

REALISING  
ELECTRONIC PAYMENTS  
FOR NEPAL

ANNUAL REPORT  
2075-76 (2018-19)



**NEPAL  
CLEARING  
HOUSE**

# नेपाल राष्ट्र बैंक सँगै ८० बैंक तथा वित्तीय संस्थाहरूको विश्वासले बनेको



## NEPAL CLEARING HOUSE LTD.

राष्ट्रिय भुक्तानी पूर्वाधार विकासमा प्रतिबद्ध



[www.nchl.com.np](http://www.nchl.com.np)



नेपाल राष्ट्र बैंक र बैंक तथा वित्तीय संस्थाहरुबाट प्रवर्द्धित

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# O1 | OVERVIEW

## CORPORATE PROFILE

### Company Name

**Nepal Clearing House Limited**

Url: [www.nchl.com.np](http://www.nchl.com.np)

### Head Office

3<sup>rd</sup> Floor, Kamaladi Complex,  
Kamaladi, Kathmandu, Nepal  
Tel: +977-1-4232386  
Fax: +977-1-4255309  
Email: [info@nchl.com.np](mailto:info@nchl.com.np)

### Operations Office

2<sup>nd</sup> Floor, DD Plaza, Shanta Marg,  
Kamaladi, Kathmandu, Nepal  
Tel: +977-1-4255306  
Helpdesk Support: Ext: 102, 103, 104 and 110  
Email: [support@nchl.com.np](mailto:support@nchl.com.np)

### Legal Form

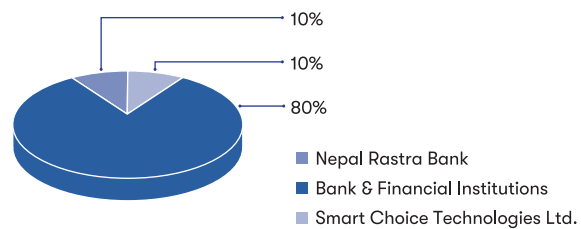
Incorporated as a Public Limited company under the sub section 1 of Section 5 of Company Act, 2063 on 8<sup>th</sup> Poush 2065 (23<sup>rd</sup> December 2008).

### Licenses/Certifications

- Licensed by Nepal Rastra Bank as Payment System Operator (PSO)
- ISO 27001 certification for NCHL-ECC and NCHL-IPS Systems

### Ownership Structure

Nepal Clearing House Limited, established under the leadership and guidance of the Central Bank of Nepal, has holding of 10% by Nepal Rastra Bank, 80% by various banks and financial institutions and 10% by Smart Choice Technologies Ltd. The banks and financial institutions include commercial banks, development banks and finance companies.



### External Auditor

Joshi & Bhandary  
Chartered Accountants  
Koshi Compound, Dillibazar,  
Kathmandu, Nepal  
Phone: +977-1-4419364, 4423550  
Fax: +977-1-4413038  
Email: [jb@jb.com.np](mailto:jb@jb.com.np)

### Internal Auditor

M.B. Shrestha & Co.  
Chartered Accountants  
Sankhamul Road, New Baneshwor,  
Kathmandu, Nepal  
Tel: +977-1-4781818

### ISO 27001 Auditor

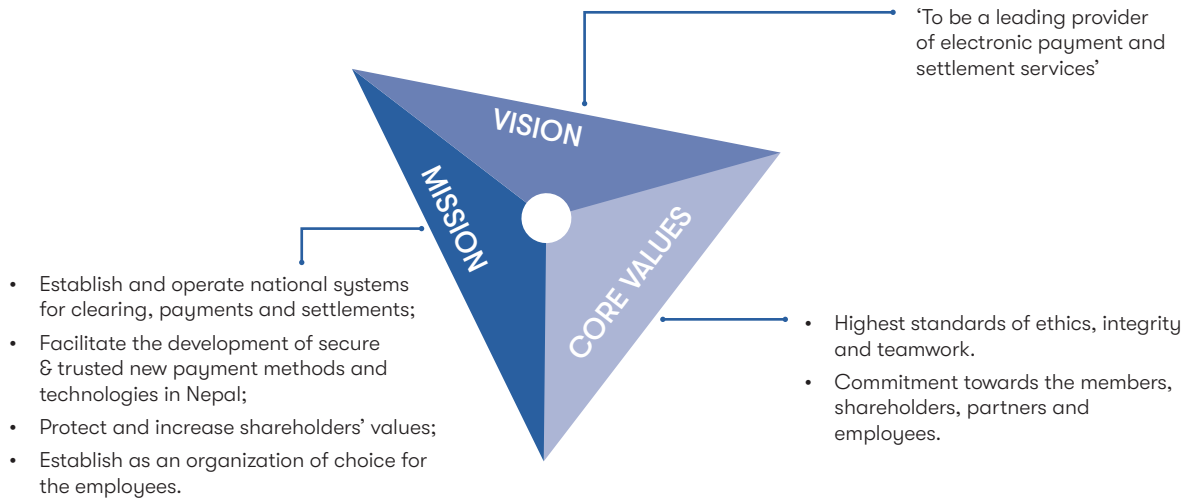
URS Nepal P. Ltd.  
Rani Marg, Lazimpat,  
Kathmandu, Nepal  
Tel: +977-1-4386324  
UKAS

### Preamble of the Report

This annual report presents comprehensive position of NCHL from its financial, operational, risk & control and related perspectives, as at the end of FY 2075/76 (2018/19). The financial statements has been prepared based on NFRS for SMEs which has been duly audited, approved by the Board of Directors and needed approval obtained from Nepal Rastra Bank.



## VISION, MISSION & CORE VALUES



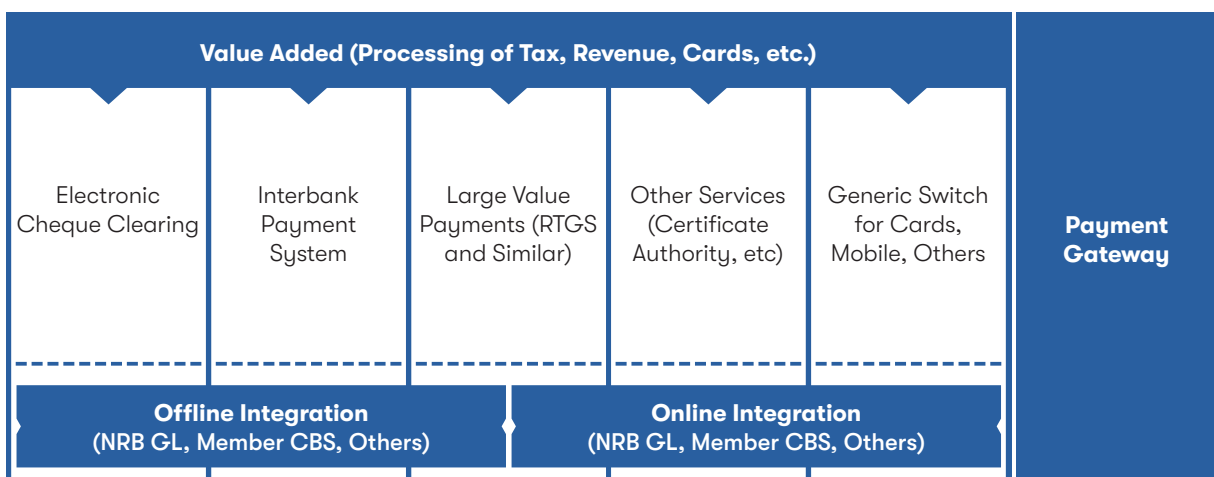
### Our Commitment and Code of Conduct Principles

NCHL shall conduct its business in a highly professional and transparent manner to ensure that:

1. Every member of NCHL shall deal with professionalism, honesty, integrity and with high moral and ethical standards. Such conduct shall be fair and transparent.
2. NCHL is committed to enhance shareholder's value and comply with all regulations and laws that govern shareholders' rights and conduct its business affairs in accordance with the rules, regulations and the guidelines prescribed by Nepal Rastra Bank (NRB) and other regulatory authorities.
3. NCHL shall market its products and services on their intrinsic merits and shall not make unfair and misleading statements about competitors' products and services.

### Strategic Objectives

The strategic objective of NCHL is to implement multiple payments, clearing and settlement systems to facilitate development of electronic payments in Nepal. Hence, it intends to establish the payment systems and process for multiple financial instruments and channels thereby leveraging and reinvesting into national payments infrastructures.



## LIST OF SHAREHOLDERS

As at Ashad end 2076

S. No.	Shareholders	Number of Shares	Value in NPR
1	Nepal Rastra Bank	216,000	21,600,000
2	Agricultural Development Bank Ltd.	6,636	663,600
3	Bank of Kathmandu Ltd.	77,062	7,706,200
4	Century Commercial Bank Ltd.	26,357	2,635,700
5	Citizens Bank International Ltd.	42,502	4,250,200
6	Civil Bank Ltd.	73,877	7,387,700
7	Everest Bank Ltd.	36,000	3,600,000
8	Global IME Bank Ltd.	92,604	9,260,400
9	Himalayan Bank Ltd.	36,000	3,600,000
10	Janata Bank Nepal Ltd.	60,364	6,036,400
11	Kumari Bank Ltd.	57,264	5,726,400
12	Laxmi Bank Ltd.	37,440	3,744,000
13	Machhapuchchhre Bank Ltd.	36,000	3,600,000
14	Mega Bank Nepal Ltd.	33,157	3,315,700
15	Nabil Bank Ltd.	36,000	3,600,000
16	Nepal Bangladesh Bank Ltd.	36,000	3,600,000
17	Nepal Bank Ltd.	36,000	3,600,000
18	Nepal Credit and Commerce Bank Ltd.	59,446	5,944,600
19	Nepal Investment Bank Ltd.	72,000	7,200,000
20	Nepal SBI Bank Ltd.	36,000	3,600,000
21	NIC Asia Bank Ltd.	72,000	7,200,000
22	NMB Bank Ltd.	60,451	6,045,100
23	Prabhu Bank Ltd.	79,280	7,928,000
24	Prime Commercial Bank Ltd.	37,440	3,744,000
25	Rastriya Banijya Bank Ltd.	36,000	3,600,000
26	Sanima Bank Ltd.	33,157	3,315,700
27	Siddhartha Bank Ltd.	49,322	4,932,200
28	Standard Chartered Bank Nepal Ltd.	36,000	3,600,000
29	Sunrise Bank Ltd.	42,502	4,250,200
30	Alpine Development Bank Ltd.	2,971	297,100
31	Bhargav Bikash Bank Ltd.	5,941	594,100
32	Deva Bikas Bank Ltd.	13,322	1,332,200
33	Excel Development Bank Ltd.	1,440	144,000
34	Gandaki Bikas Bank Ltd.	17,195	1,719,500
35	Garima Bikas Bank Ltd.	8,909	890,900
36	Jyoti Bikas Bank Ltd.	12,728	1,272,800
37	Kailash Bikas Bank Ltd.	20,006	2,000,600
38	Kamana Sewa Bikas Bank Ltd.	8,821	882,100
39	Kankai Bikas Bank Ltd.	1,440	144,000
40	Lumbini Bikas Bank Ltd.	34,294	3,429,400
41	Mission Development Bank Ltd.	2,971	297,100
42	Miteri Development Bank Ltd.	6,787	678,700
43	Muktinath Bikas Bank Ltd.	4,320	432,000
44	Om Development Bank Ltd.	15,410	1,541,000
45	Shangrila Development Bank Ltd.	13,320	1,332,000
46	General Finance Ltd.	1,440	144,000
47	Central Finance Ltd.	10,123	1,012,300
48	Crystal Finance Ltd.	1,440	144,000
49	Goodwill Finance Ltd.	27,722	2,772,200

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S. No.	Shareholders	Number of Shares	Value in NPR
50	Guheswori Merchant Banking & Finance Ltd.	5,062	506,200
51	Gurkhas Finance Ltd.	1,440	144,000
52	Arun Finance Ltd.	1,440	144,000
53	Himalaya Finance Ltd.	1,440	144,000
54	ICFC Finance Ltd.	5,062	506,200
55	Janaki Finance Co. Ltd.	5,062	506,200
56	Jebil's Finance Ltd.	5,062	506,200
57	Lalitpur Finance Ltd.	5,062	506,200
58	Mahalaxmi Bikas Bank Ltd.	60,974	6,097,400
59	Multipurpose Finance Co. Ltd.	1,440	144,000
60	Nepal Finance Ltd.	16,292	1,629,200
61	Nepal Share Markets & Finance Ltd.	1,440	144,000
62	Pokhara Finance Ltd.	5,062	506,200
63	Progressive Finance Ltd.	1,440	144,000
64	Reliance Finance Ltd.	15,593	1,559,300
65	Seti Finance Ltd.	1,440	144,000
66	Shree Investment & Finance Co. Ltd.	6,502	650,200
67	Srijana Finance Ltd.	1,440	144,000
68	Synergy Finance Ltd.	27,722	2,772,200
69	Union Finance Ltd.	5,063	506,300
70	United Finance Ltd.	5,061	506,100
71	World Merchant Banking & Finance Ltd.	1,440	144,000
72	Smart Choice Technologies Pvt. Ltd.	216,000	21,600,000
	<b>Total</b>	<b>2,160,000</b>	<b>216,000,000</b>

**Committed Towards  
National Payments Infrastructure  
Development**

**MEMBER LIST**

As at Asoj end 2076

S. No.	Members	NCHL-ECC	NCHL-IPS		connectIPS	Consolidated APIs - NPI	connectRTGS
			System	Inward Integration			
<b>Direct Members</b>							
1	Nepal Rastra Bank	*	*	*			
1	Nepal Infrastructure Bank Ltd.	*	*				
<b>Commercial Banks</b>							
1	Agriculture Development Bank Ltd.	*	*	*	*	*	✓
2	Bank of Kathmandu Ltd.	*	*	*	*		✓
3	Century Commercial Bank Ltd.	*	*	*	*		✓
4	Citizens Bank International Ltd.	*	*	*	*	*	✓
5	Civil Bank Ltd.	*	*	*	*		✓
6	Everest Bank Ltd.	*	*	*	*	*	
7	Global IME Bank Ltd.	*	*	*	*	*	✓
8	Himalayan Bank Ltd.	*	*	**	*	*	✓
9	Janata Bank Nepal Ltd.	*	*	*	*		✓
10	Kumari Bank Ltd.	*	*	*	*		✓
11	Laxmi Bank Ltd.	*	*	*	*	*	✓
12	Machhapuchre Bank Ltd.	*	*	*	*		✓
13	Mega Bank Nepal Ltd.	*	*	*	*		✓
14	Nabil Bank Ltd.	*	*	*	*	*	✓
15	Nepal Bangladesh Bank Ltd	*	*	*	*		✓
16	Nepal Bank Ltd.	*	*	*	*	*	✓
17	Nepal Credit and Commerce Bank Ltd.	*	*	*	*		✓
18	Nepal Investment Bank Ltd.	*	*	*	*		
19	Nepal SBI Bank Ltd.	*	*	✓	✓		✓
20	NIC Asia Bank Ltd.	*	*	*	*	*	✓
21	NMB Bank Ltd.	*	*	*	*		✓
22	Prabhu Bank Ltd.	*	*	*	*		✓
23	Prime Commercial Bank Ltd.	*	*	*	*		✓
24	Rastriya Banijya Bank Ltd.	*	*	*	*	*	✓
25	Sanima Bank Ltd.	*	*	*	*		✓
26	Siddhartha Bank Ltd.	*	*	*	*		✓
27	Standard Chartered Bank Nepal Ltd.	*	*	**			
28	Sunrise Bank Ltd.	*	*	*	*		✓
<b>Development Banks</b>							
1	Corporate Development Bank Ltd.	*					
2	Deva Bikas Bank Ltd.	*	*	*	*		
3	Excel Development Bank Ltd.	*	*	*	*		
4	Gandaki Bikas Bank Ltd.	*	*	*	*		
5	Garima Bikas Bank Ltd.	*	*	*	*		
6	Green Development Bank Ltd.	*	*	*	*		
7	Jyoti Bikash Bank Ltd.	*	*	*	*		
8	Kailash Bikas Bank Ltd.	*	*	*	*		
9	Kamana Sewa Bikas Bank Ltd.	*	*	*	*		
10	Kanchan Development Bank Ltd.	*	*	*	*		
11	Karnali Bikash Bank Ltd.	*					
12	Lumbini Bikas Bank Ltd.	*	*	*	*		
13	Mahalaxmi Bikash Bank Ltd.	*	*	*	*		
14	Miteri Development Bank Ltd.	*	*	*	*	*	
15	Muktinath Bikas Bank Ltd.	*	*	*	*		
16	Nepal Community Development Bank Ltd.	*	*				

