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Signatur
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NEPAL RASTRA BANK
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A 22214

An Act to amend the Nepal Rastra Bank Act.

here as it is expedient to amend the Nepal Rastra Bank Act, 2012 (here in after called the principal Act),

His Majesty the King is pleased to enact the following law:--

1. Short title:-- This Act may be called the Nepal Rastra Bank (Amendment) Act, 2015.

2. Amendment to Sec. 6 of the principal Act:-- Following sub-sections (3) and (4) have been substituted for sub-section (3) of section 6 of the principal Act.

(3) Directors mentioned in clause (b) of sub-section (1) shall also be appointed by His Majesty's Government for a term of two years. The retiring Director shall be eligible for re-appointment by His Majesty's Government. They shall be entitled to receive such fees as may be fixed by His Majesty's Government for each meeting of the Board which they attend.

(4) Notwithstanding anything contained in sub-section (3), out of four Directors appointed by His Majesty's Government under this section in the year 2015, two Directors shall retire at the end of one year from the date of their appointment, to be determined by lot.

Red Seal affixed on 2nd. Jestha, 2015.

CONTENTS

SECTION

PAGE

CHAPTER—I

Preliminary

1. Short title, extent and commencement. ... 3
2. Definitions. ... 4

CHAPTER—2

Incorporation, Capital, Management, and Organisation

3. Establishment and incorporation. ... 5
4. Capital of the Bank. ... 5
5. Management. ... 5
6. Composition. ... 6
7. Disqualifications of Governor and Directors ... 7
8. Officiating appointments. ... 7
9. Removal from and vacation of office. ... 8
10. Meeting of the Board. ... 8
11. Powers of the Government to suspend the Board. ... 9
12. Relationship between the Government and the Bank. ... 9
13. The separation of the Issue and the Banking departments. ... 10
14. Reports of the accounts and operations of the Bank. ... 10
15. Agricultural Credit Department. ... 11
16. Branches. ... 11
17. Powers of the Board to make regulations. ... 11

English translation of the Nepal Rastra Bank Ain, 2012, enacted on 18th Kartik, 2012 corresponding to the 4th November, 1955.

Act No. 15 of 1955

An Act to constitute a Nepal Rastra Bank.

WHEREAS it is expedient to constitute a Nepal Rastra Bank for regulating the issue of paper money, securing country-wide circulation of the Nepalese currency, and achieving stability in its exchange rate; to mobilise capital for economic development and stimulate trade and industries; and to develop the banking system in the country;

His Majesty the King is pleased to make and enact the following Law:

CHAPTER—1

Preliminary

1. *Short title, extent and commencement:—*

(1) This Act may be called the Nepal Rastra Bank Act, 1955.

(2) It extends to the whole of the kingdom of Nepal.

(3) Chapters 1, 2, and 4 shall come into force at once, and the provisions of Chapter 3 shall come into force on such date or dates as the Government may, by notification in the *Nepal Gazette* appoint.

PAGE

CHAPTER—3

Functions

18. Issue of Currency Notes. ...	12
19. Transaction of Government Business. ...	14
20. Mobilisation of capital and management of public debt. ...	15
21. Transactions in foreign exchange. ...	15
22. Control of credit. ...	16
23. Development of the banking system. ...	16
24. Stimulation to Industries. ...	17
25. Other transactions. ...	17
26. Business which the Bank may not transact. ...	19

CHAPTER—4

General Provisions

27. Auditor. ...	19
28. Profit and loss. ...	20
29. Responsibility of the authorities in case of loss caused to the Bank. ...	21
30. Liquidation. ...	21
31. Amendment. ...	21

2. Definitions:—

In this Act, unless there is anything repugnant in the subject or context,

- (a) "The Bank" means the Nepal Rastra Bank constituted by this Act;
- (b) "The Board" means the Board of Directors of the Bank;
- (c) "Foreign ~~Exchange~~^{currency}" means all currencies other than the Nepalese currency;
- (d) "Letter of Credit" means a written order addressed by one Bank to its correspondent to honour cheque, draft, or hundies drawn by a specified person or persons to a specified amount;
- (e) "Securities" means security of the Government of Nepal and other foreign Governments;
- (f) "Bill of exchange" means an unconditional order in writing by the drawer to the drawee to pay a stated sum to the drawer or to his authorised nominee or to the bearer on a given date or on demand;
- (g) "Promissory note" means a signed document containing an unconditional promise to pay a specified sum to a specified person or to the bearer at a specified date or on demand;
- (h) "Government" means the Government of Nepal.

