currencies and the cheque, draft, traveller's cheque, electronic fund transfer, credit card, letters of credit, bills of exchange, promissory notes in international circulation payable or to be paid in foreign currencies; and the word also includes whatsoever, type of other monetary instrument as the Bank may prescribe, as per the requirement, by publication and transmission of public notices.
- (n) "Foreign Exchange Transaction" means the acts of purchase and sale of foreign exchange or the acts of borrowing, giving credits, and of accepting or providing foreign exchange in any manner whatsoever, and the word also includes the act of granting approval for foreign exchange by the Bank.

- (o) "License holder" means an individual, firm, company or institution that has obtained license from the Bank for foreign exchange transaction.
- (p) "Letter of Credit" means an instrument issued by a bank to another bank instructing to accept cheque, draft, hundi or bill of exchange drawn by specified person up to the limit of specified amount.
- (q) "Securities" means shares, stock bonds, debentures, debenture stocks issued by any corporate body or a certificate of unit saving scheme or collective saving scheme (mutual fund) or transferable certificate of deposit issued by a corporate body in accordance with laws, and the word also includes the securities or receipt of deposit (pledge) of such securities, and right and interest in securities prescribed by His Majesty's Government by publishing notification in the Nepal Gazette.
- (r) "Negotiable" means the act of transferring an instrument to any person having the right to hold negotiable instruments enabling him/her to become a bearer.
- (s) "Negotiable Instrument" means letter of credit, bill of exchange or cheques.
- (t) "Bill of Exchange" means an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person or to bearer.
- (u) "Promissory note" means an instrument signed by a person with an undertaking to pay, without any condition, a fixed amount to any particular person referred to in such instrument or to the person ordered by such person or to the bearer of such instrument on a fixed date or on demand.
- (v) "Cheque" means a bill of exchange drawn on any bank ordering it to make payment on demand.
- (w) "Credit" means a direct or indirect promise to invest money and the right to recover such amount of investment in return and the interest of such credit or payment of other charges, the refinance given against the security of credit or investment, credit restructuring and renewal of credit, the guarantee made for repayment of credit or any other promise for such repayment, and the word also includes any type of debt.

- (x) "Account" means the record, registers and books to be maintained as per prevailing laws to keep the record of transactions, and the word also includes other documents to prove the said transactions.
- (y) "Credit security" means any bill of exchange of indebtedness and any other instrument equivalent to such instruments of indebtedness, whether in certified or in book entry form.
- (z) "Monetary liability" means the bank notes and coins in circulation existing in the balance sheet of the Bank.
- (aa) "International Account Standard" means the account standard of international level.
- (ab) "Employee" means a person present in any post of the Bank.
- (ac) "Prescribed" or "as prescribed" mean prescribed or as prescribed in the Rules or Bye-laws framed under this Act.

Chapter - 2

Establishment, Objectives and Functions, Duties and Powers

3. **Establishment of Bank:** (1) There shall be a Central Bank established in the name as NEPAL RASTRA BANK in order to carry out the functions of Central Bank.
 - (2) The Nepal Rastra Bank established under the Nepal Rastra Bank Act, 2012 (1955) shall be deemed to have been established under this Act.
 - (3) The Bank shall be an autonomous and corporate body with perpetual succession.
 - (4) There shall be a separate seal for transaction of business of the Bank.
 - (5) The Bank may, subject to this Act, acquire, use, retain, sell and otherwise dispose of or manage movable and immovable property.
 - (6) The Bank may sue in its name and the Bank may also be sued in the same name.
 - (7) The Central office of the Bank shall be located at Kathmandu and the Bank may open branch, sub-branch and other offices at any place within and outside the Kingdom of Nepal and appoint agents or representatives as per its requirement.

4. Objectives of Bank: (1) The objectives of the Bank shall be as follows:

- (a) To formulate necessary monetary and foreign exchange policies in order to maintain the stability of price and balance of payment for sustainable development of economy, and manage it;
- (b) To promote stability and liquidity required in banking and financial sector;
- (c) To develop a secure, healthy and efficient system of payment;
- (d) To regulate, inspect, supervise and monitor the banking and financial system; and
- (e) To promote entire banking and financial system of the Kingdom of Nepal and to enhance its public credibility.

(2) The Bank shall, without any prejudice to the objectives referred to in sub-section (1), extend co-operation in the implementation of the economic policies of His Majesty's Government.

5. Functions, Duties and Powers of Bank: (1) In order to achieve the objectives referred to in section 4, the functions, duties and powers of the Bank shall be as follows:

- (a) To issue bank notes and coins;
- (b) To formulate necessary monetary policies in order to maintain price stability and to implement or cause to implement them;
- (c) To formulate foreign exchange policies and to implement or cause to implement them;
- (d) To determine the system of foreign exchange rate;
- (e) To manage and operate foreign exchange reserve;
- (f) To issue license to commercial banks and financial institutions to carry on banking and financial business,

and to regulate, inspect, supervise and monitor such transactions;

- (g) To act as a banker, advisor and financial agent of His Majesty's Government;
- (h) To act as the banker of commercial banks and financial institutions and to function as the lender of the last resort;
- (i) To establish and promote the system of payment, clearing and settlement and to regulate these activities; and
- (j) To implement or cause to implement any other necessary functions which the Bank has to carry out in order to achieve the objectives of the Bank under this Act;

(2) While exercising the powers conferred by this Act or any other prevailing law, the Bank shall have power to carry out other functions and take actions, which are incidental thereto.

(3) No one shall violate powers conferred on the Bank under this Act.

6. Prior Right of the Bank: (1) For the purpose of recovering any loan, which the Bank has given to any borrower or any other type of claim of the Bank against any borrower, the Bank shall have prior right of security over cash deposited in an account in the name of such borrower at the Bank or in any commercial bank or financial institution or against any other movable and immovable property owned by the borrower for the purpose of recovering such loan.

(2) The Bank, in accordance to sub-section (1), shall recover its loan by taking into its custody the cash or movable or immovable property having its prior right and selling such property as prescribed.

7. Functions not to be carried out by the Bank: (1) Except otherwise provided for in this Act, the Bank shall not carry out the following functions:

- (a) Providing any loan, accepting any type of deposit or making any type of financial gift;
- (b) Purchasing shares of any commercial bank, financial institution, public corporation or a company or acquiring any type of proprietary right in any financial, commercial, agricultural, industrial or other institution;

- (c) Carrying out any type of business; and
- (d) Acquiring right over movable and immovable property by way of purchase, lease or in any manner whatsoever.

Provided that the Bank may acquire such property as required for carrying out its function or for achieving its objectives.

(2) Notwithstanding anything contained in sub-section (1), the Bank may carry out the following functions:-

- (a) To provide loan to and invest in the shares of the institutions which carry out the functions helpful in carrying out the function of the Bank or in attaining its objectives, not exceeding ten percent of the total capital of such institutions.

Explanation: For the purpose of this clause, "institutions which carry out the functions which are helpful in carrying out the functions of the Bank or in attaining its objectives" mean any institutions, companies which are exclusively engaged in evaluating, managing, protecting the security, restructuring and transferring the securities of commercial banks or of financial institutions, carry out the function of credit rating, exchange of credit information, process and transmit data, print financial instruments, clearing payments, liquidate property, produce bank notes and coins and act as trustee and any other institution or company established for carrying out similar function as prescribed by the Bank.

- (b) To provide loan to its own employees.

8. **Privileges and Facilities to Bank:** Notwithstanding anything contained in the prevailing laws, the Bank shall be entitled to the following privileges and facilities:-

- (a) Exemption from all types of taxes, fees and charges on the incomes, capital transactions, land and houses, assets etc.;
- (b) No requirement for the payment of registration fee for registration of the deeds of loan or refinance to be given by the Bank;
- (c) No requirement of revenue stamps on any of the documents relating to the Bank;
- (d) There would be no tax, fee, charge, duty on the export and import of bank notes, coins, gold, silver and the paper, metal, chemicals,

and other materials to be used for printing bank notes and minting coins.

9. **Relation between His Majesty's Government and Bank:** Any contact by His Majesty's Government with the Bank and by the Bank with His Majesty's Government under this Act, shall be made through the Ministry of Finance.
10. **Co-ordination with Public Bodies:** (1) The Bank shall, in order to achieve its objectives, make necessary co-ordination with public bodies or their agencies or their organs.
- (2) The Bank shall, on the request made by His Majesty's Government, provide necessary information on the balance of payment, banking and financial matters.
- (3) His Majesty's Government, public bodies and the private sector shall, in the event of request made by the Bank, provide necessary information on economic and financial matters.
11. **International Co-operation and Relationship:** (1) The Bank shall represent the Kingdom of Nepal in international organisations and associations on the matters within the jurisdiction of working areas of the Bank such as monetary policy, foreign exchange policy, and the balance of payment, bank supervision and other related matters.
- (2) The Bank may provide the services of banking and payment to foreign government, foreign central banks, foreign bank and international organisations, or associations, and obtain similar type of facilities from them.
- (3) The Bank shall take part in international organisations or associations working for the financial and economic stability through international monetary co-operation.
- (4) The Bank, while taking part in international organisations or association as a representative of the Kingdom of Nepal, shall assume the responsibility and undertake the functions to be carried out on behalf of the country.
12. **Flow of Public Information:** The Bank shall publish and transmit, on regular basis, the information on the data based analysis conducted by it on macro economy, development of financial market, money supply, price stability, balance of payment, extension of credit and foreign exchange etc.
13. **Operation of Accounts:** The Bank may open and operate account for His Majesty's Government and other governmental bodies, commercial banks

and financial institutions, public corporations, foreign diplomatic missions, foreign central banks, foreign banks and international organisation, associations. The procedures for opening and operating such accounts shall be as prescribed by the Bank.