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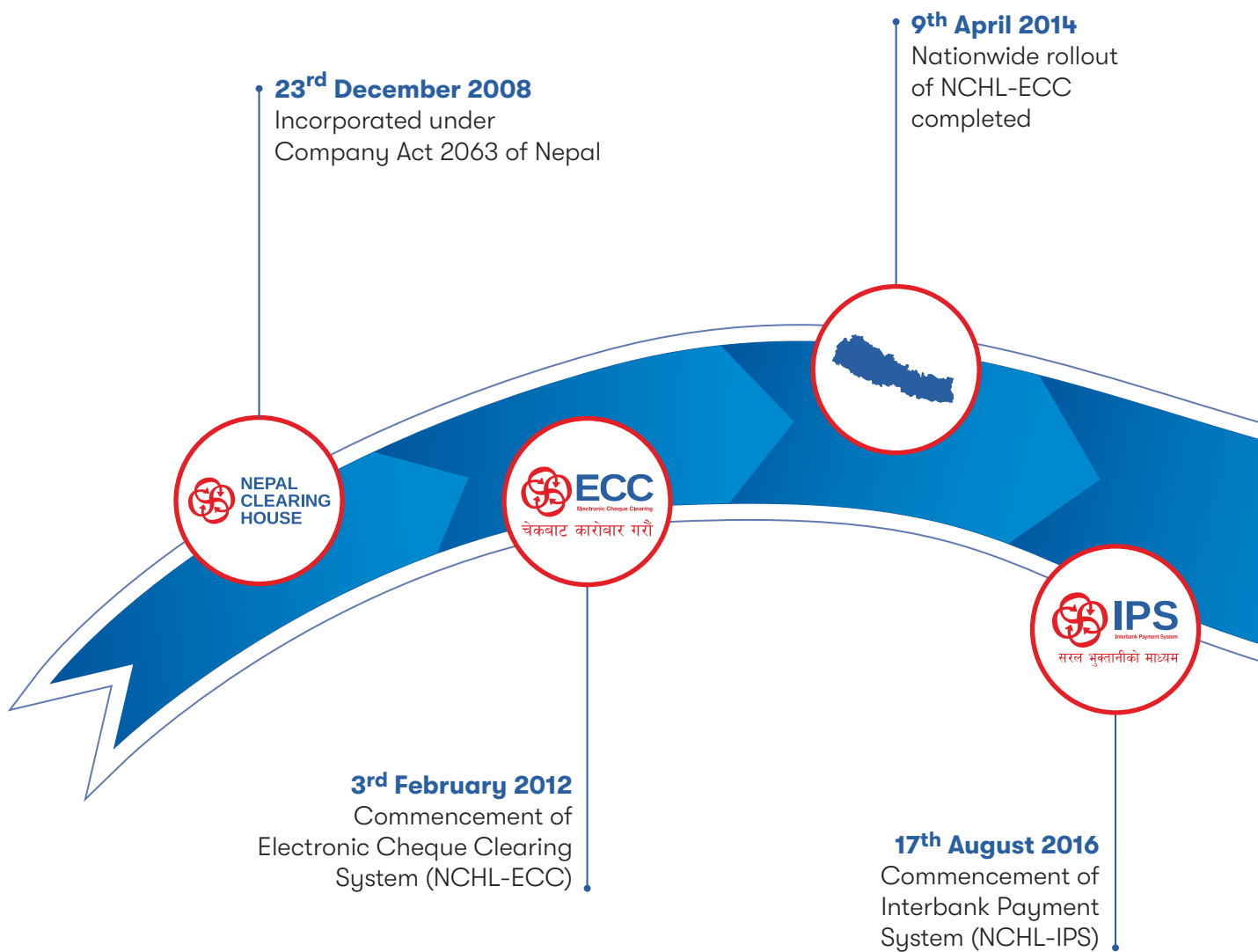


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S. No.	Members	NCHL-ECC	NCHL-IPS		connectIPS	Consolidated APIs - NPI	connectRTGS
			System	Inward Integration			
17	Sahara Bikash Bank Ltd.	*	*				
18	Sahayogi Bikash Bank Ltd.	*	*				
19	Saptakoshi Development Bank Ltd.	*	*	*	*		
20	Shangrila Development Bank Ltd.	*	*	*	*		
21	Shine Resunga Development Bank Ltd.	*	*	*	*		
22	Sindhu Bikas Bank Ltd.	*	*				
23	Tinau Mission Development Bank Ltd.	*	*	✓	✓		
<b>Finance Companies</b>							
1	Best Finance Company Ltd.	*	*				
2	Central Finance Ltd.	*	*	✓	✓		
3	City Express Finance Ltd.	*	*	*	*		
4	Goodwill Finance Ltd.	*	*	✓	✓		
5	Guheshwori Merchant Banking and Finance Ltd.	*	*	*	*		
6	Gurkhas Finance Ltd.	*	*	*	*		
7	ICFC Finance Ltd.	*	*	*	*	*	
8	Janaki Finance Company Ltd.	*	*				
9	Lalitpur Finance Ltd.	*	*				
10	Manjushree Finance Ltd.	*	*	*	*		
11	Nepal Finance Ltd.	*					
12	Pokhara Finance Ltd.	*	*	✓	✓		
13	Progressive Finance Co. Ltd.	*	*	*	*		
14	Reliance Finance Ltd.	*	*	*	*		
15	Shree Investment and Finance Co. Ltd.	*	*	*	✓		
16	Srijana Finance Ltd.	*	*				
17	United Finance Ltd.	*	*	*	*		
18	World Merchant Banking and Finance Ltd.	*					
<b>Total Direct Members</b>		<b>71</b>	<b>67</b>	<b>58</b>	<b>56</b>	<b>12</b>	<b>25</b>
<b>Indirect/ Technical Members</b>							
1	Nepal Stock Exchange Ltd. (NEPSE)				*	*	
2	Social Security Fund (SSF)				*	*	
3	City Express Money Transfer P. Ltd.					*	
4	GME Remit P. Ltd.					*	
5	IME Ltd.					*	
6	Lalit Money Transfer P. Ltd.					*	
7	Bhatbhateni Money Transfer P. Ltd.					*	
8	Ipay Remit P. Ltd.					✓	
9	Global IME Capital Ltd.		*				
10	IME Digital Solutions Ltd.				*	✓	
11	Prabhu Technology P. Ltd.				*	*	
12	Qpay P. Ltd.				*	*	
13	Sparrow Pay P. Ltd.				*	*	
14	E-Net Payment P. Ltd.				✓	✓	
15	Nepal Pay Time P. Ltd.				✓	✓	
16	Nepal Payment Solution P. Ltd.				✓	✓	
17	DigiPay P. Ltd.				✓	✓	
18	Reliable Nepal Life Insurance Ltd.				✓	✓	
19	Hamro Technology P. Ltd.				✓	✓	
<b>Total Indirect/Technical Members</b>			<b>1</b>		<b>12</b>	<b>18</b>	

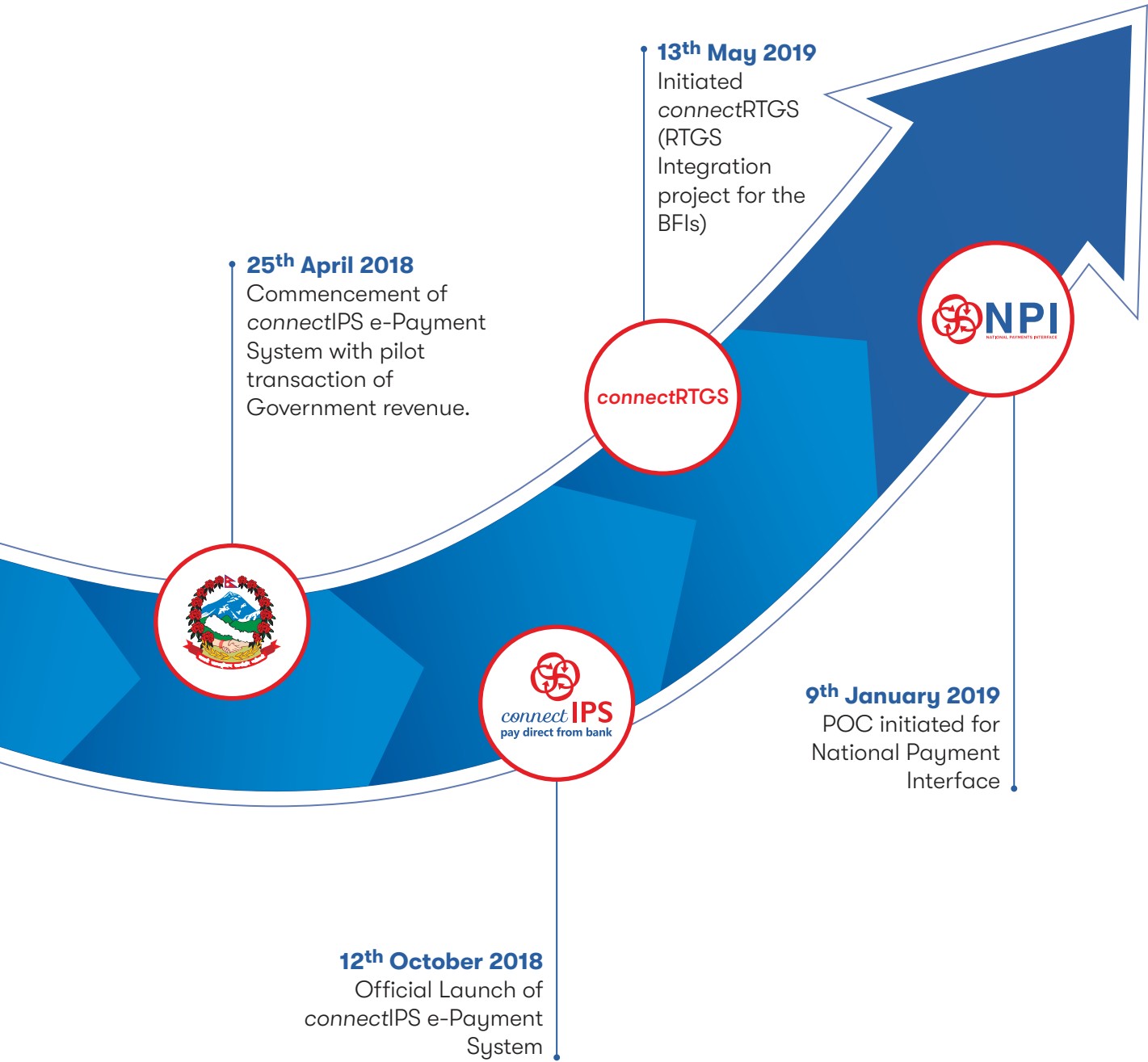
\* Live ✓ Subscribed \*\* Third Party

## MAJOR MILESTONES



## Principal Products/Brands





## FINANCIAL HIGHLIGHTS

### Net Worth Per Share



NPR **312** PER SHARE

An increase by 19% in comparison to preceding fiscal year that reflects the increased value of the company.

### Earnings Per Share



NPR **110** PER SHARE

An increase by 9% in comparison to preceding fiscal year.

### Operating Revenues



NPR **431** MILLIONS

An increase of 34% in comparison to preceding fiscal year primarily from NCHL-ECC and NCHL-IPS.

### Operating Cash Flows



NPR **249** MILLIONS

A better cash flow with an increase of 43% as compared with previous year.

### Net Profit After Tax



NPR **238** MILLIONS

An increase of 31% in comparison to preceding fiscal year reflecting the effective execution of the business strategies.

### Reserve & Surplus

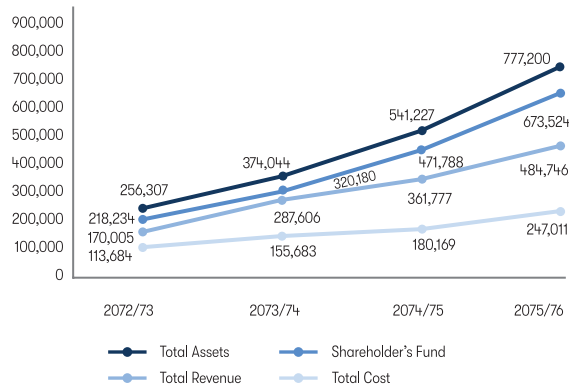


NPR **458** MILLIONS

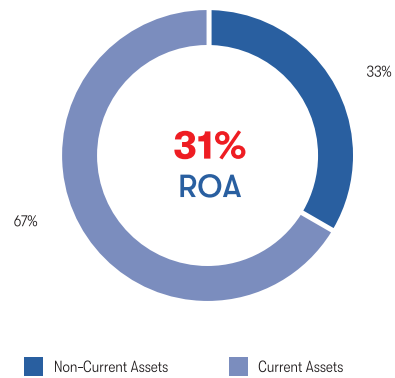
An increase of 57% in comparison to preceding fiscal year that is supporting re-investment into payment infrastructures.



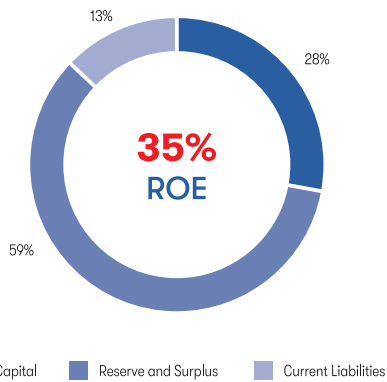
### Financial Summary (in '000)



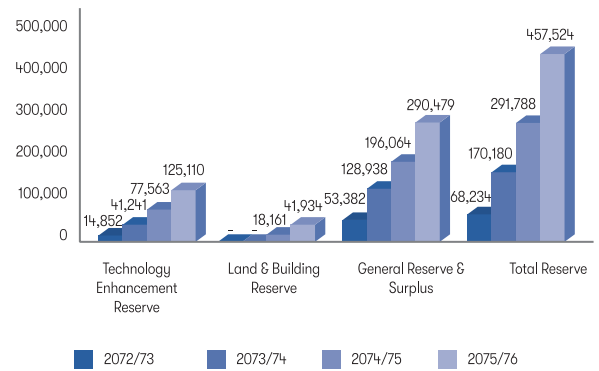
### Total Assets Distribution (FY 2075/76)



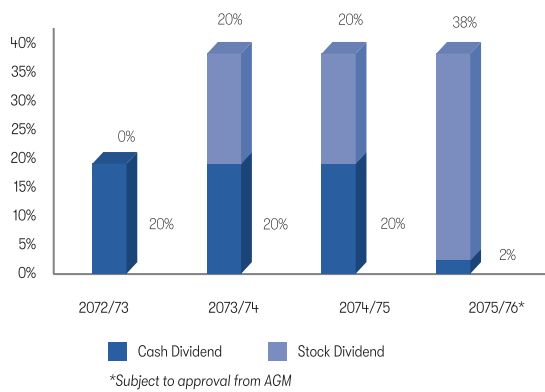
### Total Equity/Liabilities Distribution (FY 2075/76)



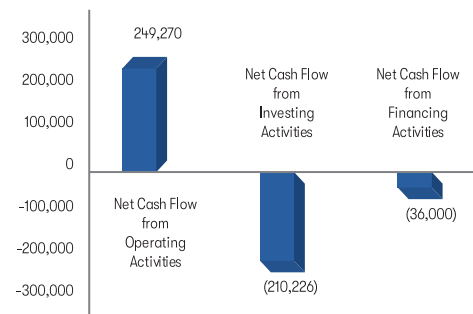
### Reserves (in '000)



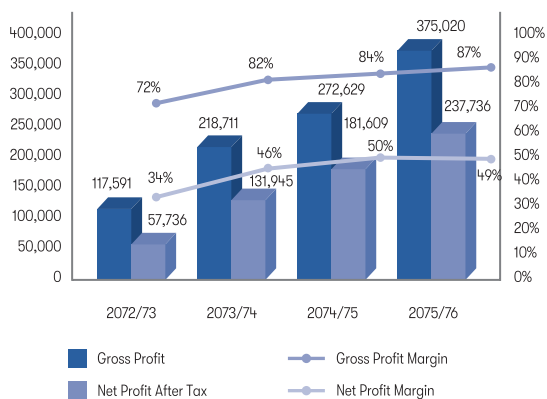
### Dividend Distribution



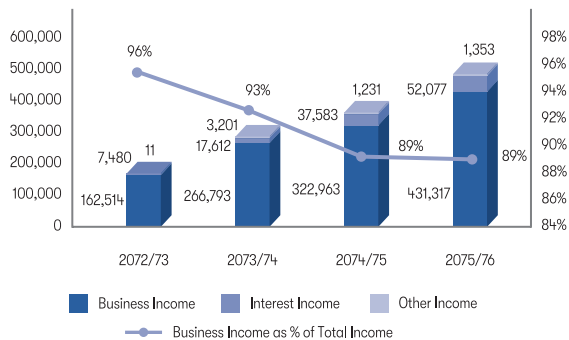
### Cash Flows (FY 2075/76)



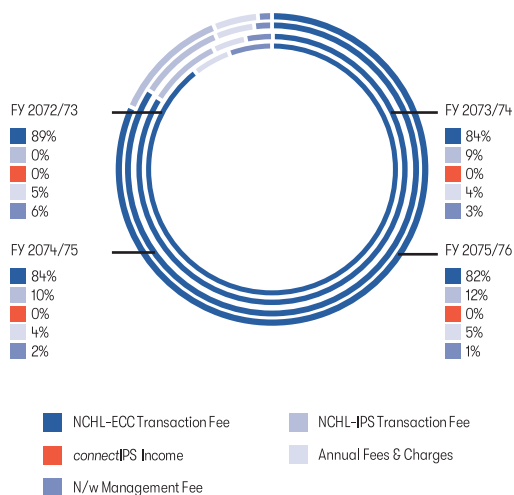
### Profitability Analysis (in '000)



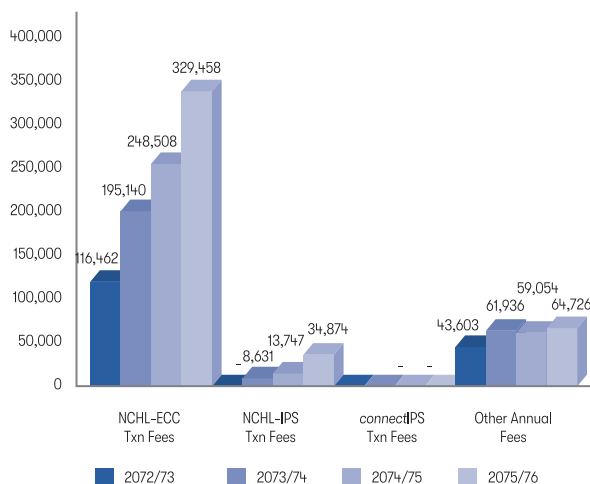
### Revenue Analysis (in '000)