CHAPTER—2

Incorporation, Capital, Management, and Organisation

3. *Establishment and incorporation:—*

- (1) A Bank to be called the Nepal Rastra Bank shall be constituted for the purpose of taking over the management of the currency from the Government of Nepal and of carrying on the business of banking in accordance with the provisions of this Act.
- (2) The Central Office of the Bank shall be situated in Kathmandu.
- (3) The Bank shall be a body corporate by the name of the Nepal Rastra Bank and shall by that name transact business, maintain accounts and also sue or be sued.
- (4) The Bank shall use a common seal of the name of Nepal Rastra Bank for the transaction of its business.

4. *Capital of the Bank:—*

The capital of the Bank shall be one crore of Mohar rupees and the Government may, if it considers necessary after taking into consideration the recommendations made by the Board of Directors, increase or reduce the amount of the Capital.

5. *Management:—*

- (1) The Government may after consulting the Governor of the Bank give such directions to the Bank as it may consider necessary in the national interest.

(2) Subject to any such directions, all responsibilities of conducting the affairs and business of the Bank and of exercising powers and functions and of performance of duties entrusted to the Bank under this Act shall vest in the Board of Directors.

(3) The Board shall frame rules and regulations for the conduct of the business mentioned in sub-section (2) above, and the Governor shall in accordance with such rules and regulations and under the general superintendence and direction of the Board of Directors, exercise all powers vested in the Board under this Act and that the Governor may, for the efficient management of ^{the} business of the Bank, and on his own responsibility, delegate his powers to any officer subordinate to him.

6. *Composition of the Board of Directors and term of Office of Directors:—*

(1) The Board shall consist of five members as mentioned below:—

(a) A Governor.

(b) And four Directors.

(2) The Governor shall be appointed by the Government for a term of three years and shall be eligible for reappointment on the expiration of such term, if the Government deems desirable. The Governor shall receive such salaries and allowances as may be fixed by the Government.

(3) The Government shall also appoint Directors as mentioned in clause (b) of sub-section (1)

(3) Directors mentioned in clause (b) of sub-section (1) shall also be appointed by His Majesty's Government for a term of two years. The retiring Director shall be eligible for re-appointment by His Majesty's Government. They shall be entitled to receive such fees as may be fixed by His Majesty's Government for each meeting of the Board which they attend.

(4) Notwithstanding anything contained in sub-section (3), out of four Directors appointed by His Majesty's Government under this section in the year 2015, two Directors shall retire at the end of one year from the date of their appointment, to be determined by lot.

(a) is, an insolvent, or

(b) is found lunatic, or

(c) is an officer or employee of any Bank, or

(d) is a Director of any Bank, or

(e) is a member of Legislative Assembly.

(2) No two persons who are partners of the same firm or are Directors of the same limited concern may be Directors of the Board.

(3) Nothing in clauses (c) and (d) of sub-section (1) above shall apply to the Governor.

8. *Officiating appointments:—*

If the Governor being on leave or by infirmity or otherwise is rendered incapable of executing his duties, the Government may appoint another person to officiate for him. In like circumstances arising in relation to a Director the Government may appoint some person to officiate as a Director.

above for a term of two years. They shall receive such fees as fixed by the Government for each meeting of the Board which they attend. Out of the four Directors one shall retire at the end of each year, the Director so to retire being determined by lot and the vacancy so caused shall be filled up by a Government nominee. The retiring Director shall be eligible for reappointment by the Government.

7. *Disqualifications of Governor and Directors:—*

- (1) No person may be a Director of the Board who
 - (a) is, an insolvent, or
 - (b) is found lunatic, or
 - (c) is an officer or employee of any Bank, or
 - (d) is a Director of any Bank, or
 - (e) is a member of Legislative Assembly.
- (2) No two persons who are partners of the same firm or are Directors of the same limited concern may be Directors of the Board.
- (3) Nothing in clauses (c) and (d) of sub-section (1) above shall apply to the Governor.

8. *Officiating appointments:—*

If the Governor being on leave or by infirmity or otherwise is rendered incapable of executing his duties, the Government may appoint another person to officiate for him. In like circumstances arising in relation to a Director the Government may appoint some person to officiate as a Director.

direction of the Board under this Act and powers vested in the Board for the efficient management of ^{the} business of the Bank, and on his own responsibility, delegate his powers to any officer subordinate to him.