Provided that the Bank shall not operate account for any individual, industry and political organisation.

Chapter -3 **Formation of Board and Functions, Duties and Powers**

- 14. Formation of Board:** There shall be a Board of Directors in the Bank consisting of the following members:

- (a) Governor -
Chairman
- (b) Secretary, Ministry of Finance -
Member
- (c) Two Deputy Governors -
Member
- (d) Three Directors appointed by His Majesty's Government from amongst the persons renowned in the fields of Economic, Monetary, Banking, Finance and Commercial Laws-
Member

- 15. Appointment of Governor:** (1) His Majesty's Government, the Council of Ministers, shall appoint Governor on the basis of a recommendation of the Recommendation Committee formed pursuant to sub-section (2).

(2) His Majesty's Government, the Council of Ministers, shall, for the appointment of Governor, form a Recommendation Committee as follows:-

- (a) Minister of Finance -
Chairperson
- (b) One person from among the former Governors -
Member
- (c) One person designated by His Majesty's Government From amongst the persons renowned in the fields of Economic, Monetary, Banking, Finance and Commercial Laws. -
Member

- (3) While making recommendation for the appointment of Governor, the committee formed pursuant to sub-section (2), shall recommend to His Majesty's Government, the Council of Ministers, the names of three persons renowned in the field of economic, monetary, banking, finance, commerce, management, commercial law and from among the Deputy Governors.
- (4) His Majesty's Government, the Council of Ministers, shall out of the names recommended pursuant to sub-section (3), appoint one person to the Office of Governor.
16. **Appointment of Deputy Governor:** (1) His Majesty's Government, the Council of Ministers, shall on the recommendation of the Governor, appoint Deputy Governor.
- (2) The Governor shall, while making recommendation for appointment of Deputy Governor pursuant to sub-section (1), recommend names, double in number of the post falling vacant from among the special class officers of the Bank on the basis of their performance and capability.
- (3) Person appointed in the post of Deputy Governor under this section shall be deemed to have been automatically retired from the service of the Bank.
17. **Appointment of Directors:** (1) His Majesty's Government, the Council of Ministers, shall appoint Directors.
- (2) His Majesty's Government, the Council of Ministers shall, while appointing Directors, appoint them each representing different sectors from amongst the persons renowned in economic, monetary, banking, financial, commercial, management and commercial law sectors.
18. **Term of Office of Directors:** (1) The term of Office of the Governor, Deputy Governor and Directors shall be of five years.
- (2) His Majesty's Government may, reappoint the retiring Governor for one term and the retiring Directors for any term, if it is deemed necessary.
19. **Remuneration and other Benefits of Directors:** The remuneration and other benefits of the Governor, Deputy Governor and Directors shall be as prescribed by the Board.
20. **Qualifications of Directors:** In order to be appointed to the post of Governor, Deputy Governor and Directors, a person shall have to meet the following qualifications:-

- (a) A Nepalese citizen;
- (b) Having higher moral character;
- (c) Having working experience in economic, monetary, banking, financial and commercial law sectors after having attained at least master's degree in economics, money, banking, finance, commerce, management, public administration, statistics, mathematics and law.

Explanation:- For the purpose of this clause, "working experience" means the experience of works in the post of special class of His Majesty's Government or of the Bank or in the post of a university Professor or in the post of Executive Chief of class 'A' of a commercial bank or of a financial institution or in the equivalent post or in the post higher than those in terms of the order of protocol.

- (d) Not disqualified under section 21.

21. Disqualification of Directors: None of the following persons shall be eligible for appointment to the Office of the Governor, Deputy Governor and Director:-

- (a) Member or official of a political party, or
- (b) the person blacklisted in relation to transaction with a commercial bank or financial institution, or
- (c) An official currently engaged in any commercial bank or financial institution, or
- (d) A person having five percent or more shares or voting right in a Commercial Bank or financial institution, or
- (e) A person rendered bankrupt for being unable to pay debts to creditors, or
- (f) A lunatic person, or
- (g) A person convicted by a court in an offence involving moral turpitude.

22. Grounds for Removable of Directors from Office: (1) His Majesty's Government, the Council of Ministers, shall remove the Governor, Deputy Governor and Director on conditions stipulated under sub-section (5).

Provided that His Majesty's Government shall not deprive the concerned person from a reasonable opportunity to defend himself prior to remove him from his office.

(2) His Majesty's Government shall remove the Governor from his office pursuant to sub-section (1), on the recommendation of an inquiry committee constituted under section 23.

(3) While removing a Director or Deputy Governor pursuant to sub-section (1), His Majesty's Government shall cause to conduct an inquiry by the Inquiry committee and remove him from the office on the basis of the recommendation made by the Inquiry Committee.

(4) Once His Majesty's Government initiates the process for removing the Governor, Deputy Governor and Director pursuant to sub-section (1), they shall be deemed to have been ipso facto suspended from their office.

(5) The Governor, Deputy Governor and Director shall be removed from the office on any of the following grounds:-

- (a) If one is disqualified to become a Director pursuant to section 21; or
- (b) The lack of capability to implement or cause to implement the functions which the Bank has to carry out in order to achieve the objectives of the Bank under this Act; or
- (c) If one has committed any act causing loss and damage to the banking and financial system of the country; or
- (d) If one is found to have acted dishonestly or with mala-fide intention in any transaction related to the business of the Bank; or
- (e) If professional license is revoked or prohibited from carrying out any profession rendering disqualified to be engaged in any trade or profession on the ground of gross misconduct; or
- (f) If one is absent in the Meeting of the Board for more than three consecutive meeting without a genuine reason;

(6) Except on the grounds referred to in sub-section (5), no Governor, Deputy Governor and Director shall be removed from office.

- 23. Constitution, Functions and Duties of Inquiry Committee:** (1) His Majesty's Government shall, prior to removing the Governor from office under sub-section (2) of section 22, constitute an Inquiry Committee consisted as follows, and remove the Governor from the Office on the basis of the recommendation of such committee:-
- (a) The person designated by His Majesty's Government from amongst the retired Justices of the Supreme Court - Chairperson;
 - (b) Two persons designated by His Majesty's Government from amongst renowned persons belonging to economic, monetary, banking, financial, commercial or management sectors - Member
- (2) The Inquiry Committee may, prior to submission of its recommendation to His Majesty's Government along with its findings, record the statement and conduct inquiry with the concerned person.
- (3) The Inquiry Committee may fix its procedure to be followed in connection with the inquiry.
- (4) The Inquiry Committee shall submit its recommendation along with its findings to His Majesty's Government within one month.
- 24. Resignation by Director:** The Governor, Deputy Governor or Director may resign from his office by tendering a written resignation to His Majesty's Government.
- 25. Public Notification of Governor's Appointment:** His Majesty's Government shall, normally one month prior to the vacancy in office of the Governor, make appointment to the office of Governor in accordance with this Act and issue and transmit public notice of such appointment.
- 26. Fulfilment of Vacant Office:** In cases the office of the Governor, Deputy Governor and Director falls vacant before expiry of the term of office, His Majesty's Government shall appoint appropriate person to such office for the remaining term of office pursuant to the provisions made under this Act.
- 27. Acting Governor:** His Majesty's Government shall depute the Senior Deputy Governor of the Bank as Acting Governor to discharge the functions of the Governor in cases where the Governor dies or resigns from office, falls sick, goes on leave or is unable to discharge his duties due to any reason.

28. Meeting of Board: (1) The Governor shall preside over the meeting of the Board.

(2) The meeting of the Board shall be held as per the requirement of the Bank.

Provided that the Board meets at least once in a month.

(3) The Governor shall call the meeting of the Board.

Provided that in case three Directors of the Board make a written request to call the meeting of the Board, the Governor shall call the meeting of the Board.

(4) The Board may frame a separate bye-law with regard to the procedures for calling the meeting of the Board, conducting the meeting, voting, keeping minutes and for other matters.

(5) The presence of at least three Directors and of the person presiding over the meeting of the Board shall constitute the quorum for the meeting of the Board.

Provided that out of the three Directors, appointed under clause (d) of section 14, at least one director is present in such meeting.

(6) The majority decision shall be the decision of the Board. In the event of a tie of votes for and against a resolution, the person presiding over the meeting shall exercise a casting vote.