### Business Revenue Mix



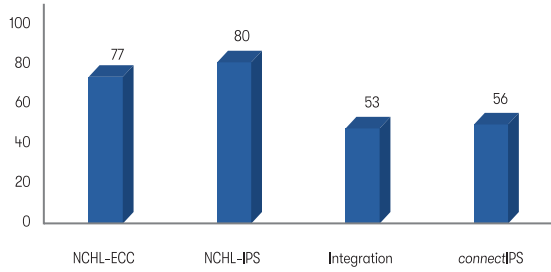
### Annual Operating Revenue (in '000)



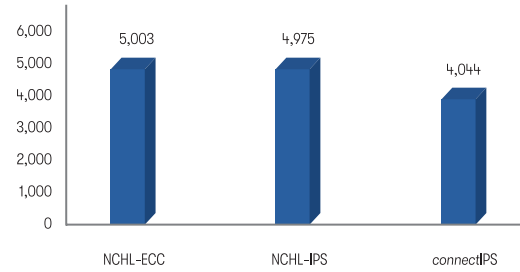
**Sustainability and Growth Through Re-investment**

## OPERATIONAL HIGHLIGHTS

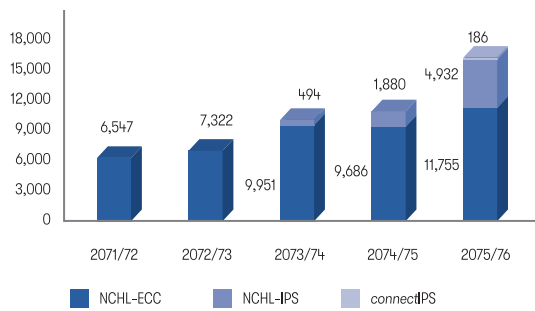
### NCHL Members



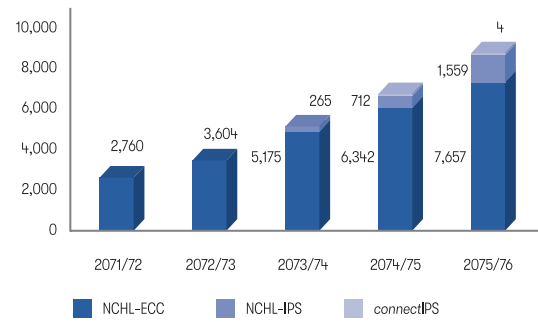
### NCHL Members Branch Network



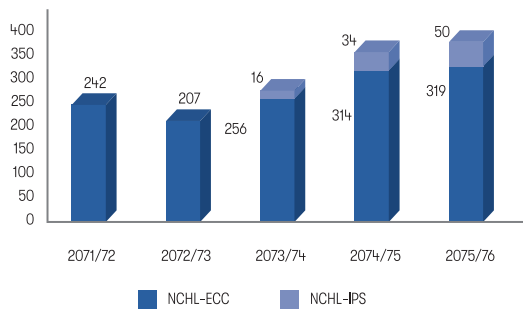
### Transaction Count (in '000)



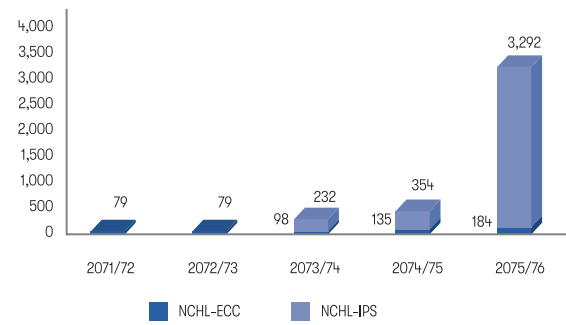
### NPR Transaction Value (in Billions)



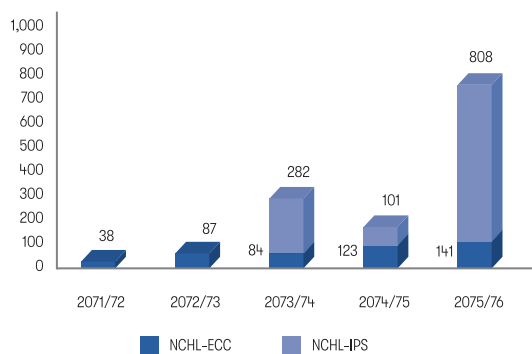
### USD Transaction Value (in Millions)



### EUR Transaction Value (in 000)



### GBP Transaction Value (in 000)



## MESSAGE FROM CHAIRMAN



Dear Shareholders,

It is with great pleasure and privilege, on the behalf of the Board of Directors, to present the Annual Report and the Audited Accounts of Nepal Clearing House Ltd. (NCHL) for the fiscal year 2075/76 (2018/19).

Over the years, NCHL has established itself as the primary institution in Nepal for providing national payments and settlement services. It is closely integrated with almost all BFIs, non-bank financial service providers and critical institutions including Government/ Semi-Government institutions.

NCHL's underlying principle to collaborate with the major stakeholders with the objective to re-invest in the national payments, clearing and settlement infrastructures has helped move closer towards our vision of 'being a leading provider of electronic payment and settlement services' in Nepal. And we are committed to continue driving NCHL in the similar direction in the years to come.

NCHL is a joint initiative of NRB and the BFIs to establish and operate multiple national payments and settlement systems in Nepal. With the positive outlook of connectIPS e-Payment System, as a real-time retail payment system for Nepal and with the recent starting of National Payments Interface (NPI), NCHL now has presence in clearing and settlements systems for paper based instruments, direct credit, direct debit, online instant payment and consolidated API based platforms. And the recent initiatives of NCHL to facilitate the member BFIs, GoN/Semi Govt institutions and large corporates has helped increase the digital payments ecosystem by means of extending the overlaying services.

We are pleased to highlight that NCHL has played a key role in expanding non-cash transactions in Nepal through its NCHL-ECC, NCHL-IPS, connectIPS e-Payment systems in the last fiscal year. The total number of transactions processed through our systems has crossed 16.8 million transactions with settlement value of over 9.2 trillion (for NPR transactions only). We recorded the profit after tax of NPR 238 million, growth of 31% compared to the previous year. And NCHL remains strong with capital structure fully funded by equity.

The fiscal year under review has been an exciting year for the payments industry with increase of non-cash transactions both in volume and value. This has further fueled by the issuance of multiple licenses and letter of intents to non-bank institutions by Nepal Rastra Bank (NRB). The Government of Nepal also seems to be very aggressive not only on its digital payments policy formulation but to adopt such e-payments for all its transactions including G2B, G2P, P2G transactions. NRB has also been facilitating the industry through issuance of regulatory guidelines to promote electronic payments. It is also worth referencing the strategic support that NCHL has provided to NRB for the implementation of RTGS, whereby NCHL



has partnered with all the participating BFIs as its integration partner. The initiatives of GoN, NRB, BFIs and other stakeholders are expected to improve the entire payments ecosystem in Nepal thereby providing extensive opportunities for NCHL. And NCHL during the last fiscal year has remained at the central stage of the majority of the stakeholders, for being able to facilitate them in the digital payments journey and the level of collaborations with all of them.

We have been able to continue the exemplary growth story in the fiscal year 2075/76 (2018/19) also, whereby NCHL has extended NCHL-ECC, NCHL-IPS, connectIPS and started consolidated API based platform. Cheques transaction has seen average daily transaction volume of 47,085 (15.5% growth from last year), NCHL-IPS has seen average daily transaction volume of 19,653 (as against 8,003 in the last year) and connectIPS being the first year of its operations seen average monthly transaction volume of 15,503. We anticipate that the cheque transaction will now stagnate in terms of volume due to the availability of multiple non-paper based instruments, however, the value of cheque transactions is still expected to grow which remained at NPR 7,657 billion for the fiscal year as against NPR 6,342 billion (for NPR denominated cheques) in the previous year. We foresee immense possibilities in NCHL-IPS and connectIPS e-Payment systems that supports bank account based electronic payments of different natures.

By the end of the last fiscal year, membership base remained at 77, 80 and 56 for NCHL-ECC, NCHL-IPS and connectIPS e-Payment systems respectively. NPI has been subscribed by 13 number of indirect/technical members that include remittance companies, PSPs, PSOs, aggregators, etc. The member BFIs have nationwide network coverage with listing of over 5,003 branches in NCHL-ECC and over 4,975 branches in NCHL-IPS. With the continuous trend of merger and acquisition of the BFIs, the number of members has reduced considerably, however, the revenue impact of such mergers is expected to compensate through indirect/technical members. Further the current trends of technology based payment services by the BFIs and other institutions in Nepal, we believe that it will provide ample opportunities for NCHL to introduce other payment and settlement systems.

Given the size of the transaction value and the number of members associated with NCHL, the level of resilience and information security required at NCHL is of prime importance to avoid any possible systemic risk. Hence, it is important that NCHL follows a prudent risk management strategy. In this regards, we have continued to invest in strengthening our infrastructure and the information security management systems. And due to the inter-related infrastructures with multiple stakeholders, there are requirements to secure such integrations with the stakeholders. So, we plan to further invest on strengthening our networks.

With the increase in the express cheque clearing and the increase of NCHL-IPS transactions, the operating profit and the net profit of the company in the fiscal year under review has increased by over 34% and 31% respectively. We have been able to book the net profit of NPR 238 millions for the FY 2075/76 (2018/19). In view of the excessive requirement to re-invest on payments infrastructure and security appliance, the Board has proposed to raise the capital by issuing 38% of bonus share and 2% of cash dividend on the paid-up capital from the profit earned. Also we would like to note here that we continue to appropriate the profit into special technology enhancement reserves and land & building fund. The reserve will be used for major enhancement/upgrade of the systems and/or for funding of new payment and settlement systems in future.

Lastly, on behalf of the Board of Directors and myself, I wish to express sincere gratitude to Nepal Rastra Bank, other regulatory bodies, our shareholders as well as other stakeholders for their continuous support and cooperation. I congratulate and thank the management team for their excellent performance in the fiscal year 2075/76 (2018/19). I also thank the members of the Board of Directors for their engagement and support. I am confident that similar support will be extended by all the stakeholders in creating NCHL as a valuable institution. And we look forward to an exciting and challenging year in the FY 2076/77.

**Naresh Shakya**  
Chairman

## CEO'S STATEMENT



With the current policy direction of the Government of Nepal (GoN) and Nepal Rastra Bank (NRB) supported by the implementation of the payments infrastructure, products & services by the major stakeholders, realizing electronic payments for Nepal seems to be not that far. However, unless the pressure on physical cash is reduced, the policy level direction in this regards could be difficult to achieve. NCHL has remained at the fore-front with the implementation and operations of multiple payment and settlement systems in Nepal that has supported reducing Cash-to-GDP ratio and we remain committed to further improve and increase the digital payments ecosystem in Nepal.

The fiscal year 2075/76 (2018/19) has been an interesting year for NCHL, as it supported the first full year for its real-time retail payment system, *connectIPS* e-Payment System, and initiated consolidated API based payment services (NPI). The member BFIs have also realized the importance of straight through processing (STP) of electronic payments including interbank payments and so the number of BFI integrations within interbank payment system (NCHL-IPS), *connectIPS* and NPI has considerably increased. The acceptability of NCHL-IPS has increased as per the expectation, with further potentials observed. The electronic cheque clearing (NCHL-ECC) services have also been extended and

its acceptability, particularly the express cheque clearing, has given further impetus for faster or instant payment/clearing. The initiatives of GoN for adopting electronic payments for all their incoming and outgoing payments has also provided needed positive outlook for the payments industry.

NCHL-ECC system remains the core system with main source of revenues for NCHL, whereas an increase in acceptability of NCHL-IPS has largely supported non-paper and bank account based transactions. Prospects for the *connectIPS* e-Payment system remain very bright, with expectation for it to be a game changer in Nepal's payments industry. With the initial conceptual initiation of NPI, a journey towards open API based payments channel has been opened. And we are now in a position to extend the available payments infrastructure for establishing multiple use cases.

In order to maintain the service level and to obtain assurance on the operations, NCHL has continued to upgrade some of the critical components of the infrastructures including security appliances and enhanced its Helpdesk support function. The risk management will further be enhanced as per the principles of payments market infrastructure (PMI) suggested by BIS, ISO 27001 standards and the market.

The average daily cheques transaction volume in NCHL-ECC has increased to 47,085 as against 40,756 in the previous year. The daily transaction settlement value has increased to NPR 30.6 billion from NPR 26.6 billion in the previous year. It is anticipated that the NCHL-ECC transaction volume may stagnate from the current level of transactions volume, however, the transaction in express clearing sessions and the value of cheque clearing is still expected to grow. It may also require some review after the full operation of RTGS by NRB. The daily average transaction volume and average daily settlement value in NCHL-IPS was 19,653 and NPR 6.2 billion as against 8,003 and NPR 3.0 billion in the previous year. And the daily average transaction volume and settlement value in connectIPS e-Payment System was 741 and NPR 16.1 million respectively.

In the last fiscal year, we were able to add 2 new members each in NCHL-ECC and NCHL-IPS. 39 new members were added within connectIPS. Although the number of participating member BFIs is decreasing due to the ongoing mergers, we have also been focusing on onboarding of indirect/ technical members within our network, which currently remains at 19. And NCHL is now strategically positioned to leverage the nationwide network of the bank branches and multiple payment systems to process bank account based financial transactions for the BFIs and non-BFIs.

While we intend to maintain the service level in NCHL-ECC and NCHL-IPS systems, various services within connectIPS e-Payment will be added in the forthcoming fiscal years with an intent to leverage consolidated APIs (NPI) for onboarding of non-conventional service providers, who can largely impact the digital payment ecosystem in Nepal. Within the last fiscal year, we were able to onboard various GoN and semi-Govt institutions within connectIPS and NPI, some of them being FCGO, Inland Revenue Department, Office of Company Registrar, Public Service Commission, Department of Passport, Nepal Stock Exchange Ltd., Citizen Investment Trust, Employee Provident Fund, Social Security Fund, to name few. Other typical on-boarded institutions include remittance companies, payment service providers, etc. These have even been connected with the alternate delivery channels of the BFIs including their mobile banking, internet banking and corporate channels. NCHL-IPS and connectIPS e-Payment systems along with NPI will be extended in the coming years to support Nepal Government's and Nepal Rastra Bank's policy of promoting account based transactions.

We have given highest priority for adding payment products/ services, their operations and implementing prudent risk management. The profitability for the

fiscal year also reflects the highest standards of performance throughout our core and non-core businesses. The operating profit of the company remained at NPR 374,065,349 as against NPR 278,463,395 in the previous year. The increase in operating profit is largely due to the increase in operating income, particularly express clearing and NCHL-IPS transaction fees. The net profit for the current year stood at NPR 237,735,786 as against NPR 181,608,709 in the previous year. The shareholders fund has increased to NPR 673,524,065 with book value per share at NPR 311.80. We are extremely optimistic in maintaining the current level of financial performance in the next fiscal year also.

With the addition of licensed PSPs and PSOs in the market and many already obtained letter of intent, approvals from NRB, the payments industry in Nepal remains very interesting yet challenging in the years to come. RTGS system being implemented by Nepal Rastra Bank has also added a layer for large and urgent payments. This may enable multiple players in the market with introduction of many innovative payment products and services. NCHL is committed toward development of the electronic payments in Nepal and so expects to work together with such PSPs/ PSOs in a collaborative model. We will complement them and their services/ products by means of providing access to banks and financial institutions through our existing system, in line with NRB's strategic plan to promote Fin Techs. This has also been exemplified through our facilitation to NRB and the BFIs for integration of RTGS system, corresponding to which we have committed to provide them with connectRTGS for enabling BFIs to automate RTGS transactions.

With an extremely positive outlook for the current fiscal year, we will focus on improving the resilience and security of our core payments infrastructure, leverage the opportunities to enroll indirect/ technical members, add new payment products/ services and will continue to invest in other payment systems in line with NCHL's product/ service roadmap.

Lastly, I would like to thank my colleagues at NCHL, our Board for their guidance and the members for their continued support. I would also like to thank and acknowledge Nepal Rastra Bank for their trust on NCHL. I look forward to an extremely exciting year 2076/77.

**Neelesh Man Singh Pradhan**  
Chief Executive Officer

## BOARD OF DIRECTORS



**Mr. Naresh Shakya,  
Chairman**

Mr. Shakya is the Executive Director at Nepal Rastra Bank and has been working at the central bank since 2054 B.S. He has a rich experience at various functions and departments of the central bank for over two decades. He holds Master of Business Administration and Bachelor of Law degrees from Tribhuvan University. He also holds Master of Public Administration degree from Purbanchal University, Nepal. He is a member of the Board of NCHL representing Nepal Rastra Bank since 10<sup>th</sup> Ashad 2076.



**Mr. Ujjal Rajbhandary,  
Director**

Mr. Rajbhandary is the General Manager-Business Development & System Support at Himalayan Bank Ltd. He has over twenty-six years of experience in banking sector. He holds Bachelor of Business Administration in Finance and Master of Business Administration. He is a member of the Board of NCHL representing commercial bank shareholders since 6<sup>th</sup> Ashwin, 2074.



**Mrs. Umang Sharma,  
Director**

Mrs. Sharma is the Assistant Chief Executive Officer at Citizens Bank International Ltd. She has over 15 years of experience in banking sector and has worked at various banks including Citizens Bank International Ltd. She holds Master of Business Administration from School of Management, Kathmandu University. She is a member of the Board of NCHL representing commercial bank shareholders since 6<sup>th</sup> Ashwin, 2074.



**Mr. Surendra Bhushan  
Shrestha, Director**

Mr. Shrestha is Deputy Chief Executive Officer of Nepal Bangladesh Bank Ltd. He is a qualified Chartered Accountant from Institute of Chartered Accountants of India (ICAI). He is also an Information System Auditor from Institute of Chartered Accountants of India (ICAI). He has over 19 years of experience including 13 years in banking sector and more than 6 years in auditing. He is a member of the Board of NCHL representing commercial bank shareholders since 8<sup>th</sup> Ashad, 2075.





