



NCC Bank

नेपाल क्रेडिट एण्ड कमर्स बैंक लि.
Nepal Credit & Commerce Bank Ltd.

Product Paper (PP) - Loan Against Shares

1. Introduction

The product is specially structured to facilitate the individuals, investment firm, companies etc holding the ordinary & promoter shares of different companies which are listed in the Stock Exchange to meet the immediate fund requirement. The loan shall be provided against the pledge of shares of various organizations/companies having sound financial position.

2. Type of Loan

Loan against Share - Overdraft / Demand Loan

3. Purpose of Loan

- To meet immediate fund requirement, Purchase of Share, etc.

4. Basic Eligibility Criteria

Lending against lien/pledge of shares has been regulated by NRB. As such there are various requirements that need to be adhered to by bank as well as borrowers.

Loan against Shares will be extended only against Shares of the reputed companies/institutions listed by Nepal Stock Exchange Limited. The eligibility for the loan shall be as follows:

- Should be a Nepali Citizen having citizenship certificate having regular source of income
- Should be the account holder of the bank
- Investment Companies/Firms

4.1 Other Criteria.

- The primary capital/net worth of the company whose shares are proposed as security should be positive.
- If the proposed shares are of banks/financials institutions, Capital Adequacy Ratio (CAR) of the same must be within the norms set by NRB.
- The Company should have completed their audit within 1 year from the completion of Financial Year End as required by NRB directives.
- In case of shares of Financial Institutions the NPA level shall not be above 5%.
- The company shall have sound and satisfactory financial position with profitable operation for last three consecutive years.



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- The company shall be rated 'A' & 'B' class institution from Nepal Stock Exchange Limited.
- The Company should not have been de-listed by Nepal Stock Exchange Limited at the time of extending loan.
- The borrower holding more than 1% promoters share of Bank/ Financial Institutions shall not be allowed to obtain loan more than 50% of holding shares
- The Bank shall not provide the loan against security of own shares.

5. Amount

- Minimum loan size to be NPR 500,000/-.
- Exposure to the single borrower or borrower group is restricted to 5% of core capital.
- Total lending of the Bank in this sector is restricted to 50% of the value of core capital of the Bank.
- Maximum lending against shares of the companies will be restricted as follows against ordinary shares :
 - Finance up to 80% of the valuation - Dividend payment of 15% and above
 - Finance up to 70% of the valuation - Dividend payment between 5% - 14%
 - Finance up to 60% of the valuation - Dividend payment 0% to 5%
- However Lending against Promoters shares will be restricted to 60% of the value determined as stated in point NO 6. The ED/CEO shall have authority to finance 5% more in all level mentioned above not exceeding 80% of the valuation of the shares.

6. Valuation of Shares:

(a) Ordinary Shares

The valuation of the Shares should be the value of past 180 day's average closing price of the share or present prevailing market price of the share whichever is lower or as per the directives of NRB.

(b) Promoter Share

The valuation of the Shares should be the 50% of past 180 days average closing price of Ordinary Shares or present prevailing market price of promoter shares whichever is lower.



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7. Pricing

Interest Rate As decided by the Bank from time to time
Processing Fee 1% of sanctioned limit to be collected up front upon approval of the loan.

The interest of the loan to be repaid in each quarter end as per Nepali Calendar i.e (Ashad, Aswin, Poush & Chaitra).

Tenure The loan limit shall be assigned for a maximum period of one year.

8. Repayment

- The loan to be repaid in lump sum within its expiry. However, the limit can be renewed upon settlement of 25% of principal and all the interest.
- The intended borrower for Share Loan should have sound and stable income generation for repayment of loan/interest thereon other than liquidation of pledged share.