29. Functions, Duties and Powers of Board: The functions, duties and powers of the Board shall be as follows:

- (a) To frame monetary and foreign exchange policies;
- (b) To take necessary decisions with regard to the denominations of bank notes and coins, the figures, size, metal, materials for printing notes, and other materials; and to frame appropriate policies with regard to their issue;
- (c) To frame necessary policies for causing the supervision and inspection of commercial banks and financial institutions and for banking and financial arrangement.
- (d) To approve Rules and Bye-laws of the Bank and to frame policies applicable to the operation and management of the Bank;

- (e) To frame policies with regard to the appointment, promotion, transfer, dismissal, remuneration, pension, gratuity, provident fund, leave, code of conduct and other terms and conditions relating to the service of the employees of the Bank;
- (f) To approve the annual programs and budget of the Bank and the annual auditing of accounts, and to submit its report to His Majesty's Government for information;
- (g) To approve the annual report on the activities of the Bank;
- (h) To frame necessary policy for the issue of license to commercial banks and financial institutions and for revoking such license;
- (i) To approve the limit of the loan to be provided to His Majesty's Government by the Bank;
- (j) To fix the amount, limit and terms and conditions of the loan and refinance which the Bank provides to the commercial banks and financial institutions;
- (k) To make decision with regard to the Bank's membership to international organisations, associations;
- (l) To frame policy for the mobilisation of Bank's financial resources and investment;
- (m) To submit proposal to His Majesty's Government along with the reasons therefor if it is necessary to make amendment to this Act;
- (n) To take decision on all other matters excluding the matters which are within the authority of Governor under this Act; and
- (o) To delegate the powers vested on the Board to the Governor or the sub-committee constituted by the Board with or without fixing the time limit.

30. Functions, Duties and Powers of Governor: (1) The functions, duties and powers of the Governor shall be as follows:-

- (a) To implement the decisions made by the Board;
- (b) To operate and manage the Bank;

- (c) To systematise the functions to be carried out by the Bank;
- (d) To represent and cause to represent on behalf of the Bank in international organisations and associations;
- (e) To implement and cause to implement the policies relating to monetary and foreign exchange matters;
- (f) To formulate necessary policy on rates of interest for deposits and loan with commercial banks and financial institutions;
- (g) To formulate necessary policies with regard to the rates of interest to be paid by commercial banks and financial institution on deposit and loan or the rate of interest to be charged by them on deposits and loan;
- (h) To formulate necessary policies relating to liquidity to be maintained by commercial banks and financial institutions;
- (i) To make necessary arrangement with regard to the basis, amount, methods, conditions and duration of compulsory cash reserve to be maintained by commercial banks and financial institutions, and its use;
- (j) To fix the terms and conditions relating to adequacy of the capital fund of commercial banks and financial institutions;
- (k) To take decision with regard to the procedures and terms and conditions to be followed while purchasing and selling gold and other precious metals;
- (l) To fix the charge on the services to be provided by the Bank;
- (m) To take decision for opening and closing branch offices and other offices of the Bank as may be necessary;
- (n) To establish and close agency of the Bank;
- (o) To make necessary arrangement for development and operation of information system of the Bank;
- (p) To make necessary arrangement for supervision of commercial banks and financial institutions;
- (q) To take decision with regard to revocation of the license provided to commercial banks and financial institutions;

(r) To take decisions on any other matters subject to the powers delegated by the Board of Directors;

(2) The powers to be exercised by the Governor of a Central Bank in accordance with international practice shall be vested in the Governor.

31. Delegation of Powers: The Governor may, in order to conduct the business of the Bank in a smooth manner, delegate authority invested with him/her under this Act to the Deputy Governor or other employees of the Bank.

32. Prohibition on Vested Personal Interests: (1) After appointment to the office of Governor, Deputy Governor or Director shall, in each six months, should disclose, as prescribed to the Board about any direct or indirect commercial interest of himself or of his family members.

(2) Where any resolution involving personal interest of the Governor, Deputy Governor or Director, shall disclose to the Board about his personal interest on any matter to be discussed in the meeting of the Board, prior to the beginning of discussion on such matters. No such Director shall take part in that meeting.

(3) No Governor or Deputy Governor shall be allowed to work in a commercial bank and financial institution till one year after retiring from his office.

(4) The Governor and Deputy Governor should make it public the details of property held in the name of his family members within one month from the date of appointment and retirement.

33. Management committee: (1) There shall be a Management Committee, to remain under the Board to be chaired by the Governor in order to conduct the business of the Bank in a smooth manner. The two Deputy Governors shall be other members of the Management Committee, and one senior officer of the Bank designated by the Governor shall act as the member-secretary of the committee.

(2) The functions, duties and powers of the Management Committee formed pursuant to sub-section (1) shall be as prescribed.

(3) Notwithstanding anything contained in sub-section (1), the Governor may invite any of the officers to take part in the meeting of the Management Committee.

(4) The Committee shall, in connection with discharging its functions, evaluate the country's monetary and financial condition on a

periodic basis. For this purpose, the Management Committee shall, at least once in a month, submit a report to the Board on the Bank's administration and operation, operation of monetary and other regulated policies, the soundness of the banking system of the country, condition of money, capital and foreign exchange market, implementation of such policies and impact they may have and situation on the banking system, and on the significant events.

34. **Audit committee:** The Board shall constitute an Audit Committee comprising of the following members which will be accountable to the Board:-

- (a) One Director -
Convenor
- (b) Chief of Internal Auditing Department of the Bank -
Member
- (c) One senior officer of the Bank designated by the Board -
Member

35. **Functions, Duties and Powers of Audit Committee:** (1) The functions, duties and powers of the Audit Committee shall be as follows:-

- (a) To submit its report and recommendations to the Board on accounts, budget and auditing procedures and control system of the Bank;
- (b) To ascertain whether or not the auditing and preparation of periodic balance sheet and other documents of the Bank have been carried out properly;
- (c) To supervise the implementation of the appropriate risk management adopted by the Bank;
- (d) To audit managerial and performance of works of the Bank in order to be assured that the prevailing laws applicable to the Bank have been fully complied with;
- (e) To frame bye law for auditing of the Bank in accordance with the prevailing laws and international auditing standard and to submit it to the Board for approval.

(2) The Auditing Committee shall, while submitting the report and recommendations to the Board pursuant to clause (a) of sub-section (1), furnish the information thereof to the Governor.

36. **Employees of Bank:** (1) The Board shall appoint necessary employees in order to conduct the business of the Bank in a smooth manner.

(2) The terms and conditions, remuneration and other benefits payable to the employees appointed pursuant to sub-section (1) shall be as prescribed.

37. **Professional Code of Conduct and Official Responsibility:** (1) The Governor and Deputy Governor shall, so long in office, fully devote his professional service to the Bank. Except nominated by the Bank they shall not be entitled to assume any type of office or accept job in or render services to any one else with or without remuneration.

Provided that this sub-section shall not restrict to render services by assuming any post in any non-profit making organisations such as Medical Association, Engineers Association, Bar Association, Bankers Association, Chartered Accountants Association and in any other trade and professional organisation.

(2) The Governor, Deputy Governor or Director shall have to accord highest priority to the interests of the Bank while discharging their official duties.

(3) The Governor, Deputy Governor or Director shall not accept, personally or through any person having any commercial, financial relationship with him, any type of gift or loan in a manner that may cause undue influence of any type in discharging his duties.

38. **Confidentiality:** (1) No Governor, Deputy Governor or Director or employees, Advisor, Auditor, Agent or Representative of the Bank shall be allowed to be engaged in the following acts and activities:-

(a) To divulge any published or unpublished confidential information or notice that came to his knowledge while exercising his official duty to any other person; or

(b) To use such information or notice for personal gain.

(2) Notwithstanding anything-contained in sub-section (1), any published or unpublished information in one's knowledge may be divulged on the following grounds in the manner prescribed by the Bank:-

(a) Providing such information while discharging one's duties in public, while assisting law enforcement agencies, as per the order of the court or of the authorised officer;

- (b) Providing such information, in connection with discharge of his duties, to the external Auditor of the Bank and the employees of international financial institutions; and
- (c) Providing such information in connection with legal actions for the sake of the Bank's interests.

Chapter - 4 **Financial Provisions**

- 39. Capital of Bank:** (1) The Capital of the Bank shall be one billion rupees.
- (2) The Capital of the Bank shall be received from His Majesty's Government and this Capital shall not be transferred or any burden of debt be placed upon it.
- (3) His Majesty's Government may alter the capital referred to in sub-section (1). His Majesty's Government shall have consultation with the Bank while altering the capital.
- 40. Computation of Net Profit or Loss:** (1) The Bank shall prepare the account of its net profit and loss in each Fiscal Year.
- (2) While preparing the account of profit and loss pursuant to sub-section (1), it shall be prepared in accordance with the international accounting standard.
- (3) While preparing profit and loss account, the profit made and the loss sustained or the loss yet to be appropriated and the net valuation gains or loss shall be reconciled and the bad or doubtful debts and depreciation of property shall be deducted therefrom.
- 41. Allocation of Net Profit:** (1) In case the Bank makes a profit in any fiscal year, the allocation and use of such profit shall be made in according to the following priority:-
- (a) Unless five percent of the total monetary liability of the Bank shown in the balance sheet is met, an amount equal to five percent of the net profit of each year shall be allocated from the profit and kept in the monetary liability fund. The amount deposited in the monetary liability fund shall be used only for the purpose of fulfilling the financial liability of the Bank.
 - (b) An amount prescribed by the Board not less than ten percent of the net profit of the Bank shall be allocated in the general reserve fund established by the Bank.