**Ms. Kusum Lama,  
Director**

Ms. Lama is the Director of Smart Choice Technology Ltd. and represents as a member of the Board of NCHL. She has almost two decades of rich experience in corporate policy levels. She is currently engaged on the board levels of Prabhu Insurance Co. Ltd., Prabhu Life Insurance Ltd., Prabhu Management P. Ltd., Mediflow Solutions P. Ltd., Prabhu Money Transfer P. Ltd. (Nepal, India), Prabhu Group Inc (USA) and Prabhu Technology P. Ltd. She has also held the position of Director at Prabhu Bank Ltd. She holds Master in Arts (Economics) degree. She is a member of the Board of NCHL since 10<sup>th</sup> Ashad 2076.



**Mr. Madhav Prasad  
Upadhyay, Director**

Mr. Upadhyay is Deputy General Manager of Garima Bikas Bank Ltd. He has more than 11 years of experience in banking sector and 15 years of teaching experience. He holds Master of Business Administration (MBA) degree from Tribhuvan University, Nepal. He is a member of the Board of NCHL representing development bank shareholders since 8<sup>th</sup> Ashad, 2075.



**Mr. Samaj Prakash  
Shrestha, Director**

Mr. Shrestha is the Deputy Chief Executive Officer of Reliance Finance Ltd. He has been in the banking sector for more than 13 years with over 25 years of total experience. He has also held the position of CEO of two finance companies prior to existing employment. He holds Bachelor in Commerce degree from Tribhuvan University, Nepal and a semi-qualified Chartered Accountancy degree from ICAI, India. He is a member of the Board of NCHL representing finance company shareholders since 14<sup>th</sup> Mangsir 2075.

## MANAGEMENT TEAM



### **Neelesh Man Singh Pradhan, Chief Executive Officer**

Mr. Pradhan has experience of over 18 years in the field of banking and financial technology with an expertise in financial systems & technologies design, operation and management. He is associated with NCHL since March 15, 2011. He was earlier working with TAIB Bank, Bahrain in the capacity of Assistant Vice President prior to which he was associated with Tata Consultancy Services Ltd. in India and Netherlands. He has also worked at Kathmandu University. He holds Engineering degree from Kathmandu University, Nepal and MBA from Indian Institute of Technology, India, with rank holder in both Engineering and Masters. He is also a Certified Information System Auditor (CISA) and a Project Management Professional (PMP).



### **Munni Rajbhandari, Chief Operating Officer**

Ms. Rajbhandari has experience of over 15 years in the field of banking, operations and management and is associated with NCHL since February 13, 2014. She was earlier working with Citizens Bank International Ltd. in the capacity of Executive Operating Officer heading various departments under operations including Treasury, SME loan, Branch Operations, Trade, Credit Back office, Remittances, Clearing, Card and Branchless banking prior to joining NCHL. She has also worked with NIC Bank Ltd. (NIC Asia Bank Ltd. now) as Officer-Finance. She holds MBA degree with specialization in Finance from The Department of Management Science (PUMBA), University of Pune, India.



### **Dilliman Singh Shakya, Chief Technology Officer**

Mr. Shakya has experience of over 16 years in the field of IT infrastructure operations and is associated with NCHL since March 28, 2011. He was earlier working with Social Development Bank as Head of IT prior to joining NCHL. He was also associated with Rastriya Banijya Bank as Data Center In-charge and with Serving Minds P. Ltd. as Manager Technology. He holds Bachelor of Commerce and MBA degrees from Tribhuvan University and MSc-IT from Sikkim Manipal University. He is also a Microsoft Certified Technology Specialist, Certified ISO 27001 Lead Auditor and ITIL certified.



**Vivek Giri,**  
**Head Business Development**

Mr. Giri has experience of over 10 years in the field of sales/marketing and is associated with NCHL since June 15, 2016. He was working with Ncell Pvt. Ltd. as Senior Specialist prior to joining NCHL. He has also worked with Chaudhary Group, Fuji Films India P. Ltd. and HCL Infosystem Ltd., India. He holds MBA in International Business from Banaras Hindu University.



**Prajana Kayastha,**  
**Head Risk & Compliance**

Ms. Kayastha is a qualified Chartered Accountant from Institute of Chartered Accountant of Nepal (ICAN) with over 5 years of experience in the field of Auditing and Accounting. She is associated with NCHL since April 15, 2018. Prior to joining NCHL she was associated with Rigo Technologies (P) Ltd. as System Analyst & Software Implementation Officer. During her articleship, she was associated with RajMS & Co., Chartered Accountants. She also holds a MBS degree from Tribhuvan University, Nepal.



**Anesh Shrestha,**  
**Finance & Admin Officer**

Mr. Shrestha is a qualified ACCA with over 6 years of experience in the field of Auditing and Accounting. He is associated with NCHL since January 13, 2019. Prior to joining NCHL he was associated with CARE Nepal as Finance Officer. He completed his Practical Experience Requirement (PER) at Dev Associates, Baker Tilly Nepal. He also holds a BBS degree from Tribhuvan University, Nepal.

# विद्युतीय चेक क्लियरिङ्ग

## ELECTRONIC CHEQUE CLEARING



वैदेशिक मुद्राको चेक



नेपाली मुद्राको चेक



ड्राफ्ट



डिविडेन्ट वारेन्ट



एक्सप्रेस र हाई भ्यालु चेक



## O2 | PRODUCTS AND SERVICES

### NCHL Electronic Cheque Clearing (NCHL-ECC)

NCHL-ECC system is an image based cheque processing solution where original paper cheque is converted into an image for electronic processing and is transferred through a secured medium between participating member Banks and Financial Institutions. The physical movement of the cheques are truncated or stopped at the level of the presenting bank. The cheque does not require to be physically travelled to the clearing house or to the paying bank resulting in a faster and easier processing of the cheque transactions.

NCHL-ECC currently supports cheques clearing of four currencies NPR, USD, GBP and EUR. NCHL-ECC operates under (T+0) settlement with cheques presented up to the cut-off time of 13:30 are cleared and settled on the same day.

Various clearing services in the NCHL-ECC system and its features are as follows:

#### Regular NPR Cheque Clearing

This is an electronic cheque clearing service for NPR denominated cheques. Participating members need to have settlement account in Nepalese currency at Nepal Rastra Bank to avail this service. Regular NPR electronic cheque clearing supports clearing of cheques of up to NPR 200 million.

#### Regular FCY Cheque Clearing

This is an electronic cheque clearing services for USD, GBP and EUR currency denominated cheques. Participating members need to have settlement account in the respective foreign currency at Nepal Rastra Bank to avail this service. Regular FCY electronic cheque clearing supports clearing of cheques of up to 2 million for USD, GBP and EUR cheques.

#### Express Cheque Clearing

Express cheque clearing service is a special short duration arrangement for cheque presentment, response and settlement. It has 2 hours window for presentment to final settlement, thus allowing the BFIs and their customers to present and realize cheques faster. Currently, there are two express clearing sessions for four currencies NPR, USD, GBP and EUR. 1<sup>st</sup> and 2<sup>nd</sup> express session are available from Sunday to Friday.



#### High Value Cheque Clearing

This is a special clearing session for processing of high value cheques with cheques of above NPR 200 million & up to NPR 300 million for NPR cheques and; above 2 million & up to 3 million for USD, GBP and EUR cheques. The High Value Cheque Clearing Session is available from Sunday to Friday.

#### Cheque Clearing Cut-off Times

Cheque Clearing Cut-off Timings	Regular Clearing	1 <sup>st</sup> Express Clearing	2 <sup>nd</sup> Express Clearing	High Value Clearing
Presentment cut-off time	13:30	10:00 to 11:00	11:00 to 12:00	10:00 to 11:30
Pay Bank Response cut-off time	15:00	11:30	12:30	12:30
Settlement time	15:30	12:00	13:00	13:00

However, the cut-off timings set by the member BFIs could be different depending on their internal operational arrangements for NCHL-ECC system.

#### NCHL-ECC Transaction Fee (charged to Presenting member in NPR)

S.No.	Details	Transaction Amount Based Slab			
		Up to 500	>500-5,000	>5,000-200,000	Above 200,000
1	Regular Clearing (NPR)	-	5	10	25
2	Regular Clearing (FCY)			25	
3	Express Clearing			100	
4	High Value Clearing			100	


With an objective to facilitate the general customers, the transaction fees for cheques presentation above NPR 200,000 and FCY cheques was downward revised from NPR 30 to NPR 25 effective from 15<sup>th</sup> Chaitra 2075 (29<sup>th</sup> March 2019).

### Interbank Payment System (NCHL-IPS)

NCHL-IPS is a system for clearing large volume financial transactions that will provide a mechanism for the participating members to safely and efficiently transfer funds from one account to any other account held at any of the participating member banks & financial institutions (BFIs) on behalf of their customers and for their own purposes. It supports account to account payments (direct credit) and collection (direct debit) related transactions on deferred net settlement basis. Such transactions could be one-to-one, recurring or bulk up to 10,000 transactions in a single batch. The underlying transaction could be for various purposes defined as products. Exchange sessions are mapped to the NCHL-IPS products (purposes) and will be automatically presented to the earliest available exchange session.



NCHL-IPS currently supports transaction in four currencies NPR, USD, GBP and EUR. NCHL-IPS operates under (T+0) settlement with transactions processed up to the cut-off time of 13:00 are cleared and settled on the same day.

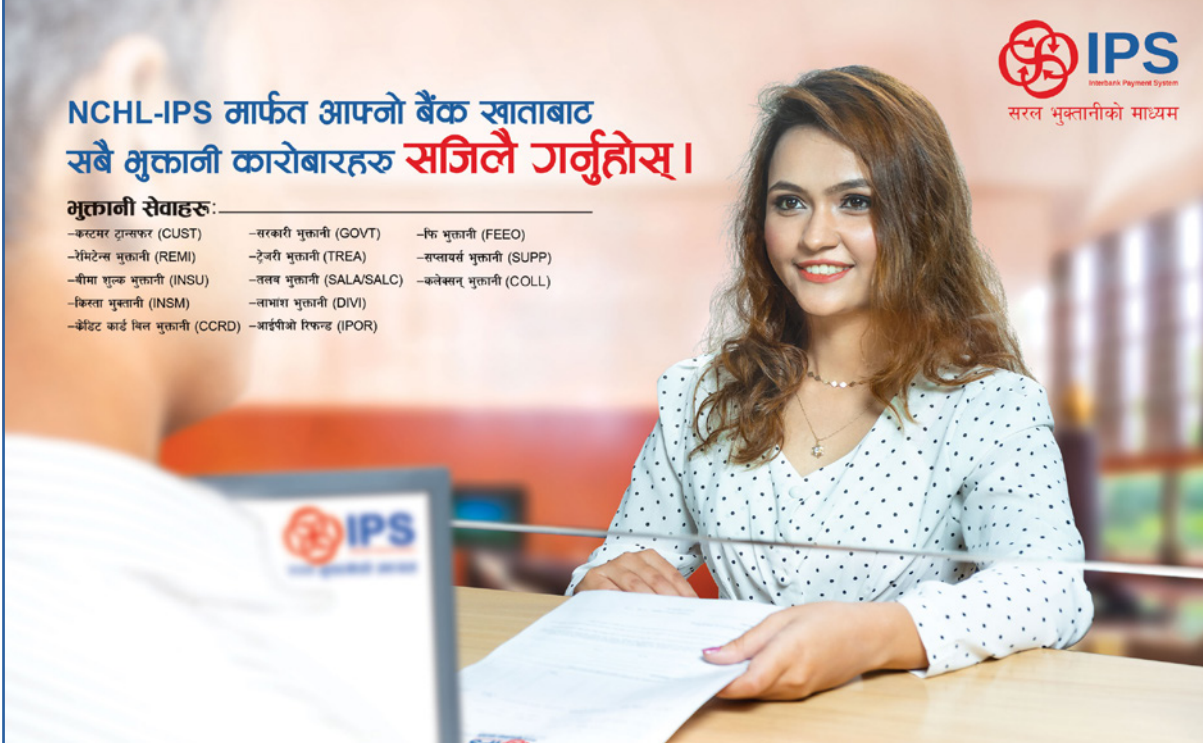


सरल भुक्तानीको माध्यम

**NCHL-IPS मार्फत आफ्नो बैंक खाताबाट सबै भुक्तानी कारोबारहरू सजिलै गर्नुहोस्।**

**भुक्तानी सेवाहरू:**

-कस्टमर ट्रान्सफर (CUST)	-सरकारी भुक्तानी (GOVT)	-फि भुक्तानी (FEEO)
-रेमिटेन्स भुक्तानी (REMI)	-ट्रेजरी भुक्तानी (TREA)	-सप्लायर्स भुक्तानी (SUPP)
-बीमा शुल्क भुक्तानी (INSU)	-सलव भुक्तानी (SALA/SALC)	-कलेक्सन् भुक्तानी (COLL)
-क्विन्ता भुक्तानी (INSM)	-लाभाश भुक्तानी (DIVI)	
-क्रेडिट कार्ड बिल भुक्तानी (CCRD)	-आईपीओ रिफण्ड (IPOR)	



### Direct Credit

It is a payment transaction initiated by debtor (payer) through its bank. The instruction can be provided through the bank or through an alternate channel. Currently, 20 Direct Credit product (purposes) are available in the system.

Category Purpose/Product	Purpose Description
Customer Transfer	Transaction is related to general customer fund transfer
Treasury Payment	Transaction is related to treasury operations
Government Payment	Transaction is a payment from government to the beneficiary
Remittance Payment	Transaction is related to payment of international remittance proceeds to beneficiary account
Domestic Remittance Payment	Transaction is related to domestic remittance to beneficiary account
Dividend Payment	Transaction is payment of dividends
IPO Refund Payment	Transaction is payment of IPO refunds
Salary Payment	Transaction is the payment of salaries chargeable to Employees
Salary Payment Corporate	Transaction is the payment of salaries chargeable to Corporates

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Category Purpose/ Product	Purpose Description
Insurance Payment	Transaction is a payment of insurance premium and for disbursement by Insurance companies
Installment Payment	Transaction is related to payment of an installment of loan repayment, others repetitive and recurring payments
Credit Card Payment	Transaction is related to payment of credit card account bill/charges
Fees Payment	Transaction is related to payment of fees
Supplier Party Payment	Transaction is related to payment to a supplier and party
Collection Payment	Transaction is related to Collection of payment
Social Security Payment	Transaction is related to payment of social security benefits by government or other institutions
Pension Payment	Transaction is related to payment of pension by Government or other institutions
Investment & Securities	Transaction is related to payment of mutual funds, investment products and shares
Provident Fund Saving	Transaction is related to the collection of EPF and CIT savings
PF Disbursement	Transaction is related to the fund disbursement of EPF and CIT

**Direct Debit**

It is a payment transaction initiated by creditor (payee) through its bank. An authorization, called as mandate, has to be in place for initiating a direct debit transaction. Currently, 5 Direct Debit product (purposes) are available in the system.

Category Purpose/ Product	Purpose Description
Insurance Payment	Transaction is a collection of insurance premium by Insurance Companies
Installment Payment	Transaction is related to collection of an installment of loan repayment, others repetitive and recurring collections
Credit Card Payment	Transaction is related to collection of credit card account bill/charges
Fees Payment	Transaction is related to collection of fees
Collection Payment	Transaction is related to collection of payment

**NCHL-IPS Cut-off Times**

Cut-off times for transactions through NCHL-IPS are as follows:

Particulars	Exchange					
	0	1	2	3	4	5
Presentment cut-off time	10:00	10:00-13:00	10:00-11:00	11:00-12:00	12:00-13:00	13:00-15:00
Cancellation cut-off time	10:30	13:30	11:15	12:15	13:15	NA
Reply cut-off time	11:30	14:30	11:30	12:30	13:30	15:15
Settlement of the session	12:00	15:30	12:00	13:00	14:00	15:30

Exchange Sessions 0, 2 and 3 are available from Sunday to Friday, except that foreign currency sessions are not available on Sunday. Exchange Sessions 1, 4 and 5 are available from Sunday to Thursday, except that foreign currency sessions are not available on Sunday. However, the cut-off timings set by the member BFs could be different depending on their internal operational arrangements for NCHL-IPS system.

**NCHL-IPS Transaction Fee (in NPR)**

S.No.	Price Scheme	Transaction Amount Based Slab			
		Up to 500	>500-5,000	>5,000-50,000	Above 50,000
1	NPR Transactions	2	5	10	15
2	FCY Transactions (Fee in NPR)	15			

\* Transaction fees are waived for Dividend and IPO Refund payments transaction amount up to NPR 100.

\*\* Liability of the transaction fees charged by NCHL is at one side only either on sender or receiver, depending on the type of the product.

**National Archive Systems**

National archive systems are additional services provided to the members for accessing older and archived transactions. A fee of NPR 200 is charged to the requesting member for any archive request. However, archive request from any legal authority including the court order for investigation purpose are non-chargeable.



### National Cheque Archive

National cheque archive is an additional service provided to the member BFIs of NCHL-ECC system to have an access to the historical cheques and transaction details. All the cheques transactions older than three months are moved from NCHL-ECC System to National Cheque Archive system to store the cheques for up to 7 years and are made available to the member BFIs on request.

### National NCHL-IPS Archive

NCHL-IPS Archive is an additional service provided to the members of NCHL-IPS system to have an access to the historical transaction details. All transactions older than three months are moved from the NCHL-IPS System to National NCHL-IPS Archive system to store the transaction details for up to 7 years and are made available to the members on request.

### connectIPS System

connectIPS is a payment platform for online payments directly through the bank accounts to handle immediate payment transaction through multiple channels. It is an in-house development immediate payment system that is integrated with member bank's core banking system (CBS) and with creditors for overlaying services for full automation of payment transactions.