9. Security

- Pledge/lien of shares offered as security.
- Personal Guarantee
- Corporate guarantee of borrowing firm/companies
- Original share certificates
- Blank Transfer (BT) paper with signature verification from the concerned company

9.1 Other points to be considered

- Ensure that the offered shares are originally scripts and bear the seal of the respective company
- The Share should be listed with Nepal Stock Exchange Limited.
- The Shares should be fully paid up. Loan is not allowed against partially paid up shares.
- Stipulated margin should be maintained at all the times
- Adequate number of transfer deeds duly signed and witnessed but not dated should be taken upfront.
- As far as possible third party shares should not be accepted as a security. If such shares are to be accepted, letters of renunciation should be obtained from the owner of the shares.
- A mandate addressed to the company concerned by the borrower for payment of dividend directly to the bank should be taken



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- Mutilated and damaged share certificates, certificates containing unauthenticated alterations and cancellation as well those which does not contain company's seal should not be accepted as security
- The shares taken as security should be lien marked with the concerned company and CDS/Stock Exchange in favor of the bank. Demating of the shares taken as security must be done in time and pledged confirmation letter/statement of lien marked of shares must be obtained for the shares.
- In case of an offer for right shares, intimation to the holder of the share should be given.
- If the holder of the shares to whom right shares are issued fails to deposit the amount of right shares, the letter of right may be renounced with the permission of the Corporate Office and the sales proceeds should be credited to the borrowers account under intimation.
- Bonus shares issued against shares pledged with the Bank shall be tracked and shall be kept under lien to the bank.

10. Monitoring

- As the price of the shares are very sensitive and fluctuates very frequently, close watch on the share price is to be made on daily basis and drawing power against the share are to be calculated at least on weekly basis.
- If the market price of the shares goes down by 10%, the limit to be reduced up to the new drawing power by securing the margin and the borrower/guarantor immediately asked to top on the additional security or to deposit the deficit amount within 7 days.

11. Basic Documentation

- Completed Know Your Customer (KYC) & Net Worth Declaration form
- Completed application form
- A recent photograph of applicant/guarantor.
- Copy of Citizenship Certificate/Passport of the applicant and guarantor
- Firm or company registration certificate and PAN certificate incase of firm and company
- Company's board resolution deciding to borrow and nominating representative to execute security documents, if the borrower is a company.
- CIC report of the applicant as applicable.

12. Security Documentation

- Loan Sanction letter duly accepted by the borrower and acknowledge by the guarantor of the facility
- Completely filled Loan Deed
- Demand Promissory Note
- Letter of lien
- Letter of continuity/Account debit authority letter



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- Different set of Forms required to be executed for affecting transaction of sales and purchase as prescribed by Nepal Stock Exchange
- Letter of registration of lien over the shares/pledged confirmation letter or lien mark statement (demat) by the CDS/stock exchange and the company concerned, restricting the transfer of lien marked shares.
- Other relevant deeds & documents as required.

13. Service Procedure

- KYC & Net worth Declaration form to be filled up.
- Submission of duly filled application along with the required supporting documents
- Approval for the loan from approving authority.
- Issuance of an offer letter
- Collection of fee/charges
- The disbursement will be made after completing all required security documents.

14. Credit Approval Discretion (CAD)

- The CAD rests with Executive Director/CEO until further notice from the Corporate Office.

15. Service Standard

- Maximum 5 working days from the date of submission of all the required documents.

16. Accounting Mechanism of loan disbursement

a. In case of Demand Loan

A separate loan account in the name of the borrower shall have to be opened under demand loan category.

- Borrower's checking account shall be credited by equivalent amount of loan approved by debiting the borrowers loan account duly opened. Limit as approved should be fixed in the loan account, interest rate; expiry should be properly inserted as approved.

b. In case of Overdraft Account

The approved limit to be fixed in borrower's checking account. Interest rate & expiry date should be properly inserted as approved.

17. Reporting

- Weekly status of Share Loans & drawing power calculation sheet to be forwarded to Centralized Credit Operation Department for monitoring and necessary reporting.