- (c) While allocating an amount in the general reserve fund pursuant to clause (b), an additional amount shall be appropriated to cover the capital expenses referred to in the annual budget of the Bank.
- (d) The amount equal to the revaluation profit shall be kept in the revaluation reserve fund.
- (e) The Board shall, having appropriated the amounts referred to in clauses (a), (b), (c) and (d), appropriate the remaining profit in other funds as may be necessary and pay the remaining amount to His Majesty's Government.

(2) The amount allocated to general reserve fund pursuant to sub-section 1(b) and (c) shall be used only for the purpose of recovering the loss.

42. Allocation of Net Loss: (1) In case the Bank sustains net loss in any fiscal year, such loss shall be allocated as follows:

- (a) In cases where the total operation loss and revaluation loss have been included in the net loss, the amount of the total operation loss shall be charged and adjusted to the general reserve fund or to the capital account. The amount of revaluation loss shall be debited to the revaluation reserve fund. While making such allocation, if the revaluation reserve fund also is at loss, it shall be debited to general reserve fund or the capital account.
- (b) In case the net loss is due to accumulation of the total operation loss and the revaluation loss, the amount of such net loss shall be debited to the revaluation fund. If the balance of the revaluation reserve fund would be negative after such allocation, it shall be debited to the general reserve fund or the capital fund.

(2) The loss that cannot be adjusted after making allocation pursuant to sub-section (1), His Majesty's Government shall bear the loss.

43. Annual Budget: The Board shall, prior to the beginning of each fiscal year, approve the estimated budget of incomes and expenditures and the programs for the coming fiscal year. The Board may evaluate and amend the approved budget in each three months on the basis of actual position and the matters that can be estimated. Such budget shall be sent to His Majesty's Government for information.

Chapter - 5

Monetary Functions and Operation of Open Market

44. **Monetary Policy:** The Bank shall have full powers to formulate, implement and cause to implement monetary policy of the Kingdom of Nepal.
45. **Operation of Open Market:** The Bank shall operate open market transaction on the basis of agreements for immediate or late purchase and sale of debt securities, that may immediately be sold in market, issued on behalf of His Majesty's Government or by the Bank itself. Such transaction may also be in the forms of repurchase agreements or reverse repurchase agreements. For this purpose, no other instruments shall be used.
46. **Compulsory Deposit in Commercial Banks and Financial Institutions:**
(1) The Bank shall issue directives to the commercial banks and financial institutions to maintain compulsory reserve with the Bank in proportion to the deposits accumulated with them, borrowed fund or other liability prescribed by the Bank. It shall be the duty of commercial banks and financial institutions to maintain the compulsory deposit in the Bank as prescribed by the Bank.

(2) While computing the compulsory deposit of commercial banks and financial institutions, the Bank shall compute on the basis of daily average of deposit by prescribing the duration.
47. **Failure to Maintain Compulsory Deposit:** In cases where any commercial bank or financial institution fails to maintain the compulsory deposit prescribed by the Bank, the Bank shall impose a fine on concerned commercial bank or financial institution for the period of such failure. While imposing the fine, the amount of fine shall not be more than three times of the maximum of the bank rate prescribed by the Bank.
48. **Discount Operation:** (1) The Bank may conduct discount transaction on the following negotiable instruments submitted by the commercial bank and financial institution who maintain their accounts with the Bank:-

(a) A promissory note or bill of exchange signed by at least two parties including a commercial bank payable in the Kingdom of Nepal within six months.

(b) Debt bond issued by His Majesty's Government or the Bank payable within the Kingdom of Nepal and within six months from the date of acquisition by the Bank.

(2) The discount rates, terms and conditions and procedure of operating discount transaction shall be as prescribed by the Bank.

49. **Loan and Refinance to Commercial Banks and Financial Institutions:** (1) The Bank may, subject to the terms and conditions prescribed by it, make available loan and refinance to commercial banks and financial institutions for a maximum period of six months against the security of the following assets:-
- (a) International negotiable instrument referred to in clause (e) of sub-section (1) of section 66;
 - (b) The debt bond issued by His Majesty's Government payable within the Kingdom of Nepal;
 - (c) The deposits accumulated in the Bank or the gold and precious metals, which the Bank may transact under this Act;
 - (d) The bill of exchange or the promissory notes referred to in sub-section (1) of section 48;
 - (e) Other securities as prescribed.
- (2) Notwithstanding anything contained in sub-section (1) of section 48, the Bank may provide any type of credit to a commercial bank and financial institution for a maximum period of one year in cases where His Majesty's Government has, for the sake of public interest and welfare, deemed it appropriate to provide loan and has requested the Bank therefor and His Majesty's Government has given a guarantee of securities of prevailing market rate for such loan or in extraordinary circumstances where the Bank has to work as a lender of the last resort.
50. **Discount Rate and Rate of Interest for Refinance:** The Bank shall fix the discount rate and the rate of interest for refinance from time to time. The Bank shall publish and transmit the notice of discount rate and interest rate of refinance for the information of all concerned.

Chapter 6

Monetary Unit, Bank note and Coins

51. **Monetary Unit:** (1) The Rupee shall be the monetary unit of the Kingdom of Nepal and such Rupee shall be divided in one hundred Paisa.
- (2) The Rupee referred to in sub-section (1) shall be a legal tender within the Kingdom of Nepal and His Majesty's Government shall provide guarantee for such Rupee.
52. **Power to issue Bank notes and Coins:** (1) The Bank shall have monopoly over the issue of bank notes and coins in the Kingdom of Nepal. Such notes and coins shall be legal tenders in the Kingdom of Nepal.

(2) The Bank shall issue notes pursuant to sub-section (1), only against the security, and the liability of such issued notes shall be equal to the value of property kept as security. At least fifty percent of the property to be kept as security shall be one or more of gold, silver, foreign currency, foreign securities, and foreign bills of exchange and the remaining percentage shall be one or more of the coins (Mohar Double or coins of higher denomination, the debt bond issued by His Majesty's Government, the promissory note or bills of exchange payable in Nepal within a maximum of eighteen months from the date of repayment by bank.

Provided that in case His Majesty's Government so permits, at least forty percent of the assets to be maintained as backing for the note issue may be in the form of one or more forms among gold, silver, foreign currencies, foreign securities and foreign bills of exchange, and the balance in the form of one or more from among Nepalese coins (Mohar rupee, or coins of higher denominations), Nepalese securities, promissory notes or bills of exchange refinanced by Nepal Rastra Bank which are due to be redeemed inside Nepal within a maximum period of eighteen months.

(3) For the purpose of sub-section (2), the valuation of property shall be made as follows:-

- (a) The price of gold at the rate fixed by His Majesty's Government on the recommendation of the Board;
- (b) The price of silver at the rate deemed appropriate by the Board;
- (c) The foreign currencies at the rate fixed by the Bank;
- (d) The debt bond issued by His Majesty's Government, the foreign securities and bills of exchange at the rate deemed appropriate by the Board on the basis of market rates;
- (e) Coins at the rate of face value.

(4) The Bank shall issue the bank notes of various denominations as may be necessary. While issuing bank notes in this way, the figures appearing in the notes, size and denominations shall be as approved by His Majesty's Government and the figures, internal security arrangements, invisible security features, the materials for printing bank notes and other materials shall be as decided by the Board.

(5) His Majesty's Government may, in consultation with the Board, declare that banknote of any denomination shall cease to be legal

tender in any place other than the prescribed place or office having published a notification in the Nepal Gazette.

(6) The Bank shall not reissue the notes, which are torn, defaced or excessively soiled.

(7) The Bank may, with the approval of His Majesty's Government, mint and bring into circulation the coins of whatever value, measurement, weight, purity, design and metal or mixture of metals or bring into circulation having minted them in Mint on special occasions. The Bank may, if it deems appropriate, cause such coins minted in any foreign Mint.

Provided that, if coins minted once with the approval is to be re-minted, no approval of His Majesty's Government shall be required.

(8) The Bank may, with the approval of His Majesty's Government, mint the coins sent for minting by a foreign government.

(9) The Bank shall be responsible for payment of the bank notes issued by the Bank and the notes issued by His Majesty's Government prior to the establishment of the Bank.

(10) No liability other than the liability referred to in sub-section (9) shall be borne from the property given as security for issuance of bank notes.

53. **Bank-notes and Coins to be all Acceptable:** The bank notes and coins issued by the Bank having made them legal tender shall be all acceptable to the extent of the amount of face value for repayment of all types of public or private debts within the Kingdom of Nepal.
54. **Measurement, Weights and Size of Coins:** The face value, measurement, weight, size and other features of the coins to be issued by the Bank under this Act shall be prescribed by the Board.
55. **Issuance of Currency and Security:** Matters relating to printing of bank notes and minting coins, providing security to the unissued banknotes and coins, keeping them in appropriate manner and the matter of safe keeping or destroying the old banknotes or coins, plate and dies not in circulation shall be as prescribed.
56. **Provisions for Exchange of Currency:** The Bank shall, without any fee or charge, change a bank note or coin with legal tender in the Kingdom of Nepal with the banknotes or coins of same denomination or of different denominations of the equal value.