### connectIPS Integration

The integration module of the connectIPS System provides mechanism for the banks to integrate their CBS with the NCHL-IPS, connectIPS e-Payment and other payment systems. This allows the banks for processing of their outward and inward transactions. There are additional APIs available to connect bank's existing alternate channels (like internet banking, mobile banking and corporate channels) through which the transactions could be initiated by the end customers and routed to the core systems.

connectRTGS is a customized extension of connectIPS Integration System to initiate and receive transactions to/ from the Real-Time Gross Settlement (RTGS) system that is currently being implemented by Nepal Rastra Bank. It allows the participating BFIs to process their RTGS transaction (of customer or institution) in a straight through process. This is under implementation with the RTGS project at NRB.

### connectIPS e-Payment

connectIPS e-Payment System is standardized payment platform to facilitate online payments through alternate delivery channels. Such online payments could be online fund transfer, payment processor (gateway) for creditor payments or biller payments. All such payments are processed from/to bank accounts without any intermediary. Customer may link multiple bank accounts (same or different banks) with one-time verification from the bank and then use the connectIPS e-Payment system as an alternate channels for initiating online payments. Creditor/ Merchant will receive their payments directly in their bank account. connectIPS allows the enrolled customers to 'Pay Direct From Bank'.

The system is currently rolled out for revenue collection of various Government offices including Financial Comptroller General Office, Inland Revenue Department, Public Service Commission and Company Registrar Office. Other services available in connectIPS include online fund transfer, capital market related payments, wallet cash-In/ Out, insurance payments, loan repayment of Citizen Investment Trust, Credit card bill payments of various banks, payments to travel agents, e-commerce sites, capital market related payments, etc.

The connectIPS e-payment system is hosted at [www.connectips.com](http://www.connectips.com) and mobile app from where the customers of the member banks can initiate their user enrollment and payment transactions. End customer can initiate payment transactions from connectIPS portal; or from Creditor/Merchant web portal through connectIPS payment processor (gateway); or from bank branches through Bank Outward Module (as branch assisted transactions).

The current transaction limit in the system is up to NPR 1,000,000 for online (web) and up to NPR 50,000 for mobile app per user per bank.

### connectIPS Bank Central

The services of connectIPS e-Payment have also been extended in branch assisted model for payment initiation through bank/branches through Bank Outward Module. The bank branch users can initiate such transactions based on the instruction received from its customers. And the customer do not require connectIPS enrollment for using such transactions.

### connectIPS e-Payment Transaction Fee (in NPR)

connectIPS is provided to the member BFIs of NCHL-IPS without any additional recurring fee and the transaction processed from connectIPS e-payment module are chargeable on per transaction basis and transaction fee is on a

revenue sharing basis between NCHL, ODFI and RDFI. Portion of the transaction fee is further contributed towards Settlement Guarantee Fund (SGF) by NCHL.

Following is the transaction fee structure corresponding to which charge liability is on end customer.

S.No.	Particulars	Transaction Amount Based Slab			
		Up to 500	>500-5,000	>5,000-50,000	Above 50,000
1	Fund Transfer	2	5	10	15
2	Typical Creditor/ Biller Payments	Not Exceeding 15			

The transactions fees on the creditor payments with charge liability on the creditors differ as per the industry which is primarily on percent of transaction amount. For such payments, there are no charges applied to the end customer.

### Creditor Listing

Any corporate/service providers having businesses that require receiving payments (collection) from its customers/ agents/dealers can request through their banks (member of connectIPS) for a creditor enrollment in connectIPS e-payment and/or NCHL-IPS. Bank account of such corporate/service providers will be white labelled in the system(s) allowing them to receive payments without having to provide the entire bank account details to the end customers. This will also ease the payer for fund transfer without having to remember beneficiary's bank account detail. Potential corporates/service providers for such creditor listing are small/mid-sized corporates, manufacturing companies, distributors, schools, colleges, cable/internet service providers, travel agents, airlines and others. Annual recurring fee for such creditor listing is NPR 10,000.

### Consolidated APIs

Consolidated Application Programming Interfaces (APIs) of multiple systems including NCHL-IPS system, connectIPS e-payment and with possibility to include other payment systems also, have been extended to the member and other institutions. This is productized as National Payments Interface (NPI). This enables to connect multiple payment systems, BFs, alternate channels of BFs and various service providers (who provides overlaying services in the digital payment ecosystem). Its supports seamless integration to the payment systems hosted by NCHL for real-time instant payment through connectIPS e-payment system and for deferred credit payments through NCHL-IPS System as underlying core systems.

The overlaying services are added by integrating the APIs with the institutions like Government institutions, Semi-Government institutions, larger corporates, PSPs/ PSOs, alternate channels of BFs etc. through existing member BFs (direct members).

**connect IPS** बाट  
Fund Transfer सजिलो छ ।  
अब connectIPS User बीच  
Fund Transfer निःशुल्क गर्नुहोस् ।\*

\*Mobile number को आधारमा गरिने Fund Transfer सीमित अवधिका लागि ।

# विद्युतीय भुक्तानी प्रणाली

## INTERBANK PAYMENT SYSTEM





## O3 | FINANCIAL REVIEWS

### Reporting Pronouncements

NCHL has adopted Nepal Financial Reporting Standard (NFRS) for SMEs since the fiscal year 2074/75 (2017/18) and has been continued for the FY 2075/76 (2018/19).

### Snapshot of Last 4 Years Performances

Past four fiscal years of NCHL has ensured operational and financial stability, business growth and has steered the company's direction for future. Summary of the financial positions of the company for the fiscal year 2075/76 (2018/19) in comparison with last three fiscal years are presented in the following table.

Amount in NPR '000

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	FY 2073/74 (2016/17)	FY 2072/73 (2015/16)	Compounded Annual Growth Rate (CAGR)
Paid up capital	216,000	180,000	150,000	150,000	9%
Reserve & Surplus	457,524	291,788	170,180	68,234	61%
Long Term Investment	93,974	70,000	40,000	5,000	108%
Non-Current Assets	259,241	163,748	82,223	46,117	54%
Current Assets	517,959	377,479	291,821	210,190	25%
Operating Income	431,317	322,963	266,793	162,514	28%
Operating Expenses	56,296	50,334	48,082	44,922	6%
Gross Profit	375,020	272,629	218,711	117,591	34%
Interest/ Other Income	53,430	38,814	20,813	7,491	63%
Admin Expenses	54,385	32,980	28,493	21,745	26%
Operating Profit	374,065	278,463	211,031	103,338	38%
Depreciation/Amortization	21,784	12,159	17,342	18,176	5%
<b>Net Profit/(Loss) for the year</b>	<b>237,736</b>	<b>181,609</b>	<b>131,945</b>	<b>57,736</b>	<b>42%</b>

### | Awards and Recognition



CEO receiving Best Presented Annual Report (BPA) Award, 2018 from Honorable Finance Minister Dr. Yuba Raj Khatriwada.



Best Presented Annual Report (BPA) Award, 2018 Certificate.

## Performances of Current Year

In this section, a review of current year's performance with that of the previous year in terms of equity, uses of funds, and other performance under operating lines are presented.

### Equity and Shareholder's Fund

Total equity fund of NCHL has increased to NPR 673,524 thousands as against NPR 471,788 thousands in the previous year. The increase is mainly due to adjustment of Bonus Share Capital of 20% on Paid-up Capital approved for FY 2074/75 (2017/18) and additional profit transferred to Reserve and Surplus from attributable profit of FY 2075/76 (2018/19).

NCHL has implemented a policy to set aside 20% of the net profit of the year to Technology Enhancement Reserve since fiscal year 2071/72 (2014/15) onwards, which has been continued for FY 2075/76. The objective is to create fund for the major enhancement/ upgrade of existing system(s) and/or for funding requirement of new payment and settlement systems in future. Additional 10% of the net profit of the year is set aside to Land & Building Reserve from the fiscal year 2075/76 (2018/19) with an objective for acquiring own official premise (Land & Building) in future.

The policy of profit appropriation is in the following sequence:

1. Net Profit After Tax (PAT)
2. 20% of PAT toward Technology Enhancement Reserve
3. 10% of PAT toward Land & Building Reserve
4. Dividend and/or Bonus to Shareholders
5. General Reserve & Surplus

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	Amount in NPR '000	
			Growth	
			Volume	%
Paid up capital	216,000	180,000	36,000	20%
Reserve & Surplus	457,524	291,788	165,736	57%
Technology Enhancement Reserve	125,110	77,563	47,547	61%
Land & Building Reserve	41,934	18,161	23,774	131%
General Reserve & Surplus	290,479	196,064	94,415	48%
<b>Total</b>	<b>673,524</b>	<b>471,788</b>	<b>201,736</b>	<b>43%</b>

The Board of Directors has proposed 38% of Bonus Shares equivalent to NPR 82,080,000 and cash dividend of 2% equivalent to NPR 4,320,000 from the profit of fiscal year 2075/76 (2018/19), subject to final approval in the Annual General Meeting.

### Investment and Interest Income

The investments are made as per NCHL Investment Policy as approved by the Board. The investment decisions are made with due considerations of the liquidity position, anticipated cash flows, returns and concentration risk. The year-end cash surplus has been parked in interest bearing call deposits and the cash surplus during the period is intermittently placed in short, medium and long term investments, particularly fixed deposits and debentures at various banks and financial institutions.

Total investment and placements (long, short and cash equivalent) of NCHL has increased to NPR 529,474 thousands in FY 2075/76 (2018/19) as against NPR 382,500 thousands in the previous year. The interest income has increased to NPR 52,077 thousands as against NPR 37,583 thousands with growth of 39%. The interest income includes income from investments and call deposits.

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	Amount in NPR '000	
			Growth	
			Volume	%
<b>Fixed Deposit</b>	<b>529,474</b>	<b>382,500</b>	<b>146,974</b>	<b>38%</b>
Long Term Investment (above 12 months)	93,974	70,000	23,974	34%
Short Term Investment (between 3 & 12 months)	350,500	276,500	74,000	27%
Cash Equivalent (less than 3 months)	85,000	36,000	49,000	136%
Interest Income	52,077	37,583	14,494	39%

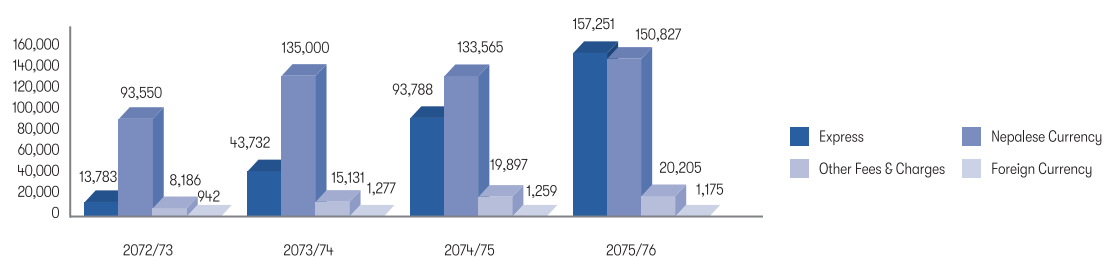
\*includes interest income from call deposits also.

## Operating Income

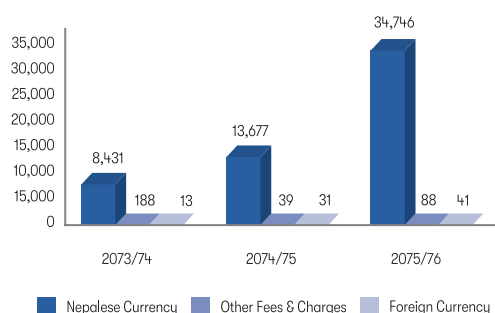
Total operating revenue of NCHL has increased to NPR 429,727 thousands as against NPR 321,310 thousands in the previous year. Increase in revenue is mainly due to increase in express clearing transaction fees income which constitute 34% of the total operating income in current fiscal year. The sources of operating income include transaction fees and other annual fees recovered from the members.

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	Growth	
			Volume	%
NCHL-ECC Transaction Fees	152,002	134,824	17,178	13%
NCHL-ECC Express & High Value Transaction Fees	157,282	93,812	63,470	68%
NCHL-ECC Other Fees & Charges	20,174	19,872	302	2%
<b>Total NCHL-ECC Transaction Fees</b>	<b>329,458</b>	<b>248,508</b>	<b>80,950</b>	<b>33%</b>
NCHL-IPS Transaction Fees	34,787	13,708	21,079	154%
NCHL-IPS Other Fees & Charges	88	39	48	123%
<b>Total NCHL-IPS Transaction Fees</b>	<b>34,875</b>	<b>13,747</b>	<b>21,127</b>	<b>154%</b>
connectIPS Income	1,334	0	1,334	100%
Less: connectIPS Revenue Sharing	-667	0		
<b>Net connectIPS Income</b>	<b>667</b>	<b>0</b>	<b>667</b>	<b>100%</b>
NCHL-ECC Annual Fees & Charges	20,614	21,166	-552	-3%
NCHL-IPS Subscription Charges	17,317	17,149	168	1%
NCHL-IPS Creditor Listing	121	99	22	22%
Network Connectivity & Management Fee	6,611	6,329	282	4%
Login ID fee	20,063	14,312	5,752	40%
<b>Total Annual Fees &amp; Charges</b>	<b>64,727</b>	<b>59,055</b>	<b>5,672</b>	<b>10%</b>
<b>Total Operating Income</b>	<b>429,727</b>	<b>321,310</b>	<b>108,417</b>	<b>34%</b>

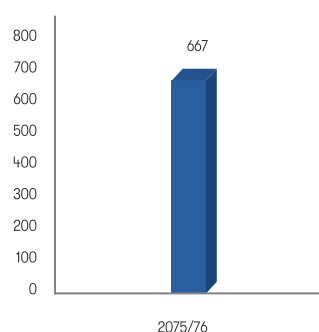
## NCHL-ECC Transaction Fees (in '000)



## NCHL-IPS Transaction Fees (in '000)



## Net connectIPS Income (in '000)



### Other Income

Total Other Income of NPR 1,353 thousands has been reported in the FY 2075/76 (2018/19). Other income comprises of income related to provision write back, profit on sale of assets, interest income on employee loan and other miscellaneous income.

### Operating Expenses

Total Operating Expenses has increased by 12% to NPR 56,296 thousands as against NPR 50,334 thousands in the previous year. The major increment is due to the increase on AMC on NCHL-ECC and NCHL-IPS system due to increase in USD exchange rate. The NCHL-ECC and NCHL-IPS software are outsourced from an international vendor corresponding to which the AMC of ECC software is USD 210,000 for the participant's component; USD 52,500 for NCHL's component and; USD 28,350 for IPS software which are payable in US Dollars on half yearly basis.

The Oracle software license has also been upgraded to Enterprise Edition with increase in number of licenses, corresponding to which the increased AMC has been reflected in the FY 2075/76. New hardware related and operating expenses related to connectIPS e-Payment have also contributed to increasing the operating expenses.

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	Amount in NPR '000	
			Growth	
			Volume	%
ECC Software AMC - BFIs & NCHL	39,329	36,662	2,667	7%
IPS Software AMC	4,237	3,437	801	23%
Oracle Software AMC	1,835	663	1,172	177%
Network Connectivity	6,023	5,814	209	4%
Other AMC & expenses	4,872	3,758	1,114	30%
<b>Total Operating Expenses</b>	<b>56,296</b>	<b>50,334</b>	<b>5,962</b>	<b>12%</b>

### Administration Expenses

Total Administrative Expenses has increased to NPR 54,385 thousands as against NPR 32,980 thousands in the previous year, equivalent to increase of 65%. This is mainly due to increase in number of staff and increase of promotion activities. The new Labor Act 2074 and the Labor Bylaw 2075 have also been implemented and adopted by NCHL, which has also increased some of the line items under Staff Expenses including Gratuity Provision and Provident Fund expenses.

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	Amount in NPR '000	
			Growth	
			Volume	%
Staff expenses	24,456	19,406	5,051	26%
Other Admin Expenses	29,928	13,574	16,354	120%
<b>Total Administrative Expenses</b>	<b>54,385</b>	<b>32,980</b>	<b>21,405</b>	<b>65%</b>

### Profits, Staff Bonus and Corporate Tax

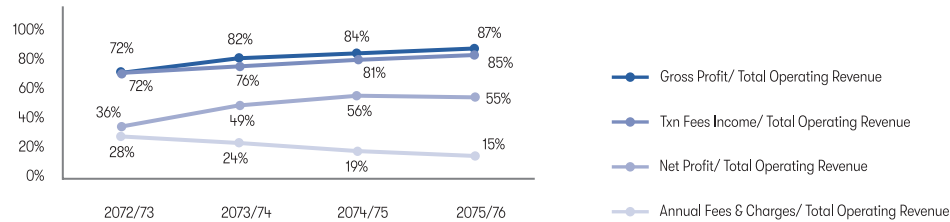
During the review period, NCHL has generated net profit of NPR 237,736 thousands as against the net profit of NPR 181,609 thousands in the previous year, equivalent to increase of 31%. Increase in profit is mainly due to the increase in total transaction fees, particularly express cheque clearing transaction fees and interest income. The income tax provision has increased to NPR 78,157 thousands as against NPR 59,340 thousands in the previous year. And the staff bonus has increased to NPR 35,228 thousands from NPR 24,209 thousands in the previous year.