6. *Composition of the Board of Directors and term of Office of Directors:—*

- (1) The Board shall consist of five members as mentioned below:—
 - (a) A Governor.
 - (b) And four Directors.
- (2) The Governor shall be appointed by the Government for a term of three years and shall be eligible for reappointment on the expiration of such term, if the Government deems desirable. The Governor shall receive such salaries and allowances as may be fixed by the Government.
- (3) The Government shall also appoint Directors as mentioned in clause (b) of sub-section (1)

9. *Removal from and vacation of office:—*

- (1) A Director shall be removed from office if without leave from the Board he absents himself from three consecutive meetings of the Board.
- (2) The Government may remove the Governor or the Director if circumstances so require.
- (3) Any member of the Board may resign his office to the Government, and on the acceptance of the resignation the office shall become vacant.
- (4) The Government shall appoint a competent person to fill up the vacancy caused under subsections 1, 2, and 3 above. But such appointment shall hold good only for the unexpired portion of the term of the predecessor.

10. *Meeting of the Board:—*

- (1) Meeting of the Board shall be convened by the Governor at his discretion but such meetings shall be convened at least six times in a year and at least once every three months.
- (2) No meeting of the Board shall be held unless attended by at least three of the Directors including the Governor. Any decision made with such quorum shall be deemed to be the decision of the Board of the Directors.
- (3) On any two of the Directors requesting the Governor in writing he shall convene a meeting of the Board.

- (4) The Governor or in his absence the officiating Governor shall preside at the meetings of the Board.
- (5) In the event of an equality of votes the Governor shall have a casting vote.

11. *Powers of the Government to suspend the Board:—*

- (1) If in the opinion of the Government the Board is incapable of carrying out the functions as laid down in this Act the Government may, by notification in the *Nepal Gazette*, suspend the Board and may thereafter appoint some person or agency in its place to conduct the affairs of the Bank in accordance with this Act, and such person or agency may exercise all the powers vested in the Board under this Act.

- (2) When action is taken under this section, the Government shall submit a full report of the circumstances necessitating such action to the Parliament or in case there is no Parliament to His Majesty the King within three months of the notification suspending the Board.

12. *Relationship between the Government and the Bank:—*

As the Bank is under the Government of Nepal, Ministry of Finance, such approval and opinion as has to be obtained from the Government under this Act shall be sought through the said Ministry.

13. *The separation of the Issue and the Banking Dept:—*

(1) The Bank shall have two separate Departments viz; the Issue Department being responsible for operations related to the issuing of notes and the Banking Department undertaking all other operations. The assets of the Issue Department shall not be subject to any liability other than the liabilities of the Issue Department.

(2) The Issue Department shall be liable for the currency notes issued so far and to be issued hereafter.

14. *Reports of the accounts and operations of the Bank:—*

(1) The Bank shall submit to the Government a monthly report in such manner as the Government may, by notification in the *Nepal Gazette*, prescribe. The Government shall cause such reports to be regularly published in the *Gazette*.

(2) The Bank shall also, within two months from close of the financial year, submit to the Government a copy of the annual accounts signed by the Governor and the Chief Accountant and certified by the auditors as well as a report of the Board on the working of the Bank throughout the year under review. The Government shall cause such accounts and reports to be published in the *Nepal Gazette*.

15. *Agricultural Credit Department:—*

The Bank shall maintain an Agricultural Credit section for the purpose of studying questions relating to agricultural credit.

16. *Branches:—*

When necessary, for the efficient conduct of its business, the Bank may establish branches at any place or places within the kingdom of Nepal. The previous approval of the Government shall be necessary for opening branches outside the kingdom of Nepal either in India or in any other foreign country. Approval of the Government shall have to be obtained likewise for closing branch or branches once established.

17. *Power of the Board to make regulations:—*

(1) For the purpose of giving effect to the provisions of this Act, the Board may make regulations with the previous sanction of the Government.

(2) In particular, and without prejudice to the generality of the ~~regulation~~ provision, the Board may make regulations to provide for all or any of the following matters, namely:—

(a) the manner in which the business of the Board shall be transacted and the procedure to be followed at meetings thereof;

(b) the delegation of the power by the Board to the Governor and by the Governor to his subordinates;

- (c) the formation of sub-committees by the Board when necessary and the manner in which the business of such committees shall be conducted;
- (d) Appointment, promotion, dismissal, pay, allowance, pension, leave, conduct, discipline and the constitution of officers and the servants of the Bank;
- (e) the terms of the contracts to be entered into on behalf of the Bank consistent with law;
- (f) the manner in which the seal of the Bank shall be used;
- (g) the form in which the accounts of the Bank shall be maintained and the balance-sheet drawn up;
- (h) the relationship of the Bank with other Banks registered in Nepal and the reports and returns to be submitted by them;
- (i) the refund of lost, stolen or mutilated notes; ^{and}
(j) generally for the efficient conduct of the business of the Bank.