57. **Soiled or Counterfeit Currency:** (1) The Bank may withdraw, destroy or replace the soiled currency with other bank note or coin.

(2) Notwithstanding anything contained in sub-section (1), the Bank may deny to replace the banknote or coin the design of which has been deleted, or torn, defaced or more than fifty percent of its portion has been destroyed.

(3) The Bank may withdraw or destroy such bank notes or with or without compensation to the owner of the bank notes or coins referred to in sub-section (1).

(4) No owner of the lost or stolen bank notes or coins shall be entitled to a reimbursement from the Bank. The Bank may forfeit without any compensation, the coins or notes the outer appearance of which is changed, or which is counterfeit coin or fake note.

Explanation: For the purpose of this section, "Counterfeit coin" means a duplicate coin minted copying the coin issued by the Bank or a counterfeit coin or prepared by melting or manipulating or a coin prepared by cutting and breaking into two or more places issued by the Bank or the coin with defaced figures, letters and signs.

58. **Provisions Relating to Currency Inventory and Issuance of Currency:**

The Bank shall carry out the functions relating **currency inventory** and issue of currency and to regularly supply the banknotes or coins in order to meet the demand of currency.

59. **Account of issued currency:** The Bank shall maintain account of the entire bank notes and coins in circulation showing them separately as monetary liability. Such liability shall not include the bank notes and coins in stock or not in circulation.

60. **Currency Recall:** (1) The Bank may recall the bank notes and coins in circulation within the Kingdom of Nepal by issuing in exchange therefor other bank notes and coins in equivalent amount. The Bank shall publish and transmit public notice clearly specifying the period during which the bank notes or coins must be presented for exchange and where they are to be so presented.

(2) Notwithstanding anything contained in section 53, upon expiry of the time prescribed pursuant to sub-section (1), bank notes and coins to be exchanged shall cease to be legal tender.

(3) The Bank may demolish, cut, break or destroy in any manner whatsoever, the banknotes and coins withdrawn from circulation pursuant to sub section (1) and the currency with defect, as prescribed.

61. **Reproduction and Counterfeiting of Currency:** (1) No person shall commit or cause to commit any of the following acts:-

- (a) To forge, counterfeit or alter bank notes and coin in circulation as legal tender in the Kingdom of Nepal or any cheques or payment card or to do any other act relating to it or to assist in any of such acts;
 - (b) To possess, transport or issue any bank note or coin or cheque or payment card with the knowledge that such bank note or coin, cheque or payment card was falsely made, forged, counterfeited or altered or to assist in such acts in any manner; or
 - (c) To possess, transport any sheet of metal, stone, paper, die or any other material or substance with the knowledge that it was destined to be used in falsely making, forging, counterfeiting or altering any bank note or coin, cheque or payment card or to assist in any of such acts.
- (2) Any reproduction of bank notes, coins, checks, securities or payment cards, denominated in Nepalese Rupee, and the creation of any objects that by their design imitate any such bank note, coin, check, security or payment card, shall require the prior written authorisation of the Bank.
- (3) The Bank may take appropriate action to prevent the issue of fake note or counterfeit currency or duplicate cheque or payment. The Bank may issue necessary order, directives or notices while taking such actions.

Chapter - 7

Foreign Exchange Policy, Regulation and Reserve

62. **Foreign Exchange Regulation:** The Bank shall have full authority to formulate, implement and cause to implement foreign exchange policy of the Kingdom of Nepal.
63. **Foreign Exchange Regulation:** The Bank shall regulate foreign exchange. The Bank shall have the following powers:-
- (a) To issue license under this Act or any other prevailing laws to the persons willing to deal in foreign exchange transaction;

- (b) To frame Rules and bye laws and to issue necessary order, directives or circulars in order to regulate dealings in the foreign exchange transaction by the foreign exchange dealer;
- (c) To inspect, supervise and monitor the license holder for foreign exchange;
- (d) To set the bases, limitations and terms and conditions for the transaction of the foreign exchange license holder and
- (e) To prescribe the system of determining the foreign exchange rates of the Nepalese currency.

64. Dealing in Foreign Exchanges: (1) The Bank shall cause the license-holder to submit to the Bank the detailed particular of exchange of foreign currency and of the transaction relating to it. The duration for submitting such particulars, the format and other documents relating to it shall be as prescribed by Bank from time to time.

(2) It shall be the duty of the concerned license holder to submit the particulars referred to in sub-section (1) and the documents prescribed by the Bank.

65. Dealing in Foreign Exchanges: (1) The Bank may purchase and sell foreign exchanges, gold and precious metals.

(2) The purchase and sale to be made by the Bank pursuant to sub-section (1) shall be effected through the spot, forward exchange rate, swap, option or the similar types of other instruments, cash or negotiable instruments.

(3) The Bank may, for the purpose of sub-section (1) of section 66, purchase or sell foreign exchange. It may affect such purchase and sale also on the basis of spot, forward exchange rate, swap, option or similar types of other of instruments.

(4) The Bank shall deal in foreign exchange after fixing its buying and selling rates. The basis, limitations and conditions of such dealing shall be as prescribed by the Bank.

66. Foreign Exchange Reserve: (1) The Bank shall mobilise the foreign exchanges reserve. Such reserve shall be denominated in the foreign exchange and such reserve shall consist of the following assets:-

- (a) Gold and other precious metals held by or for the account of the Bank;
- (b) Foreign currencies held by or for the account of the Bank;

- (c) Foreign currencies held in the accounts of the Bank on the books of a foreign central bank or other foreign banks;
- (d) Special drawing rights (SDR) held by the Bank at the International Monetary Fund;
- (e) Bill of exchange, promissory note, certificate of deposit, bonds, and other debt instrument payable in convertible foreign currencies issued by any debtor or liability holder and held by the Bank;
- (f) Any immediate purchase or repurchase agreements of the Bank concluded with or guaranteed by foreign central banks or public international financial institutions, and any futures and option contracts of the Bank providing for payment in freely convertible foreign currency.

(2) While selecting the assets referred to in sub-section (1), due consideration should be given to the Bank's capital and liquidity to maximise earnings.

(3) The Bank shall maintain international reserve at a level, which shall be adequate for the execution of monetary and exchange rate policies and for the prompt settlement of the international transaction.

(4) If international reserves have declined or, in the opinion of Bank, are in danger of declining to such an extent as to jeopardise the execution of the monetary or exchange rate policies in the prompt settlement of the country's international transactions, the Bank shall submit to His Majesty's Government a report on the international reserves position and the causes which have led or may lead to such a decline, together with such recommendations as it considers necessary to remedy the situation.

(5) Until such time as, the situation referred in sub-section (4) has been rectified, the Bank shall make further such report and recommendations to His Majesty's Government.

(6) The Bank shall hold the foreign exchange reserve referred to in sub-section (1) in its balance sheet.

67. Issuance of Debt Bond Against Gold and Foreign Currency: (1) The Bank may, having obtained approval from His Majesty's Government, issue one or more types of debt bond denominated in gold or foreign currency for certain purpose.

(2) The types, duration, payment of principal and interest and other matters of the debt bond to be issued pursuant to sub-section (1) shall be as prescribed by the Bank.

68. **International Clearing and Payment Agreements:** The Bank may, either for its own account or for government account and by the order of His Majesty's Government, enter into clearing and payment agreements with public or private central clearing unions domiciled abroad. The Bank may, in order to implement the objectives of such agreement, enter into other necessary agreements.

Chapter - 8

Relation with His Majesty's Government

69. **Banker, Advisor and Financial Agent:** (1) The Bank shall be the banker and financial advisor of His Majesty's Government and a financial agent of the Kingdom of Nepal.

(2) His Majesty's Government shall consult the Bank on any matters that are within the fields of its jurisdiction. It shall be the duty of the Bank to advise on matter consulted by the His Majesty's Government.

(3) His Majesty's Government shall, while preparing annual budget, consult the Bank on the overdrafts including internal debt.

(4) The Bank shall submit a pre-budget review report to His Majesty's Government each year on the economic and financial matters.

70. **Opinions and information relating to external debt:** (1) His Majesty's Government may consult the Bank while taking loan from external sectors.

(2) The consultation referred to in sub-section (1) shall include the subjects such as amount of loan, the terms and conditions of the loan and the repayment of loan.

(3) His Majesty's Government shall inform the Bank when external loans have been received.

(4) His Majesty's Government shall consult the Bank while granting approval to private and public institutions to raise loan-creating liability in foreign exchange.

(5) His Majesty's Government, public institution or private sector shall inform the Bank about the agreements concluded having creating liability in foreign exchange.

71. **Deposit collection:** (1) The Bank shall accept the deposits of His Majesty's Government or other bodies prescribed by His Majesty's Government.

(2) While accepting deposits pursuant to sub-section (1), the Bank shall receive and disburse monies, keep accounts therein, and provide banking services related thereto.

(3) The Bank may authorise commercial banks and other financial institutions to conduct the transaction as referred to in sub-section (2) subject to the terms and conditions prescribed by the Bank.