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	Amount in NPR '000	
			Growth	
			Volume	%
Gross Profit	375,020	272,629	102,391	38%
Operating Profit	374,065	278,463	95,602	34%
Net Profit After Tax	237,736	181,609	56,127	31%
Income Tax Provision	78,157	59,340	18,817	32%

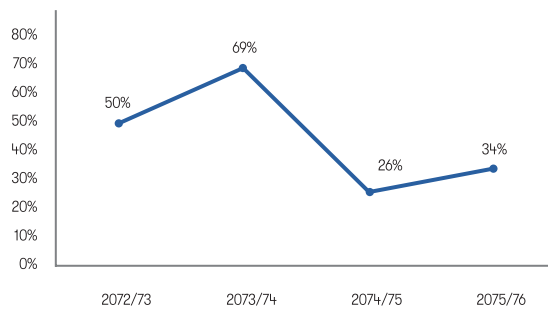


## Financial Ratios

### Revenue Indicators



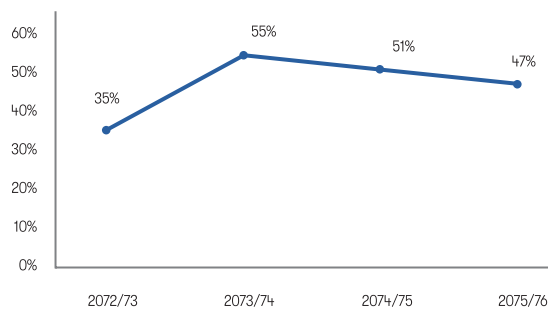
### Revenue Growth Rate



Revenue growth rate represents the percentage of increment in total revenue (operating and non-operating income) in comparison with previous year's total revenue.

Revenue has slightly increased in the fiscal year from 26% to 34% due to increase in total transaction fees income and the interest income.

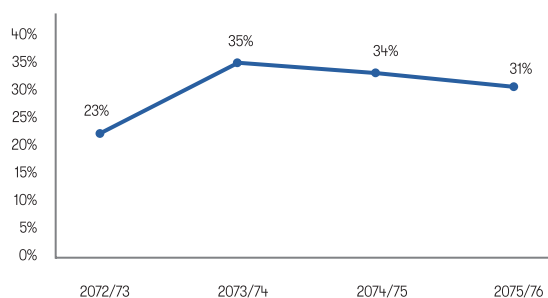
### Return on Capital Employed



Return on Capital Employed (ROCE) measures how efficiently a company is using the Capital (Equity and Accumulated Reserves) to generate profit.

Despite the increase in the Share Capital of the company, there has only been a slight decrease of ROCE as against the previous year.

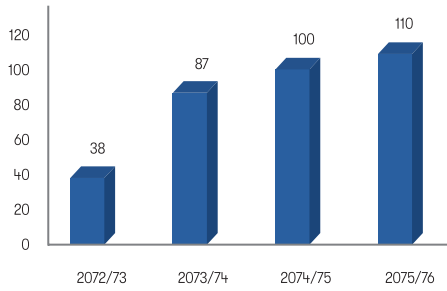
### Return on Total Assets



Return on Total Assets measures a company's Net Profit After Tax (NPAT) relative to its total net assets.

It has slightly decreased in the current year.

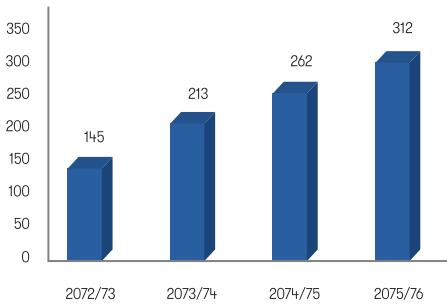
### Earnings Per Share



Earnings per Share represents the company's profit allocated to each unit of equity share. It also represents the net earnings available to the shareholders.

The increase in EPS is mainly due to the increase in net profit.

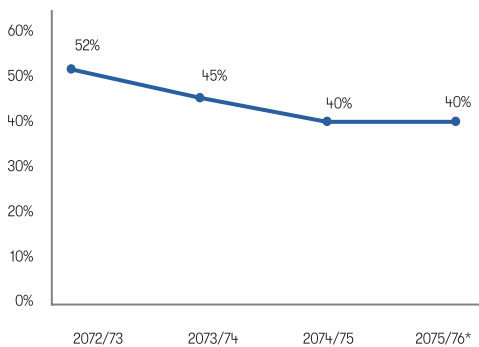
### Net Worth Per Share



Net Worth represents company's total value of assets available to the equity shareholders after covering third party liabilities and the net worth per share is the net worth per equity share.

The increase of the net worth per share is due to the increase in Reserves and Equity.

### Dividend Payout Ratio



Dividend Payout Ratio measures proportion of dividend paid to the shareholders as compared to the net income generated by the company.

The Dividend Payout Ratio is same as the previous year due to the appropriation of the profit towards reserves & retained earnings. (However, dividend for FY 2075/76 is subject to approval by the AGM).

\*Subject to the approval of AGM.

## Value Generations and Distribution

### Value Generations

Total value addition of a company during a fiscal year indicates profit earned by the company over its total income without considering the expenses incurred to or on behalf of the stakeholders. The stakeholders of the company include Government, Employee, Directors, Shareholders and the Entity itself. Therefore, value addition of the company reflects how much money the service contributed toward meeting the company's fixed costs and potentially created a bottom-line profit without distribution to stakeholders. Total value addition of NCHL has increased to NPR 399,222 thousands as against NPR 298,294 thousands in the previous year.

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	Amount in NPR '000	
			Growth	
			Volume	%
Direct Income	431,317	322,963	108,354	34%
Indirect Income	53,430	38,814	14,616	38%
Less: Operating Expenses	56,296	50,334	5,962	12%
Less: Administrative Expenses (Excluding expenses incurred for stakeholders)	29,228	13,149	16,079	122%
<b>Total Value Addition</b>	<b>399,222</b>	<b>298,294</b>	<b>100,928</b>	<b>34%</b>

### Application of Value Generation

This indicates how the value generated by the company is applied in the interests of the stakeholders. The distribution of the value generated during the fiscal year is as follows:

Application to Stakeholders	FY 2075/76 (2018/19)	%	FY 2074/75 (2017/18)	%	Amount in NPR '000	
					Growth	
					Volume	%
Government	78,157	19.6%	59,340	19.9%	18,817	31.7%
Employee	59,684	14.9%	43,615	14.6%	16,069	36.8%
Directors	700	0.2%	425	0.1%	275	64.7%
Shareholders	86,400	21.6%	72,000	24.1%	14,400	20.0%
Entity:						
• Reserves	151,336	37.9%	109,609	36.8%	41,727	38.1%
• Deferred Tax	1,160	0.3%	1,147	0.4%	14	1.2%
• Depreciation	21,784	5.5%	12,159	4.1%	9,625	79.2%
<b>Total Value addition</b>	<b>399,222</b>	<b>100%</b>	<b>298,294</b>	<b>100%</b>	<b>100,928</b>	<b>33.8%</b>

\* Including proposed dividend and bonus share capital for this year, which is subject to approval by the Annual General Meeting.

**Collaboration for Digital  
Payment Ecosystem  
Development**

# connect IPS मार्फत अब सबै प्रकारको भुक्तानी सजिलो छ ।

नेपाल विलयरिङ्ग हाउसद्वारा संचालित connectIPS प्रणालीबाट आफ्नो बैंक खाताहरु link गरी विभिन्न भुक्तानी कारोबारहरु सजिलै गर्नुहोस् ।



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## 04 | OPERATIONAL REVIEWS

With operational review, NCHL intends to evaluate its processes and systems. NCHL has a practice of continuously evaluating its processes and capacity to enhance its efficiency and effectiveness to ensure operational stability. This gives an in-depth and objective assessment of the overall processes to ensure it complies with the organization's internal policies, statutory, regulatory compliances and enhances the operational processes.

Operational reviews are conducted at various levels including Board, Audit Committee, HR Committee and Management. NCHL performs on annual basis a compliance self-assessment and cross functional audit against all policies and procedures by the function head and cross department heads respectively. NCHL reviews the infrastructure capacity enhancements and necessary upgrade plans on regular basis. This is required to support increased transaction volume, business cases in various systems and also to ensure that the infrastructures or part of them are upgraded before they reach end of life/support.

Operational activities and achievements during the review period are as listed below:

### NCHL Members

NCHL-ECC and NCHL-IPS members from BFIs have almost reached its maturity with members of 77 and 72 respectively by the end of the FY 2075/76 (2018/19). 2 additional BFIs were added as members in both NCHL-ECC and in NCHL-IPS during the FY as direct members. In case of connectIPS e-Payment System, 56 BFIs have subscribed for the service out of which 50 BFIs are in operations by the end of the FY 2075/76 (2018/19).

Consolidated Application Programming Interfaces (APIs) of multiple systems including NCHL-IPS system and connectIPS e-Payment have been extended for Indirect/Technical membership and is being productized as National Payments Interface (NPI). Out of the 14 Indirect/Technical membership for such APIs, 6 Indirect/Technical members were made Live during the FY 2075/76 (2018/19).

Following is the summary of the members as of Ashad end 2076.

NCHL Members	NCHL-ECC	NCHL-IPS	Integration	connectIPS
<b>Total Members</b>	<b>77</b>	<b>80</b>	<b>53</b>	<b>56</b>
Nepal Rastra Bank	1	1	1	
Commercial Bank	28	28	25	23
Development Bank	28	26	18	18
Finance Company	19	16	9	9
NIFRA	1	1		
Indirect/Technical		8		6
<b>Subscribed*</b>				
BFIs			3	6
Indirect/Technical		8		8

\* Members who have subscribed but are yet to be live.

### Merger/Termination of Members

In order to meet the minimum statutory capital and other requirements set by NRB, the market has seen massive mergers and acquisitions of the BFIs in the last few years. During the review year of FY 2075/76 (2018/19), 5 member BFIs (3 development banks and 2 finance companies) merged during in NCHL-ECC. And the total number of member BFIs which have merged till date remains 80 for NCHL-ECC. 6 members of NCHL-IPS including 1 Indirect/Technical member discontinued its membership during the review period making the total number of members merged/terminated as 18 in NCHL-IPS. Similarly, 2 members were merged during the review period in connectIPS e-payment system. It is anticipated that few BFIs will continue to merge in the coming fiscal year too.

Following is the summary of the merged/terminated members.

Members	NCHL-ECC	NCHL-IPS	E-Payment
Membership as of date	157	106	72
Merged/Terminated as of date	80	18	2
Merged/Terminated in FY 2075/76	5	6	2

Merger of BFIs will directly impact the revenue of NCHL, particularly the annual recurring fees and charges. In order to mitigate such business risk, the focus of NCHL has been to increase the transaction volume by establishing multiple use cases and also by adding Indirect/Technical members in various systems.

### NCHL-ECC System

NCHL-ECC system is the core system for electronic cheque clearing. Hence, its operation and maintenance has been given utmost priority to ensure the expected performance and support. The average daily cheque transaction volume for the FY 2075/76 (2018/19) remained at 47,085.

Total of 11,755,072 cheques were presented during the review period out of which 10,124,785 cheques were cleared/accepted. The average transaction volume has increased by 16.1% as compared to the previous year and the average daily settlement value has increased for all currency cheque clearing. The daily settlement value during the review period was NPR 30 billions as compared to NPR 26 billions in the previous year.

NCHL focused for extending outward clearing branches of NCHL-ECC system, as addition of outward clearing branches will improve service delivery by means of faster clearing. Almost 5,003 branches of the member BFIs across the country are listed in NCHL-ECC system, which means cheques issued from these branches can be processed through NCHL-ECC, while over 3,492 branches are currently providing outward clearing service, which was 2,816 at the end of the previous year. NCHL will continue to encourage and assist the member BFIs to increase outward clearing branches. The peak transaction processed in a single day in NCHL-ECC system since its inception is 193,354 transactions.

Due to the increased value addition for the customers, the express clearing has increased considerably during the review period. Total of 1,572,514 cheques, equivalent to 13.4% of the total cheques presented, were processed in Express and High Value clearing sessions.

Following is the product wise transaction volume in NCHL-ECC.

Sessions	2073/74	2074/75	2075/76	Growth
High Value	751	245	310	27%
Express	437,324	937,877	1,572,514	68%
Regular	9,513,194	8,748,155	10,182,248	16%

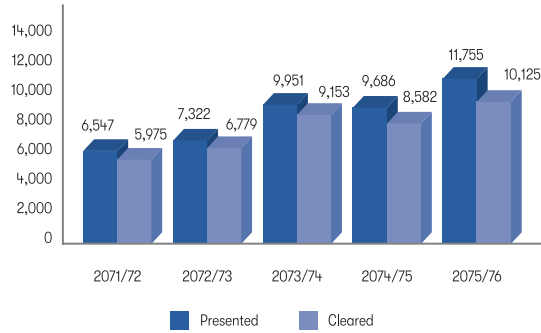
Implementation of full MICR cheques is expected to help the member BFIs to reduce operational risks by reducing cheque rejections due to manual errors and also support implementing alternate channels of cheque deposits/ collections. Hence, in order to encourage usage of Full MICR cheques, a discount of 15% on the total transaction fee collected against full MICR cheques presentment in the system was implemented such that the discount is passed to the cheque issuing BFIs. Such initiative was made effective from 15<sup>th</sup> Chaitra 2075 (29<sup>th</sup> March 2019). Full MICR implementation refers to adoption of MICR line as per the cheque standards and specifications document, which includes cheque serial number, bank code, branch code and account number within the MICR code line.

## Supporting Non-cash Payments

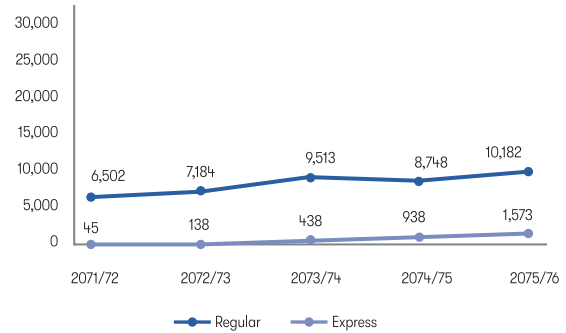


## Snapshots of NCHL-ECC Transactions

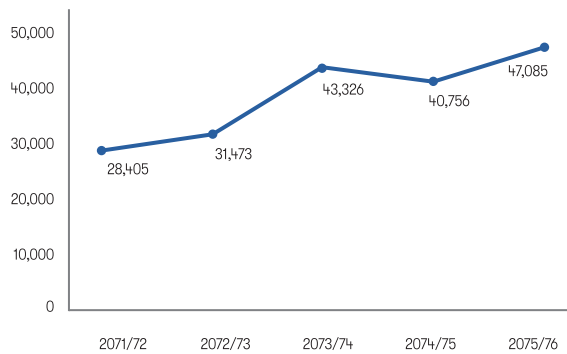
Transaction Count (in '000)



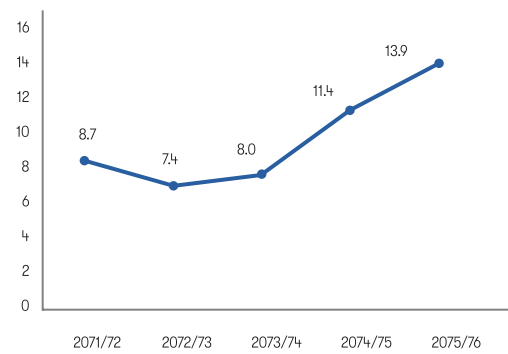
Regular & Express Clearing Transaction Count (in '000)



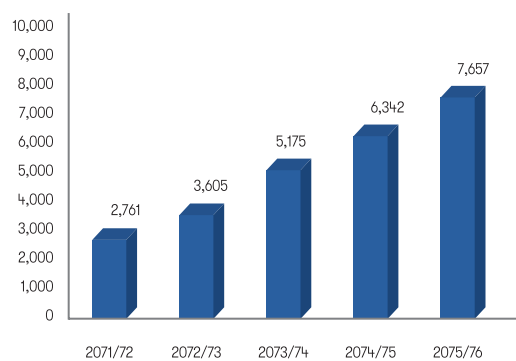
Average Daily Cheque Volume



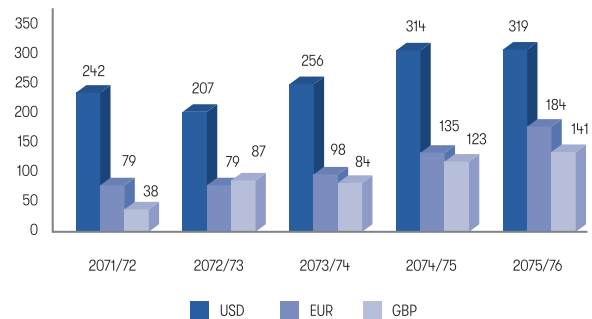
Average Cheque Return (in %)



NPR Transaction Value (in Billions)



FCY Transaction Value (in Millions)





## NCHL-IPS System

The primary focus of NCHL during the year for NCHL-IPS system was to stabilize the system and to increase acceptability of direct credit/ debit transactions. Acceptability of the system is reflected with the increase in the total transaction volume, which has increased by 162% as compared to the previous year. The average daily transaction volume for the FY 2075/76 (2018/19) was 19,653 as against 8,001 in the previous year. Total of 4,931,949 transactions were presented during the review period out of which 4,428,169 transactions were cleared/ accepted with average daily settlement value of NPR 6.2 billion as compared to NPR 3 billion in the previous year. Providing necessary trainings/awareness to the members and facilitating various institutions including Government, Semi-Government institutions and other larger corporates were the primary focus for NCHL during the year. NCHL-IPS was extended to more than 4,975 branches across the country.

The peak transaction processed in a single day in NCHL-IPS system since its inception is 153,407 transactions.