CHAPTER—3

Functions

18. *Issue of Currency Notes:—*

- (1) Subject to the provisions of the Lal Mohar dated 2012/1/19/2 (2-5-1955) concerning note issue, the Nepal Rastra Bank shall have the sole right to issue currency notes. On

and from the date on which this section comes into force the Government of Nepal shall not issue currency notes. For a period fixed between the Government and the Bank, the Bank shall take over the notes printed by the Government and shall issue them with the previous approval of the Government. On the expiration of that period the Bank shall get the notes printed by itself and shall issue them with the previous approval of the Government. If the Bank fails to make payment against notes issued by it, the Government shall be liable for them.

- (2) The Bank shall be liable also for the notes issued by the Government before the commencement of this Act and as such the reserve kept by the Government against issued notes shall be transferred to the Issue Department of the Bank.

- (3) For the present, the Bank shall issue notes of the denominational values of one, five, ten and one hundred rupees. The Board, if it deems necessary, shall issue notes of other denominational values also, with the approval of the Government.

- (4) The design, form and the material of the notes shall be such as may be approved by the Government after consideration of the recommendations made by the Board.

- (5) The notes issued by the Bank shall be legal tender throughout the kingdom of Nepal in

payment or on account for the amount expressed therein.

(6) After consulting the Board, the Government may by notification in *Nepal Gazette* declare that notes of any specified denominational value shall cease to be legal tender save at such place or Government office and in accordance with prescribed rules.

(7) The Bank shall not re-issue notes which are torn, defaced or excessively soiled.

(8) The Bank shall at once exchange notes of any denomination or denominations for notes of any other denomination or denominations or notes for coins or coins for notes whenever asked for. For such exchange transaction, the Bank shall acquire coins from the Government in exchange for its notes. The Bank shall not be obliged to exchange coins for notes if it does not receive coins from the Government as demanded.

(9) Notwithstanding anything contained in any enactment or rule of law to the contrary, no person shall of right be entitled to recover from the Government or the Bank the value of any lost, stolen or mutilated note. Provided that the Bank may with the approval of the Government, frame rules and give refund accordingly.

19. *Transaction of Government business:—*

(1) The Bank shall render advice to the Government on financial matters.

(2) On such conditions as may be agreed upon between the Government and the Bank, the entire receipts of the Government shall be deposited free of interest with the Bank, and the Bank shall, as instructed by the Government, do banking transactions like making disbursements and remittances, and undertaking foreign exchange operations to the amount standing to the credit of the Government. But the Government shall, at its pleasure, carry on its above mentioned transactions through any other Bank or Government office at places where the Bank has no branches or agents.

20. *Mobilisation of capital and management of public debts:—*

(1) The Bank shall endeavour to mobilise capital and savings for the economic development of the country.

(2) The Bank shall be entrusted with the entire management of the public debt on such terms as may be agreed upon between the Government and the Bank.

(3) In the event of any difference of opinion on the terms of the agreement the Bank shall be obliged to do work on such terms as decided by the Government.

21. *Transactions in foreign exchange:—*

The Bank shall have the sole right to deal in foreign exchange at rates fixed by the Government, after taking the opinion of the Bank. The Government shall, after

consultation with the Bank, frame and enforce foreign exchange control regulations.

22. *Control of credit:—*

The Bank shall endeavour to control credit according to the directions of the Government. The Government after consultation with the Bank, shall frame and enforce credit control regulations.

23. *Development of the Banking system:—*

(1) The Bank shall endeavour to develop and regulate the banking system in the country.

(2) Other banks operating in the country shall maintain cash deposits with the Bank in accordance with the policy and the rules laid down by the Government and the Bank.

(3) The Bank may, at its discretion make loans and advances to other banks incorporated in Nepal against securities mentioned below and on terms and conditions to be mutually agreed upon:

- (a) securities or promissory notes of Government of Nepal or other foreign Government,
- (b) bullion or gold and silver ornaments and,
- (c) bills of exchange.

(4) In accordance with rules to be laid down by the Bank, other Banks shall submit reports and returns to it from time to time. The Bank shall carry out inspection of every bank at least once in a year.

(5) If default is made by any bank in complying with the provisions of sub-sections (2) and (4) above such bank shall pay a penalty under the relevant rules made by the Bank with the approval of the Government.