72. Functions of Fiscal Agent: The Bank shall, subject to the terms and conditions stipulated in the agreement entered into with His Majesty's Government, act as fiscal agent of His Majesty's Government on the following matters:-

- (a) Marketing, purchase and sell of debt bonds issued by His Majesty's Government and to act as registrar and transfer agent therefor;
- (b) Payment of the principal, interest and other fees of the debt bonds referred to in sub-section (a);
- (c) Other necessary functions to be carried out as the agent.

73. Bank may ask for Particulars, Statistics and Documents: (1) The Bank may ask for the particulars, statistics and documents necessary for conduct of its business from the concerned bodies.

(2) It shall be the duty of the concerned bodies to provide the Bank with the particulars, statistics and documents asked for under sub-section (1).

74. Consultation on the matter of Law Reform: (1) The Bank may be consulted on any proposals by the concerned entities for legislation with respect to matters that relate to Bank's objectives or that otherwise are within its jurisdiction, including monetary policy and its operations, credit, the balance of payments, foreign exchange, and banking, before they are submitted for amendment or legislative action.

(2) It shall be the duty of the Bank to provide opinion sought pursuant to sub-section (1).

(3) The Bank shall have powers to submit proposals to His Majesty's Government for enacting new law or amending the existing laws on the subjects relating to the objectives of the Bank or area of its jurisdiction or its competence such as monetary policies and its operation, credit, balance of payment, foreign exchange and banking.

75. Credit to His Majesty's Government and Purchase of Government Debt Bonds: (1) Except otherwise provided in this Act, the Bank shall not provide any type of financial assistance to His Majesty's Government or an

institution under the full or substantial or partial ownership of His Majesty's Government.

(2) Subject to the limits specified in this section, the Bank may extend credit to His Majesty's Government with a condition to repay within one hundred eighty days.

(3) Notwithstanding anything contained in sub-section (2), the Bank may extend a special credit of long term to His Majesty's Government only on account of subscription and similar payments resulting from or incidental to the membership of the Kingdom of Nepal with international organisation.

(4) The Bank shall disburse credit to be extended to His Majesty's Government or an institution under full or substantial or partial ownership of His Majesty's Government only in Nepalese rupees. Such credit shall be certified by negotiable debt securities issued by His Majesty's Government and delivered to the Bank. Such debt security should have the maturity corresponding to the maturity of the extension of credit and should bear the interest at market related rate. There must be a written agreement executed between His Majesty's Government and the Bank in relation to act the credits provided to the Government by the Bank. Such agreement should clearly stipulate the principal amount of the loan or limit on a line of credit, the maturity, and the applicable rates of interest and other charges.

Explanation: For the purpose of this section, " negotiable debt security" means the debt security issued in the form of promissory note.

(5) At no time the amount of overdraft provided by the Bank to His Majesty's Government shall be more than five percent of the revenue income of His Majesty's Government in the preceding fiscal year. While computing such revenue income, the amount of borrowing, grants or any other form of financial assistance or income received from the sale of property shall not be included while computing the revenue income.

(6) His Majesty's Government shall make the payment of the overdraft referred to in sub-section (5) within one hundred eight days at the prevailing interest rate either in the form of cash or marketable debt securities.

(7) The total amount of debt security purchased by the Bank from His Majesty's Government and taken into its ownership shall not be more than ten percent of the revenue income of the preceding fiscal year.

(8) In the following circumstances, the debt securities issued by His Majesty's Government and purchased by the Bank shall not be treated as the credit extended under sub-section (7):-

- (a) If the purchase is made in the secondary market for the operation of open market consistent with the monetary policy of the Bank;
- (b) If the purchase is made in the primary market at the time of primary issue when it is necessary in the opinion of the Bank, to maintain stability in the market of such securities and such securities are divested within 60 days of purchase.
- (c) The debt securities purchased by the Bank from His Majesty's Government and retained in its ownership prior to the commencement of sub-section (7).

Chapter - 9

Regulation, Inspection and Supervision of the Banks

- 76. Bank's approval required for accepting deposits or giving credits:** (1) Any person, firm, company or institution shall, in order to accept any type of deposit or to provide loan, obtain approval from the Bank as may be prescribed.
- (2) The Bank, while giving approval referred to in sub-section (1), may subject the approval to the terms and conditions prescribed by the Bank and it shall be the duty of the concerned person, firm, company or institution to abide by such terms and conditions.
- 77. Restriction on rate of interest:** Any person, firm, company or institution authorised to accept deposit or to provide loan pursuant to prevailing laws, shall fix the rate of interest payable on deposit and to be charged on loan subject to arrangement prescribed by the Bank in the matter of rate of interest from time to time.
- 78. License to be obtained from Bank:** (1) Commercial Banks and financial institutions shall, in order to conduct banking and financial transaction, obtain license from the Bank as prescribed.
- (2) While issuing license pursuant to sub-section (1), the Bank may fix necessary terms and conditions and it shall be the duty of the

licensed bank and financial institution to abide by such terms and conditions.

79. Regulating powers of Bank: (1) The Bank shall have full powers to regulate the functions and activities of commercial banks and financial institutions.

(2) For the purpose of the regulation under sub-section (1), the Bank may frame rules and bye-laws on the matters which the Bank deems appropriate and issue necessary order, directives and circular and it shall be the duty of the concerned commercial bank and financial institution to abide by such rules, bye-laws, order, directives and circular.

(3) The Bank shall issue appropriate directives to commercial banks and require them to submit the following particulars:-

- (a) its balance sheet accounts, off balance sheet accounts or commitments, statement of income and expenditures and their ratio among accounts or items.
- (b) Prohibitions, restrictions or conditions concerning specific types or forms of credit or investments out of bank's prescription or of credit or investments, forms of commitments of a risk-bearing nature which are not matching as to maturity of assets and liabilities and off-balance-sheet items, foreign currency, spot or forward exchange rate of interest, swap, option or similar instruments or access to the payments system through electronic or other means.
- (c) Other particulars and documents prescribed by the Bank.

(4) Bank may issue necessary directives to commercial banks on the following subjects and require to submit particulars on the following subjects:-

- (a) Books and accounts, profit and loss account, balance sheet and off-balance-sheet, transaction and commitment, statement of income and expenses and their ratio among accounts or items.
- (b) Prohibitions, restrictions or conditions concerning specific types or forms of credit or investments, loan and investment in excess of the ceiling prescribed by the Bank, risk bearing commitment, position of foreign exchange, payment and electronic and other means of payment.
- (c) Other particulars and documents prescribed by the Bank.

(5) The Bank shall have the following powers with regard to commercial banks and financial institutions:-

- (a) To enforce authority and responsibility granted under this Act any other Act enacted for licensing, supervising and regulating commercial banks and financial institutions and to revoke the license of commercial banks and financial institutions and to take over or to give in trusteeship the commercial banks or financial institutions which have been declared insolvent or are on the verge of insolvency;
- (b) To investigate or inspect or supervise or to cause to investigate, inspect or supervise by any official of the Bank or the person designated by the Bank the books and accounts, records, documents or register of commercial banks or financial institutions in order to find whether or not any commercial bank or financial institution has conducted business and transaction in accordance with the provision made under this Act or the Rules, bye-laws framed thereunder and an order or directive issued thereunder;
- (c) To give order to the member of the Board of Directors, official or employee of a commercial bank or financial institution to provide necessary information about the bank or institution in cases where it is necessary to inspect and supervise the transaction of such bank or financial institution.

80. Banking and Financial System and Credit Control: The Bank may issue directives from time to time to commercial banks and financial institutions on banking and financial system, currency and credit. It shall be the duty of commercial banks and financial institutions to abide by such directives.

81. Credit to prescribed sectors: (1) Commercial banks and financial institutions shall advance credit to the sectors prescribed by the Bank from time to time for a prescribed period in the manner prescribed by the Bank.

(2) In cases where any commercial bank or financial institution does not advance the credit pursuant to sub-section (1) or advance credit less than prescribed amount, the Bank may recover as fine an amount equal to the interest which a commercial bank or financial institution would have charged for the amount of credit not advanced or advanced less than the prescribed amount from the concerned commercial bank or financial institution.

82. Information to be furnished to Bank: (1) Commercial Bank and financial institution shall furnish the particulars of its transaction and financial position to the Bank as prescribed by the Bank.

(2) The Bank may publish the particulars made available pursuant to sub-section (1).

83. Approval required to issue debentures and financial instruments: (1) Commercial banks and financial institutions shall, while issuing any type of debenture or financial instruments, obtain a prior approval of the Bank.

(2) While giving approval referred to in sub-section (1), the Bank may prescribe necessary terms and conditions and it shall be the duty of the concerned commercial bank and financial institution to abide by such terms and conditions.

84. Inspection and Supervision: (1) The Board shall frame and implement inspection and supervision bye-law confirming to international standard for inspection and supervision of the commercial banks and financial institutions licensed by the Bank.

(2) The Bank may, at any time, inspect and supervise or cause to inspect and supervise any of the offices of commercial banks or financial institutions. Such inspection and supervision may be carried out by the deputed official of the Bank or an expert designated by the Bank at the office of the commercial bank or financial institution or by asking the concerned institution to submit detailed particulars and information to the Bank itself.