## Analysis of NCHL-IPS Transactions

### Government Payments (GOVT)

With an intent to facilitate Government of Nepal (GoN) for implementing its payout transactions directly to the bank accounts of the beneficiary, a special product (GOVT) is available in the system. It was pilot launched from GoN's Singha Durbar Office from Falgun 2073, which has now been extended to almost all district offices of GoN and are being processed in NCHL-IPS through the designated banks. There are extended APIs of NCHL-IPS system provided to the GoN through these banks for full integration of the system with GoN's EFT system. NCHL processed total GOVT transactions of NPR 154.84 billion during the year as against NPR 48.43 billion in the previous year.

### Treasury Transactions (TREA)

Treasury transactions (TREA) related to the treasury operations including placements and fund management of the BFIs are being processed through NCHL. The commercial banks, having alternate option of SWIFT, have also started using NCHL-IPS system for such transactions and it is expected to further increase in the coming years. NCHL processed total TREA transactions of NPR 519.66 billion during the year as against NPR 212.53 billion in the previous year.

### Customer Transfer and Supplier Payment (CUST/SUPP)

Transaction related to general fund transfer (CUST) and supplier/party payments (SUPP) was widely accepted by the customers as a means of beneficiary account deposits. NCHL processed total CUST and SUPP transactions of NPR 739.17 billion during the year as against NPR 378.36 billion in the previous year.

### Remittance (REMI/ REMD)

The remittance companies can directly process their transactions to the beneficiary bank accounts under remittance transactions (REMI/REMD). Some of the remittance companies have joined NCHL as Indirect Member for full integrations while others are processing their transactions through their respective banks. And the remittance transaction of NPR 106.51 billion was processed through the system during the year as against NPR 55.03 billion in the previous year.

### Dividend and IPO Refunds (DIVI/IPOR)

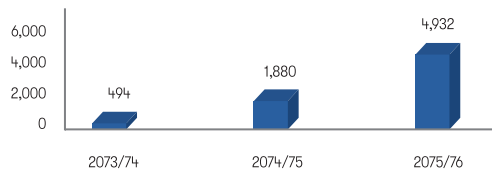
Considering the ease of processing bulk transactions, the use cases related to dividend payouts and refund was used the most through NCHL-IPS system, constituting of 53% of the total transactions during the review period, equivalent to reach more than 2.6 million transactions.

### Salary Payments (SALA/ SALC)

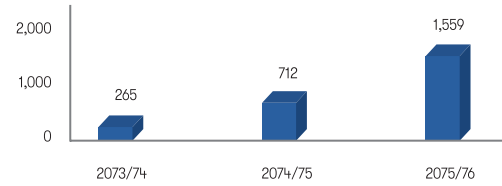
Salary payment was also widely used payments through which the employer can disburse the salary at any of the bank account of the employee. Many of the large corporates are using SALA/SALC. Government of Nepal has also started payment of salary through NCHL-IPS. A total of NPR 18 billion salary were processed through NCHL-IPS during the review period as against NPR 2 billion in the previous year.

## | Snapshots of NCHL-IPS Transactions

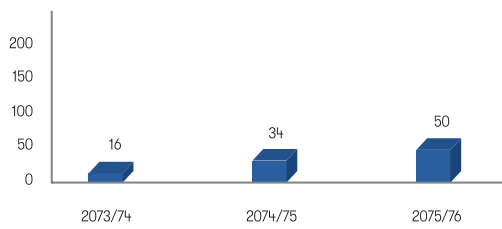
Transaction Count (in '000)



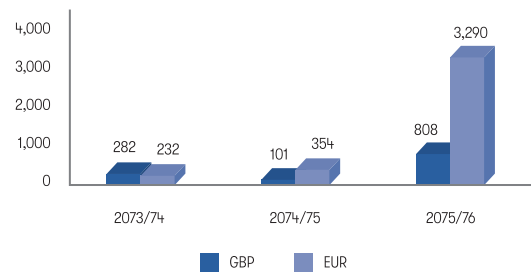
NPR Transaction Value (in Billions)



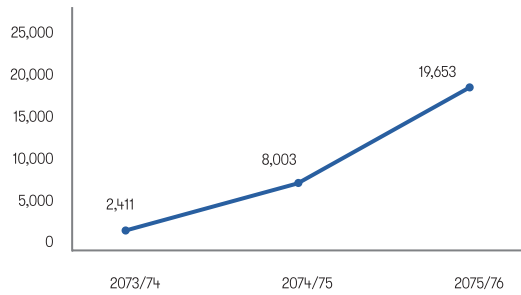
USD Transaction Value (in Millions)



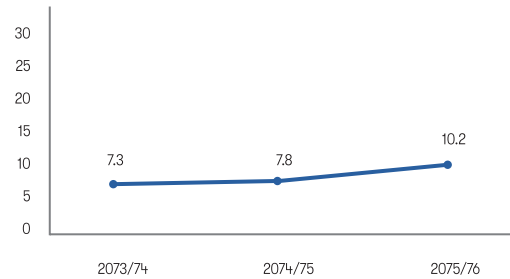
GBP & EUR Transaction Value (in '000)



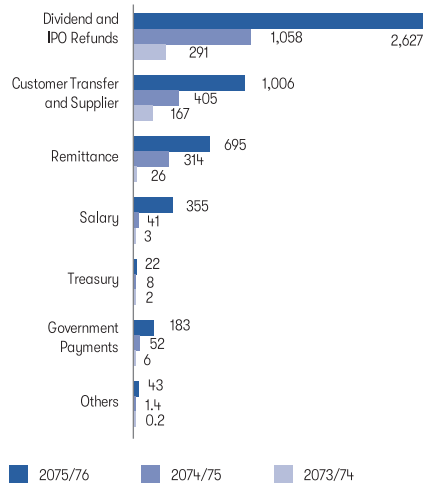
Average Daily Transaction Volume



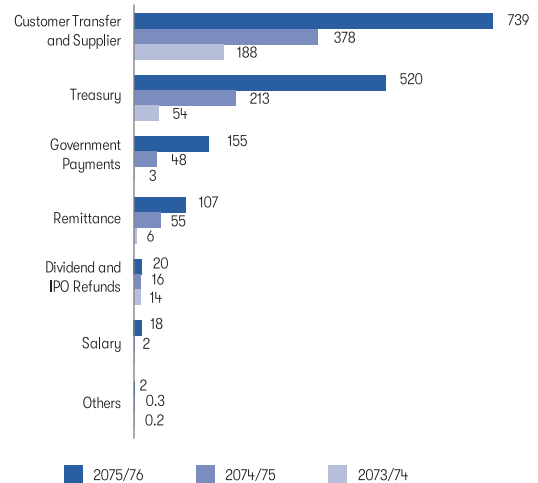
Average Transaction Return %



Category Wise Transaction Volume (in '000)



Category Wise NPR Transaction Value (in Billions)



## connectIPS e-Payment

connectIPS e-payment system is an in-house developed system which was pilot launched since Baisakh 2075 with its payment processor (gateway) component for e-payment of Government revenue and the online fund transfer facility was started from Shrawan 2075. However, the system was officially launched during the review period on 12<sup>th</sup> October 2018 and was inaugurated by Honorable Finance Minister Dr. Yuba Raj Khatiwada.

Currently available payments in connectIPS e-payment includes Government revenue payment including tax, Loksewa application Fee, CRO fee payment, loan re-payment to Citizens Investment Trust, fund transfer, Cash-in/out transactions from wallets, Credit card bill payments, payments related to capital market and other commercial creditor/biller payments.

The system is already subscribed by 55 BFIs, out of which 49 are now in operations as of Ashad end 2076. Supporting the real time fund transfers instantly, connectIPS is available through [www.connectips.com](http://www.connectips.com), mobile app for both Android and iOS in which the customer needs to enroll, link at least one bank account with one-time verification through the bank upon submission of the downloaded and duly signed account link form. The services are also extended to its Bank Central Module (for transaction initiation from bank branches) and to any other alternate channels of the members. The transactions are executed on real time basis and is available 24\*7\*365. The current per transaction limit is up to NPR 1,000,000 for online (web) and up to NPR 50,000 for mobile app.

### connectIPS Integration

Growth in number of transactions in NCHL-IPS and connectIPS e-payment systems largely depend on the number of BFIs that are fully integrated with their core banking system (CBS). Hence, NCHL has developed and provided connectIPS Integration Module for its member BFIs at no additional cost. Total of 55 member BFIs are integrated with NCHL-IPS system of which 53 BFIs are integrated through connectIPS Integration module. NCHL will continue to assist the member BFIs for integration with their CBS and even to extend those integration APIs to alternate channels and their corporate customers. The connectIPS integration module is further being customized for inward and outward integration between the CBS of the banks and RTGS system that is being implemented by Nepal Rastra Bank.

## Analysis of connectIPS e-Payment Transactions

### Online Fund Transfer (P2P)

Account based online fund transfer between any of the member BFIs is the most used service in connectIPS. Such fund transfer is possible based on the beneficiary bank account or recipient connectIPS user's mobile or to the favorite list. The transfer between the sender and beneficiary is on real-time basis. NCHL processed total online fund transfer transactions of NPR 3.36 billion during the review period.

### Government Payments (P2G)

connectIPS e-payment is used for payment to Government of Nepal through various departments as P2G transactions. It is being used by Financial Controller General Office (FCGO), Inland Revenue Department (IRD), Public Service Commission (PSC) and Office of Company Registrar (OCR), with few other under consideration. Payment processor (gateway) and retail modules of connectIPS e-Payment is used for such P2G payments. Total of NPR 404 million of Government revenue was collected online using the system during the review period.

With the success of P2G transactions at the central government level, the same process and system is under consideration for implementation at some of the Local Governments too, corresponding to which MoU with few have already been entered. Similarly, other Semi-Government institutions like Employee Provident Fund (EPF), Citizen Investment Trust (CIT) and Social Security Fund (SSF), which are some of the largest Government owned fund managers in Nepal, are also being on-boarded within connectIPS e-Payment and NCHL-IPS systems, corresponding to which few transactions have already been initiated.

### Capital Market Payments

connectIPS e-Payment and NCHL-IPS systems have been extended to establish use cases related to capital market payments. It has been fully integrated with the online trading platform (TMS) of Nepal Stock Exchange Ltd. to process the payments leg of DVP payments. Other capital market related payments that are added on connectIPS are stock broker payments, DMAT renewal, Meroshare fee payment, etc. During the review period, total of NPR 142.43 million related to capital market payments were processed through connectIPS e-Payment.

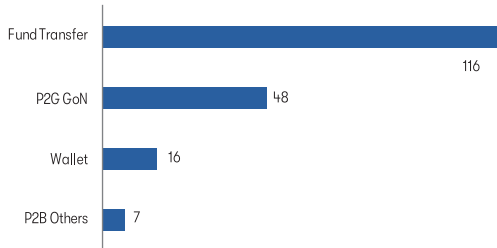
### Cash In/Out for PSPs (W2A/ A2W)

PSPs are also using connectIPS e-Payment for their wallet to account or vice versa transactions. This is being used for their cash-in, cash-out and settlement requirements. NCHL has onboard 3 major wallet providers IME Pay, Khalti and QPay for their service during the review period and we anticipate the transaction to grow in next fiscal year with addition of more PSPs/PSOs (5 more have already subscribed).

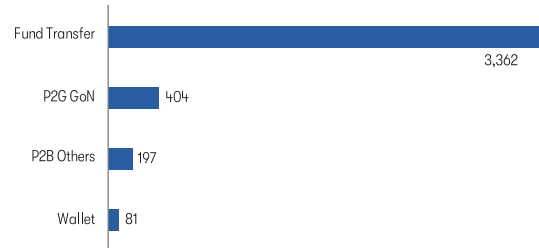
### Other Transactions (P2B)

Insurance premium payments, loan repayment, credit card bill payments of various banks, payments for other utility, travel agent payments, e-commerce sites, etc. are also added in connectIPS. All such services are enrolled through one of the direct members, under the concept of the global creditor.

#### Service Wise Transaction Volume (in '000)

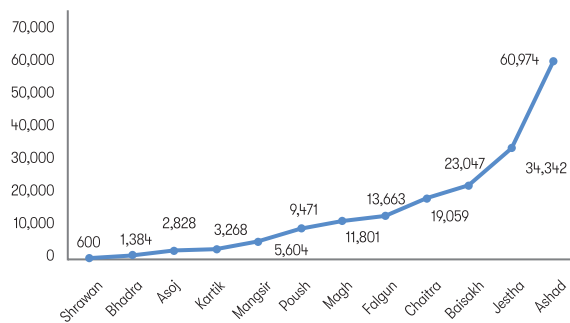


#### Service Wise Transaction Value (in Millions)

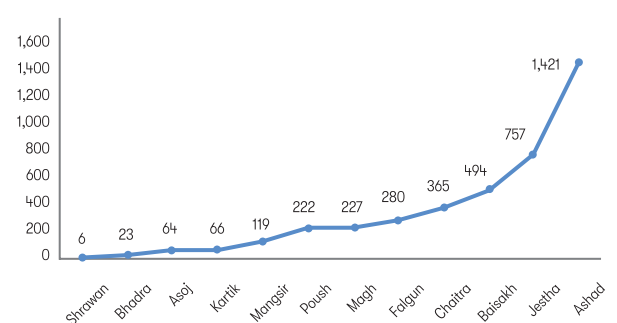


### | Snapshots of connectIPS e-Payment Transactions

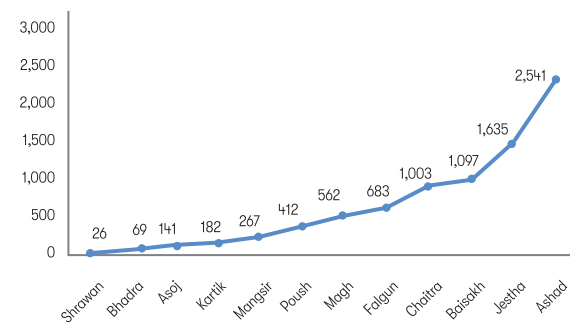
#### Monthly Transaction Count



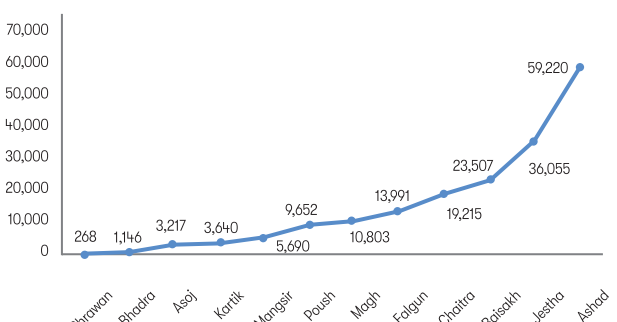
#### Monthly Transaction Value (in Millions)



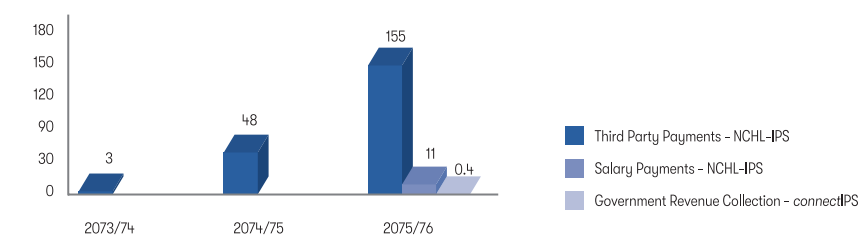
#### Monthly Average Daily Transaction Volume (FY 2075/76)



#### Monthly Average Daily Transaction Value (in '000)



#### GoN Transaction Value (in Billions)



### | Official Launch of connectIPS

NCHL connectIPS was officially launched on 12<sup>th</sup> October 2018 and was unveiled by Honorable Finance Minister Dr. Yuba Raj Khatriwada in the presence of the Governor Dr. Chiranjivi Nepal.



### | connectRTGS signing ceremony

An official signing ceremony was held on 13<sup>th</sup> May 2019 to work as a partner for RTGS integration for the BFIs.





## Consolidated APIs (NPI)

NCHL has consolidated APIs of NCHL-IPS and connectIPS e-Payment systems. Large organizations having huge volume of payment transaction can use such APIs to integrate their internal system for automation, which are then processed through their banks in the NCHL-IPS and connectIPS e-Payment systems. Such institutions are on-boarded as Indirect/Technical Members with direct members as its settlement banks. Some of the institutions like PSPs/PSOs, remittance companies, insurance companies, Government/Semi-Government institutions, and different channels of the BFIs have been integrated through such consolidated APIs.

### NCHL Internal Systems

The technical team of NCHL has developed various internal and business applications including National Settlement System (NSS), connectIPS Integration Module, e-Payment System, and NCHL-CRM & Billing System. NCHL is also developing connectRTGS for integration of the BFIs with RTGS system being implemented by Nepal Rastra Bank. NCHL-NSS System automates the settlement process between NCHL and NRB. The deferred net settlement positions from NCHL-ECC, NCHL-IPS and connectIPS e-Payment systems of the member banks are processed through NSS System for necessary settlement at the member banks' settlement accounts held at NRB. NCHL-CRM & Billing System is in place for internal processes of recording necessary information of members and their billing details. The system automates the billing process of all the systems with facility to generate direct debit of the fees and charges from the member BFIs.

### NCHL-Helpdesk

NCHL-Helpdesk is the first level of support for the end users of the members. They provide necessary information and handle the issues/queries of the users. NCHL-Helpdesk function is backed by resources having both technical and operational expertise. With implementation of connectIPS, NCHL's helpdesk team has also been supporting the end customers of the member BFIs. Member BFIs are provided access to NCHL's helpdesk system for logging and follow up of the support tickets. The Helpdesk team can also be contacted through phone/ mobile or email.

With reference to NRB's Notice # 12 of FY 2074/75 (2017/18), NCHL has made necessary arrangements for operations including settlement arrangement at NRB during the selected public holidays and Saturdays as prescribed. NCHL operated on the public holidays and Saturdays if such public holidays fell on last day of the month and from 25<sup>th</sup> till last day of each quarters (i.e. Ashwin, Poush, Chaitra and Ashad).