24. *Stimulation to Industries:—*

If both the Government and the Bank consider it sound the Bank may advance reasonable amount of loan to industries like mining, railways, roadways, cement, etc. against adequate security.

25. *Other transactions:—*

In addition to the functions prescribed under foregoing provisions the Bank is authorised to carry on and transact business hereinafter specified, namely,

- (1) the accepting of money on deposit without interest from institutions and persons, besides the Government,
- (2) the sale and purchase of bills of exchange, demand drafts and hundies,
- (3) the re-discount of bills of exchange on commission,
- (4) the borrowing of money not exceeding the capital, against the security or the mortgage of the Bank's assets,
- (5) the making of loans and advances to agricultural co-operative ^{savings} banks on reasonable terms,
- (6) the purchase and sale of promissory notes and securities of the Government of Nepal or other Governments and the collection of principal and interests thereon.

- (7) establishing and negotiating letter of credit on account of the Government and the Bank,
- (8) the purchase and sale of bullion, sovereigns and *asarpies* (gold mohars),
- (9) the remittance and collection of money by telegraphic transfers, hundies, etc. in and out of the country,
- (10) the making of loans and advances to the Government repayable within 4 months on terms mutually agreed upon,
- (11) acting as agent to the Government for the following:—
 - (a) the sale and purchase of securities and promissory notes,
 - (b) the sale and purchase of bullion, sovereigns and *asarpies* (gold mohars),
- (12) the acquisition and sale of property, whether movable or immovable, which may come into the possession of the Bank in satisfaction of any of its claims,
- (13) the opening of account with any bank incorporated in any country outside Nepal or with the principal currency authority of the country or with international bank, the making of an agency agreement with, and the acting as agent of such bank or banks, and the investment of the funds of the Bank in the shares of any such international bank,
- (14) and generally, the doing of all such matters and things as may be incidental to or conse-

quential upon the exercise of its powers or the discharge of its duties under this Act.

26. *Business which the Bank may not transact:—*

The Bank is not obliged to transact the following business:—

- (1) have a direct interest in any commercial, industrial or other undertakings or engage in trade except in the course of the satisfaction of any of its claims;
- (2) purchase of the shares of any banking company or of any other company, or grant loans upon the security of any such shares;
- (3) advance money on security of immovable property like land, building, etc. except so far as is necessary for its own office premises or residences for its employees;
- (4) make loans and advances without security;
- (5) make loans and advances upon the net surplus of the trust income;
- (6) draw or accept bills payable ~~otherwise than on~~ demand.

CHAPTER—4

General Provisions

27. *Auditor:—*

- (1) Not less than two auditors shall be appointed and their remuneration fixed by the Government to examine the account of the Bank;

- (2) the Government if it so desires may at any time have the accounts of the Bank examined by a special auditor,
- (3) every auditor so appointed shall be supplied with a copy of the annual balance-sheet and it shall be his duty to examine the accounts of the Bank together with the documents and vouchers relating thereto. Every such auditor shall have a list delivered to him of all books of accounts maintained by the Bank and shall at all times in the performance of his duties have access to all books, accounts, and related documents of the Bank and may, if necessary, employ accountants or other persons to assist him, and may, in course of the examination of the accounts, examine any Director or Officer of the Bank;
- (4) on examination of the accounts as stated in sub-section 3 above the auditor shall make a report to the Government, stating clearly:
- (a) whether the balance-sheet prepared by the Bank contains all necessary particulars and exhibits the actual state of affairs of the Bank,
 - (b) whether the accounts are properly kept ~~up~~ and
 - (c) whether satisfactory explanations have been obtained in reply to questions asked ~~for~~

28. *Profit and loss:—*

The balance of profit at the end of every fiscal year shall be, after making provision for reserve, depreciation

tion and contingencies as the Board, at its discretion, may think fit, credited to the account of the Government. In case of loss the Government shall make good the loss.

29. *Responsibility of the authorities in case of loss caused to the Bank:—*

Except in case of dishonest intention and wilful negligence the Governor, Directors and employees of the Bank shall not be held personally responsible for any loss caused to the Bank in discharge of their authorised duties. But fine imposed for acting in contravention to the provisions of this Act or rules framed under it shall be borne personally.

30. *Liquidation:—*

The Bank shall not be placed in liquidation save by order of the Government and in the event of liquidation, the same shall be carried out in such manner as decided by the Government.

31. *Amendment:—*

To amend this Act, the Board shall submit necessary recommendations to the Government stating the reasons for amendment and the same shall be as decided upon by the Government.

Dated this eighteenth day of the month of Kartik of the year two thousand and twelve of the Sambat era.