(3) It shall be the duty of the concerned commercial bank and financial institution or Directors, officials or employees of such commercial bank and financial institution to make available the statement, data, record, information, particulars necessary for computer and auditing and other programs and particulars developed through the electric system and financial control system or necessary other documents to such official, expert or the Bank or to enable such official or expert to review or to examine them within the time prescribed by such officer or expert.

(4) The official or the Bank inspecting and supervising under this section may cause to record written statements of any Director, official or employee of the commercial banks or financial institutions with regard to the functions and proceedings which are deemed necessary in course of inspection and supervision.

(5) The Bank or the inspecting and supervising official may give necessary directives to the commercial bank or financial institution on the matters deemed necessary while inspecting and supervising. It shall be the duty of the concerned commercial bank or financial institution to abide

by the directives given by the Bank or by the inspecting or supervising official. The inspecting or supervising official shall inform the Bank as soon as possible about the directives so given.

(6) The official or expert carrying out the inspection and supervision under this section shall submit the report of the inspection and supervision he has undertaken generally within fifteen days upon completion of his works to the Bank. In case such report is not completed within fifteen days, the Governor may extend the time limit for another fifteen days.

(7) The report submitted pursuant to sub-section (6) should be submitted in the next meeting of the Board.

(8) The Board may, after making appropriate decision on matters contained in the report submitted pursuant to sub-section (7), give appropriate directions to the Governor about the actions to be taken in the matter. It shall be the responsibility of the Governor to implement or cause to implement such directions.

85. Exchange of Mutual Co-operation: (1) The Bank may, in order to supervise commercial banks and financial institutions under its supervisory jurisdiction, exchange co-operation with concerned foreign supervisory authority on reciprocal basis.

(2) The Bank may exchange the notices or information received for carrying out supervision pursuant to sub-section (1) with the foreign supervisory authority provided that such authority undertakes to respect the confidentiality of the information so received.

(3) The Bank may exchange mutual co-operation with other institutions regulating the policies relating to financial system to promote financial system.

86. Control over commercial banks and financial institutions: (1) The Bank may take such commercial bank or financial institution under its control after suspending the Board of Directors of such commercial bank or financial institution where the Bank is convinced that any commercial bank or financial institution has violated this Act or Rules and bye-laws framed thereunder or orders or directives issued thereunder; or any commercial bank or financial institution has failed to honour its liability or there are probability of such failure or it has not been properly operated or has acted prejudicial to the interests of shareholders or depositors from the Bank's inspection and supervision report.

(2) The Bank may upon taking any commercial bank or financial institution under its control pursuant to sub-section (1), take the management of such commercial bank or financial institution under its

control and operate its business by itself or appoint a person, firm, company or institution to operate or manage the business of such commercial bank or financial institution.

(3) The Bank shall, within one year of operating the business on its own or through any other person, firm, company or institution pursuant to sub-section (1), audit or cause to audit the accounts of the concerned commercial bank or institution and publish the report thereof.

(4) The Bank may file an application at the Appellate Court for liquidation of the commercial bank or financial institution where the Bank is convinced from the auditing report referred to in sub-section (3), that the concerned commercial bank or financial institution is unable to honour its liability or it can not be operated properly.

(5) The Bank may take following actions if the Bank is convinced from the auditing report referred to in sub-section (3), that the concerned commercial bank or financial institution is able to honour its commitment or such commercial bank or financial institution is in position to be operated properly.

- (a) To release the suspension of the Board of Directors of the commercial bank or financial institution imposed under sub-section (1) and to order the same Board of Directors to operate the business; or
- (b) To dismiss the Board of Directors of the commercial bank or financial institute suspended pursuant to sub-section (1) and to have the business conducted by a new Board of Directors formed from amongst the shareholders of the commercial bank or financial institution;
- (c) To get the new Board of Directors elected after convening the general meeting of the shareholder of commercial bank or financial institution and to have the business conducted by it; or
- (d) To take any other appropriate action as the Bank may deem fit.

(6) The Bank shall, before taking the commercial bank or financial institution under its control pursuant to sub-section (1), provide an opportunity to defend within fifteen days to such commercial bank or financial institution as per the situation.

(7) The concerned commercial bank or financial institution shall bear all expenses incurred while operating the commercial bank or financial institution after the Bank has taken over pursuant to this section.

- (8) The Bank shall provide information to His Majesty's Government after a commercial bank or financial institution has been taken over under sub-section (1).
87. **Establishment of Information Network:** (1) The Bank shall, in order to promote banking and financial system of the Kingdom of Nepal, establish and operate information network as prescribed.
88. **Establishment of Credit Information Centre:** (1) The Bank shall establish or cause to establish one credit information Centre for the following purposes:-
- (a) To obtain information on the flow of credit from commercial banks and financial institutions in order to ensure fairness and appropriateness in credit flow;
 - (b) To require the exchange of the information received pursuant to sub-section 1 (a) amongst the commercial banks and financial institutions for the purpose referred to in that sub-section;
 - (c) To require to send the name-list of the debtors not repaying the loan in time or misusing the loan to the Centre;
 - (d) To require to obtain on compulsory basis the information from the Centre prior to making investment or advancing loan of an amount more than the limit prescribed by the Bank;
 - (e) To have the name-list received pursuant to clause (c) blacklisted by the Centre upon confirmation and to take necessary action in this regard; and
 - (f) To submit report to the Bank, on the exchange of information among the commercial bank and financial institution and use such information while making loan investment on the basis of inspection, supervision and monitoring.
- (2) The Bank shall regulate and manage the functions referred to in sub-section (1) as specified.

Chapter - 10

Balance Sheet, Auditing and Report

89. **Fiscal Year:** The Fiscal year of the Bank shall be as per the Fiscal year of His Majesty's Government.

90. **Account System:** The Bank shall maintain at all times accounts and records adequate to reflect its operations and financial condition in accordance with international accounting standards.
91. **Annual Report:** (1) The Bank shall prepare an annual report for each fiscal year, which should include the balance sheet, profit and loss accounts and the particulars relating to it.
- (2) The Bank shall submit the annual report referred to in sub-section (1) to His Majesty's Government within four months from the date of completion of each fiscal year.
92. **Auditing:** (1) The Auditor General shall carry out auditing of the accounts of the Bank.
- (2) The Board may, if it deems appropriate, cause the internal auditing of its accounts carried out by some external Auditor. While causing such auditing of accounts, it shall cause to be carried out in accordance with the account system of international practice.
93. **Submission of Report to His Majesty's Government:** (1) The Bank shall have to submit the following reports to His Majesty's Government within four months from the date of completion of each fiscal year:-
- (a) Auditing Report,
- (b) Report on its activities of itself,
- (c) Report on economic and financial position,
- (2) The Bank shall publish its monthly balance sheet within fifteen days from date of completion of each month.
94. **Report on Monetary Policy:** The Bank shall publish report on monetary policy each year for the information of general public. The said report to be published in such a manner shall contain the following matters:-
- (a) Comprehensive review and evaluation of the monetary policy introduced and followed by the Bank in the preceding year;
- (b) Justification and analysis of the monetary policy that the Bank is going to introduce in the following year.

Chapter - 11

Offences, Punishment and Proceedings

95. **Acts to be deemed to the offence under this Act:** (1) Whoever accepts deposits or gives credits or issues debenture or other financial instruments in contravention to this Act or the Rules or bye-law framed thereunder or an order or directive issued thereunder; or whoever charges or gives interest against the policy determined by the Bank or issues fake, fraudulent, counterfeit or duplicate or copied currency or distributes or circulates such currency or carry out the business of foreign exchange or is involved in such acts, it shall be deemed to have committed offences under this Act.
- (2) Except otherwise provided under sub-section (1) any person who fail to comply with the provisions made under this Act or rules made thereunder, or bye-laws, or the order or directives issued thereunder, shall be assessed to have committed offence under this Act.
96. **Punishment:** (1) The person convicted of offence referred to in section 95 shall have the assets related to the offence confiscated and shall be liable to a fine up to three times of the value of the said assets or an imprisonment up to three years or the both.
- (2) In cases where the value of the assets related to offence can not be ascertained pursuant to sub-section (1), a fine of up to one million rupees or an imprisonment up to three years or both may be imposed depending upon the degree of the offence.
- (3) If the offence referred to in section 95 has been committed by any firm, company or institution, the punishment referred to in sub-sections (1) and (2) shall be imposed on the official of the said firm, company or institution committing the offence.
- (4) The person who has attempted to commit, or who is indirectly related to the offence referred to in section 95 or the person who has helped to commit such offence or the official of the concerned firm, company or organisation who has helped to commit such offence shall be liable to a punishment up to the half of the punishment prescribed for the offender of the first degree.
97. **His Majesty's Government to be Plaintiff:** The cases relating to the offences referred to in section 95 shall be filed by His Majesty's Government as plaintiff and such cases shall be deemed to have been incorporated in Schedule -1 of the States Cases Act, 2049 (1992).
98. **Bank to Provide Information:** In cases where the Bank has an information from any source that any one has committed the offences referred to in section 95, the Bank shall forward such information in writing to His Majesty's Government or the concerned agency for necessary actions.

99. Fine for violation of Bank's Regulation: (1) In case any commercial bank or financial institution licensed under this Act, violates an order or directive issued by the Bank under this Act or under the regulation or bye-laws framed thereunder, the Bank may fine such commercial bank or financial institution an amount up to the amount related to such violation.

(2) In cases where the Bank's regulation referred to in sub-section (1) has been violated by a Director, official or employee of the commercial bank or financial institution, such fine shall be imposed on the concerned Director, official or employee.

100. Punishment for Violation of Bank's Regulation: (1) In case any commercial bank or financial institution licensed from the Bank, violates an order or directive issued by the Bank under this Act or under the regulation or bye-laws framed thereunder, the Bank may impose one or more of the following punishment to such commercial bank or financial institution:-

- (a) Giving reprimand or written warning;
- (b) Obtain an undertaking from Board of Directors for adopting reformative measures;
- (c) Issuing written order to end up frequent violations, to abstain from such violation and to adopt reformative measures;
- (d) Suspend or terminate the services of the Bank;
- (e) Prohibit commercial bank or financial institution to distribute dividend to its shareholders;
- (f) Prohibit commercial bank or financial institution to accept deposits or to grant loan and advance;
- (g) Imposing full or partial restriction on the transaction of business of the commercial bank or financial institution;
- (h) Suspend or revoke license of the commercial bank or financial institution.

(2) Where a Director or official or employee of a licensed commercial bank or financial institution violates an order or directive issued by the Bank under this Act or under the regulation or bye-law framed thereunder or in cases where, they have acted against the interest of the depositor or general public or where they failed to submit the documents, particulars, data required by the Bank or by the inspecting or supervising official within the time prescribed, the Bank may impose the following punishments to such Director, official or employee:-

- (a) Giving reprimand or written admonition;
- (b) Suspending;
- (c) Imposing a cash fine not exceeding five hundred thousand rupees;
- (d) Giving order to the Board of Directors of concerned commercial bank or financial institution to stop payment of all benefits including remuneration and allowances;
- (e) Giving order to the Board of Directors of the concerned commercial bank or financial institution to remove Directors from his office of Director or to terminate the services of officer or employee.

101. Procedures for Pecuniary Penalty and Punishment: (1) While imposing pecuniary penalty or punishment pursuant to sections 99 and 100, the Bank shall have to follow the following procedures:-

- (a) Prior to imposing pecuniary penalty or punishment, the Bank shall give a written notice to the accused institutions or persons stipulating the following matters to submit its reply within fifteen days, on the proposed fine or punishment:-
 - (1) nature of the offence
 - (2) amount of fine or proposed punishment that may be imposed on the basis of nature of offence, and
 - (3) summary of the facts related to the offence.
- (b) The institution or person accused pursuant to clause (a) should submit written replies within fifteen days accepting or denying the charges.
- (c) In case the denial of the charge by the accused institution or person is found to be satisfactory, the Bank may change, limit or dismiss such charge.
- (d) In case the accused institution or person accept the charge or does not give satisfactory replies, the Bank shall impose such fine or punishment.
- (e) The Bank may issue order to deduct the amount of fine imposed pursuant to clause (d) from the accounts of the concerned commercial bank or financial institution maintained at the Bank.

(2) The cash fine to be recovered by the Bank pursuant to clause (e) of sub-section (1) shall be deposited in the general reserve fund.

(3) Notwithstanding anything contained in sub-section (1), there is no need to follow such procedure while imposing punishment under clauses (a), (b), (c) or (d) of sub-section (1) and clauses (a) and (b) of sub-section (2) of section 100.

- 102. Filing Appeals:** The commercial bank or financial institution or the Director or official or employee thereof not satisfying with the punishment imposed by the Bank under sections 99 and 100 may, within thirty five days from the date of punishment, file an appeal at the Appellate Court.

Chapter - 12

Miscellaneous

- 103. Payment, Clearing and Settlement:** (1) The Bank shall make necessary arrangement for the clearing and settlement of cheques, payment orders, inter bank payment, security transactions made in the currencies prescribed by the Bank and any other payment instrument and carry out the functions of regulation, inspection and supervision thereof.

(2) While carrying out the functions referred to in sub-section (1), the Bank may prescribe necessary procedures.

(3) For the purpose of clearing and settlement arrangement referred to in sub-section (1), the commercial bank or financial institution shall, subject to the terms and conditions prescribed by the Bank, open account in the Bank or any other financial institution prescribed by the Bank.

- 104. Collection of Data:** (1) The Bank shall, in order for achieving its objectives or carrying out its functions, collect data necessary for it from itself or from His Majesty's Government or other agencies. For this purpose, the Bank may seek help from the authorised persons, institution, organisation within and outside the Kingdom and international association and organisations.

(2) The Bank may make necessary provisions for co-ordination and reformation in the system of collection, storing and distribution of data relating to its area of competence.

- 105. Trust Accounts:** The Bank may, for special purposes, open and operate separate account in the form of trust account. The amount collected in such account shall not be used for any other purposes. The property in such account shall be used only for the purpose of fulfilling the liabilities of such accounts and the Bank shall not be allowed to use the amount or property in other accounts for fulfilling such liabilities.
- 106. Actions not to be Invalid:** None of the actions taken by the Bank or the Board shall be invalid merely for the reason that there was irregularity in the appointment of Governor, Deputy Governor or Director or in the formation of the Board or simply on the ground that the office of the Governor, Deputy Governor or Director has remained vacant.
- 107. No Responsibility for Acts Done on Good Faith:** (1) Governor, Deputy Governor, Director or any official or employee of the Bank shall not be personally or collectively liable for any act done on good faith under this Act and under the Regulations or bye-laws or under an order or directive issued thereunder.

Provided that for any act done knowingly or with mala-fide intention, they shall be personally liable.

(2) In case a lawsuit of any type has been filed against the Governor, the Deputy Governor, Director or any official of the Bank with regard to any loss sustained or to be sustained because of any act done or attempted to do in good faith pursuant to this Act or under the Regulations or bye-laws framed thereunder or an order or directive issued thereunder, the Bank shall bear expenses incurred therefor.

Provided that the Bank shall not bear the expenses incurred for the lawsuit filed against any act done knowingly or with mala-fide intention.

- 108. Oath of Office:** (1) The Governor, Deputy Governor, Director or the officer or employee or advisor of the Bank, appointed for the first time, shall before assuming the office, administer an oath of secrecy and honesty as prescribed.
- (2) No Governor, Deputy Governor, Director or the Bank's official or employee or advisor shall disclose any information or matter to an unauthorised person that come to his knowledge while discharging his duties.
- 109. This Act to be Applicable:** Notwithstanding anything contained in the prevailing laws, provisions contained in this Act shall prevail.
- 110. Power to Frame Rules and Bye-laws:** (1) In order to implement the objectives of this Act, the Bank shall, having obtained approval of His Majesty's Government, frame necessary Rules on the following matters:-

- (a) Foreign Exchange Transaction;
- (b) Refund of the burnt, torn, defaced or mutilated bank notes and coins;
- (c) Transaction of business between His Majesty's Government and the Bank;

(2) In order to implement the objectives of this Act, the Board may frame bye-laws on the following matters:-

- (a) The venue and time of the meeting of the Board and procedures relating thereto,
- (b) Formation of sub-committees by the Board as per necessity and procedures of such sub-committees,
- (c) Appointment, promotion, transfer, dismissal, remuneration and facilities, pension, gratuity, provident fund, leave, conduct and discipline and terms and conditions of service, of the employees of the Bank,
- (d) Delegation of authority by the Board to the Governor, by the Governor to the Deputy Governor or other employees of the Bank,
- (e) The terms and conditions for the lease, agreements to be concluded on behalf of the Bank,
- (f) The use of the seal of the Bank,
- (g) The accounts, ledger, registrars, books and other record and documents to be maintained by the Bank and the format thereof,
- (h) Internal auditing and inspection of the Bank,
- (i) Supervision of commercial banks and financial institution,
- (j) The particulars to be submitted by commercial banks and financial institutions,
- (k) Cash deposit of the Bank or responsibility of the cash,
- (l) The case to be filed on behalf of the Bank or operation of other transaction of business,
- (m) Credit control,

(n) The Bank's system of expenditure,

(3) Except the subject matters referred to in sub-sections (1) and (2), the Governor shall issue the order, direction, procedures and guidelines to be issued under this Act.

(4) The Bank shall forward, for information of His Majesty's Government, the bye-law framed under sub-section (2) and the order or directive issued under sub-section (3).

(5) The Bank shall publish and transmit the bye-laws framed under sub-section (2) or an order or directive issued under sub-section (3).

111. Guidelines to be Framed and Introduced: The Bank may, in order to fulfil the objectives of the Act, frame and introduce necessary guidelines from time to time subject to this Act, or Regulations or bye-laws framed under this Act.

112. Repeal and Saving: (1) The following Acts have been repealed:

- (a) The Nepal Rastra Bank Act, 2012 (1955);
- (b) The Currencies Act, 2040 (1983);

(2) All acts and activities carried out in accordance with the Acts repealed under sub-section (1) shall be deemed to have been carried out in accordance with this Act.