## Training, Orientation and Awareness

### Member Trainings and Orientations

NCHL provides multiple trainings and orientations to the users of the member BFIs on a regular basis. The training schedules are normally published in advance to all members such that they can nominate and send their end users for the trainings. NCHL has also shared its resources to the members for conducting their in-house trainings. NCHL has scaled-up the training activities in the review period for NCHL-IPS and connectIPS e-Payment system to promote account based transactions, which focused on onboarding of non-conventional creditors, awareness and orientations for BFI users.

Details of various trainings and orientations conducted during the FY 2075/76 (2018/19) are as follows:

Member Training in FY 2075/75 (2018/19)	Count	Participants
In-House for Members (NCHL-IPS & connectIPS)	6	31
Regional Branches and Members (NCHL-IPS & connectIPS)	12	529
NCHL-ECC for Members	4	88
Indirect/Technical Members	20	298
<b>Total</b>	<b>42</b>	<b>946</b>

The orientation programs were conducted jointly with Nepal Rastra Bank at Kathmandu, Dhangadhi, Nepalgunj, Narayanghat, Pokhara, Dang and Banepa/Dhulikhel. NCHL will continue the trainings and awareness programs in the coming year also.

### Public Awareness

With an objective of creating awareness amongst the general public and customers about the products/services of NCHL and digital payments as a whole, NCHL engaged into various public awareness campaigns through various print media and digital channels. In order to increase the awareness and visibility and as a part of the channel engagements, various co-branded activities were executed with the member BFIs at various locations.



### | Glimpses of Training, Orientation and Awareness Activities



Training at Banepa



Training at Dang



Training at Narayanghat



Training at Pokhara



Public Awareness activities at IRD



Public Awareness activities at IRD

## | Partnership with UKaid Sakchyam Challenge Fund (Access to Finance)

NCHL entered into a grant agreement with DFID funded UKaid Sakchyam – Access to Finance Programme (Sakchyam) for a project titled ‘Promote connectIPS e-Payments, establish National Payments Interface (NPI) and extend Settlement Guarantee Fund (SGF)’. The project aims to extend payment infrastructure for an integrated mobile and web-based payment services such that it will support in establishing an efficient and reliable digital payment ecosystem in Nepal.

The three major components of the project include Promotion, awareness and training of connectIPS e-Payment system; Development and rollout of NPI; and Extension of Settlement Guarantee Fund (SGF). The project started from 3<sup>rd</sup> May 2019 and ends at July 2020. The details of the project financials are included at Notes 16 and financial information.



Agreement signing for NCHL-Sakchyam Challenge Fund Project

**Providing Innovative Payment  
Solution and Promoting  
e-Payment**





*connect* **IPS**  
pay direct from bank

Load your **mobile wallet**  
from bank account



Available on:  
[www.connectips.com](http://www.connectips.com)



**NEPAL  
CLEARING  
HOUSE**

नेपाल राष्ट्र बैंक र बैंक तथा वित्तीय संस्थाहरुबाट प्रवर्द्धित

## O5 | GOVERNANCE AND RISK MANAGEMENT

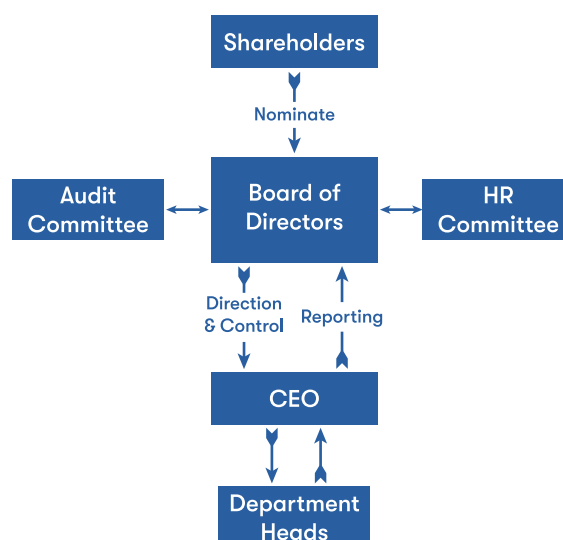
### Corporate Governance

NCHL has inculcated a culture of robust corporate governance to achieve its objectives towards the development of national payments infrastructures. A good corporate governance structure is the foundation for enabling prudent as well as effective management that ensures clear alignment of the stakeholders' interests, ensures accountabilities and transparency. It also controls and inspires the right behavior for timely responses towards issues and for better performance of the organization.

NCHL is committed towards the highest level of ethics, integrity, transparency, professionalism, and compliance. The Board of Directors, being primarily responsible for the corporate governance of NCHL, is committed to ensure the integrity, effective oversight, leadership and control by directing and supervising the business affairs at the strategic level to adhere with the applicable regulations and to maintain the highest standards of business best practices in order to deliver long-term value to the stakeholders.

NCHL is guided by its Memorandum of Association (MOA) and Articles of Association (AOA). It is licensed by Nepal Rastra Bank as Payment System Operator (PSO). Various laws and regulations which govern NCHL are as follows:

1. Company Act, 2063
2. Negotiable Instrument Act, 2034
3. Information Technology Act, 2074 (Previously, Electronic Transaction Act, 2063)
4. Payment and Settlement Act, 2075
5. Payment and Settlement Bylaw, 2072
6. Licensing Policy for Institution/Mechanism for Operating Payment Related Activities, 2073
7. Nepal ECC Rule Book and Nepal ECC Operating Rule
8. NCHL-IPS Operating Rules
9. Directives and circulars issued by Nepal Rastra Bank



### The Board of Directors

The Board of Directors is a body of elected or appointed members by the shareholders, who jointly oversees the activities of the company and is responsible for the company's strategy, structure and performance including the assessment and management of risk related activities. The Board is accountable and responsible for ensuring that adequate system and controls are in place; strategic decision making and financial performance of company. Adopting procedure for appointment of Board members which is clearly specified in the Articles of Association of the company, NCHL's Board comprises of 7 non-executive directors including Chairman, who is elected from amongst the Directors. The Board is constituted by the institutional representatives from the shareholder groups.

Shareholder composition and the board representation is as shown in the following table:

Group	Shareholders	Holding	Board Representation
A	Nepal Rastra Bank	10%	1
B-1	Commercial Banks		3
B-2	Development Banks	80%	1
B-3	Finance Companies		1
C	Smart Choice Technologies Ltd.	10%	1

Following are the members of the Board of Directors as on July 16, 2019:

Name of Director	Institutions Represented
Mr. Naresh Shakya, Chairman	Nepal Rastra Bank
Mr. Ujjal Rajbhandary, Director	Himalayan Bank Ltd.
Mrs. Umang Sharma, Director	Citizens Bank International Ltd.
Mr. Surendra Bhusan Shrestha, Director	Nepal Bangladesh Bank Ltd.
Mr. Madhav Prasad Upadhaya, Director	Garima Bikash Bank Ltd.
Mr. Samaj Prakash Shrestha, Director	Reliance Finance Ltd.
Ms. Kusum Lama, Director	Smart Choice Technologies Ltd.

The responsibility for day to day management of the company is delegated to the management team. The reporting line between the Board and Management team has been clearly defined in the company's organizational chart ensuring effective monitoring of the senior management by the Board. The management team consists of professionals coming from diverse range of professional backgrounds including banking, information technology, chartered accountancy and marketing. The management team is led by the Chief Executive Officer, who is duly accountable to the Board. The Board is mainly involved in formulating strategic and annual plans, approving annual budget, formulating internal policies and procedures including risk management framework. All the key policies, procedures and governance aspects are regularly reviewed by the Board.

### Changes in the Board of Directors

There has been few changes in the representations in the Board in the FY 2075/76 (2018/19).

Outgone Board Member		Incoming Board Member	
Name	Institution Represented	Name	Institution Represented
Mr. Jhalak Sharma Acharya	Nepal Rastra Bank	Mr. Naresh Shakya	Nepal Rastra Bank
Mr. Sunil Pant	ICFC Finance Ltd.	Mr. Samaj Prakash Shrestha	Reliance Finance Ltd.
Mr. Rabindra Bahadur Malla	Smart Choice Technologies Ltd.	Ms. Kusum Lama	Smart Choice Technologies Ltd.

The 119<sup>th</sup> Board meeting of NCHL held on November 30, 2018 appointed Mr. Samaj Prakash Shrestha, Deputy CEO of Reliance Finance Ltd. representing finance companies, following the departure of Mr. Sunil Pant from the Board of Directors. Mr. Pant resigned from NCHL's Board after being promoted to the position of CEO in his organization.

Mr. Jhalak Sharma Acharya's tenure as a Chairman of NCHL's Board ceased following his retirement from Nepal Rastra Bank. Thereafter, Mr. Naresh Shakya, Executive Director of Banking Office, Nepal Rastra Bank, was nominated as Director effective from Ashadh 3, 2076 (June 18, 2019). The 128<sup>th</sup> Board Meeting of NCHL held on June 25, 2019 elected Mr. Shakya as the new Chairman of the Board of Directors of the company. Likewise, the Board endorsed Ms. Kusum Lama's nomination as the institutional representative of Smart Choice Technologies Ltd. as replacement of Mr. Rabindra Bahadur Malla, through the same board meeting.

### Board Meetings

The Board has appointed the Chief Executive Officer as the Company Secretary in order to convene the Board meetings and prepare agendas for discussion in the meeting, ensure implementation of decisions made by the Board and/or address the matters raised by the regulatory authorities. The Minutes of the board meeting are retained by the Company Secretary.

During the review period, a total of 18 board meetings were conducted and a summary of the attendance of the Directors in the Board meeting is as shown in the following table.

Name of Director	Meetings Held	Meetings Attended
Mr. Naresh Shakya	4	4
Mr. Ujjal Rajbhandary	18	12
Mrs. Umang Sharma	18	17
Mr. Surendra Bhushan Shrestha	18	17
Mr. Madhav Prasad Upadhaya	18	16
Mr. Samaj Prakash Shrestha	13	12
Ms. Kusum Lama	4	2
Mr. Jhalak Sharma Acharya*	14	13
Mr. Sunil Pant*	5	4
Mr. Rabindra Bahadur Malla*	14	10

\* Outgone members of the Board of Directors



## Audit Committee

Audit Committee is formed pursuant to Section 164 of Company Act, 2063 and functions as per the provisions of Section 165 of the same Act. It comprises of three Directors from the Board as its Members and the Finance/Admin Officer as its Member Secretary. The committee reports directly to the Board on the matters concerning financial reporting, internal control, risk management and auditing.

Current members of the Audit Committee are as follows:

Name of Member	Role
Mr. Ujjal Rajbhandary, Director	Chairperson
Mr. Surendra Bhushan Shrestha, Director	Member
Mr. Samaj Prakash Shrestha, Director	Member
Mr. Anesh Shrestha, Fin/Admin Officer	Member Secretary

After the departure of Mr. Sunil Pant and Mr. Rabindra Bahadur Malla from the Board, Mr. Samaj Prakash Shrestha and Surendra Bhushan Shrestha were nominated by the Board in the Audit Committee on 30<sup>th</sup> November 2018 and 22<sup>nd</sup> July 2019 respectively.

The committee regularly reviews the internal control system, risk management system and compliance, related to financial and operational matters. It also conducts periodic review of financial statements, review of findings reported in the internal audit, statutory audit and ISO audit with appropriate recommendations to the Board for necessary policy changes as a result of the audit/ reviews. The results of semi-annual Risk Register, Assessment & Treatment Plan as well as Compliance Self-assessment & Cross-functional Audit reported by the management are also reviewed by the Audit Committee. The Audit Committee periodically updates the Board on the controls and risk related matters.

A total of 5 meetings were held during the review period. The attendance details of the Audit Committee's members in the meeting are as follows:

Name of Member	Meetings Held	Meetings Attended
Mr. Ujjal Rajbhandary, Director	5	4
Mr. Samaj Prakash Shrestha, Director	3	2
Mr. Rabindra Bahadur Malla, Director*	5	4
Mr. Surendra Bhushan Shrestha, Director	-	-

\* Outgone Members of Audit Committee.

## Report on the Activities of Audit Committee

The Audit Committee conducted the functions as mandated by Section 165 of the Company Act, 2063. Accordingly, followings were the major activities conducted by the Audit Committee in the FY 2075/76 (2018/19):

1. Reviewed financial statement of the FY 2074/75 (2017/18) and recommended to the Board for approval.
2. Discussed over matters concerning appointment of Statutory Auditor for the FY 2075/76 (2018/19) and recommended the name to be proposed in the 7<sup>th</sup> AGM.
3. Discussed over matters concerning appointment of Internal Auditor and appointed M.B Shrestha & Co. as the Internal Auditor for the FY 2075/76 (2018/19). It also reviewed the scope of work, audit plan and schedule of the Internal Auditor.
4. Reviewed the findings, recommendations and Management responses of the quarterly Internal Audit Reports.
5. Reviewed the Financial Statements and Budget Variance Report of the company reported by the management on quarterly basis.
6. Reviewed the results of Risk Register, Assessment & Treatment Plan of December 2018; Compliance Self-assessment & Cross-functional Audit reported by the management.

## HR Committee

HR Committee of NCHL comprises of three members from the Board of Directors with an objective to formulate needed policies and plans in order to develop and retain necessary human resource at the company.

Current members of the HR Committee are as follows:

Name of Member	Role
Mrs. Umang Sharma, Director	Chairperson
Mr. Madhav Prasad Upadhaya, Director	Member
Ms. Kusum Lama, Director	Member

Ms. Kusum Lama was nominated for the HR Committee as a replacement of Mr. Surendra Bhushan Shrestha (who was then nominated for Audit Committee) by the Board on 22<sup>nd</sup> July 2019.

All the policies related to employee recruitment, salary and benefits and other related issues are overseen by the Committee. HR Committee provides necessary recommendations to the Board for changes in human resource policies. The key HR policies have been revised in the fiscal year following the issuance of new labor legislation (Labor Act, 2074 and Labor Bylaw, 2075).

A total of 7 meetings of the HR Committee were held during the review period. The attendance details of the HR committee's members in the meeting are as follows:

Name of Member	Meetings Held	Meetings Attended
Mrs. Umang Sharma, Director	7	7
Mr. Surendra Bhushan Shrestha, Director	7	7
Mr. Madhav Prasad Upadhaya, Director	7	7
Ms. Kusum Lama, Director	-	-

### Report on the Activities of HR Committee

The HR Committee conducted following functions in the FY 2075/76 (2018/19) exercising powers conferred by NCHL's Board.

1. Reviewed amendment of Employee Service Rules, Human Resource Plan and Travel & Daily Allowance Policy, which had been revised in order to address changes mandated by Labor Act, 2074 and Labor Bylaw, 2075; human resource expansion and market review.
2. Reviewed employee performance appraisal of FY 2074/75 (2017/18) and recommended to the Board for necessary approval for promotions and performance appraisal rating based salary increments.
3. Reviewed CEO's performance appraisal of FY 2073/74 and 2074/75 and recommended to the Board for necessary approval for performance based rewards/ increments.
4. Discussed CEO's employment contract extension and recommended to the Board for necessary approval.
5. Reviewed staffs' salary scale and benefits as per Employee Service Rule and Human Resource Plan and recommended to the Board for revision.

### Meeting Expenses

The members of Board, Audit Committee and HR Committee are provided NPR 5,000 as the meeting allowance per sitting. In the review period, the company incurred meeting expenses of NPR 807,582 in total. The details of the meeting expenses are as follows:

S. No.	Meeting	Amount in NPR	
		Meeting Allowance	Meeting Expenses
1.	Board Meeting	535,000	82,784
2.	Audit Committee Meeting	60,000	11,385
3.	HR Committee Meeting	105,000	13,413
	<b>Total</b>	<b>700,000</b>	<b>107,582</b>

### Shareholders Communication

Annual General Meeting is a forum for shareholders to exchange their opinions and views. All necessary information as per the prevailing Company Act is incorporated in the Annual Report. It covers all the necessary financials and disclosures required to provide detailed information to the shareholders. Mentioned information is also uploaded at NCHL's website ([www.nchl.com.np](http://www.nchl.com.np)). Any other information that requires to be communicated to the shareholders are shared and communicated on regular basis through various mediums and in various platforms.

### Internal Controls

Internal control system of an organization ensures effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulation. NCHL recognizes the significance of internal control

system and hence the devised internal controls are duly implemented and reviewed to obtain reasonable assurance of such controls. Thereby, NCHL has incorporated following elements as a part of its internal control system:

### Policies and Procedures

NCHL's Board has formulated set of internal policies and procedures, which are implemented by the Management in its day to day operations. The policies and procedures are regularly reviewed by the Board. The current prevailing major policies and procedures of NCHL are as follows:

1. Code of Conduct
2. Financial Rules and Regulations
3. Risk Management Framework
4. NCHL Investment Policy
5. Discount/Waiver Policy
6. IT Security Policy
7. Disaster Recovery and Business Continuity Plan
8. Information Security Management System Policies
9. Employee's Service Rules
10. Human Resource Plan
11. Employee Performance Objectives & Appraisal Procedures
12. Travel & Daily Allowance Policy
13. NCHL Standard Operational Procedures

### Compliance Self-assessment and Cross-functional Audit

In order to ensure compliance to all the policies, procedures and regulatory requirements, NCHL has adopted a practice of Compliance Self-assessment and Cross-functional Audit, whereby compliance self-assessment of all the relevant policies, procedures and regulatory requirements are carried out by individual functional heads. A cross-functional assessment are carried out by cross-functional heads.

The primary objective is to ensure adherence to the internal policies and regulatory requirements and to identify areas of further improvements/amendments as part of the annual review of such policies/procedures. The annual assessment also includes review of access rights, log review, review of supplier's services and confirmation from critical vendors ascertaining compliance to information security, confidentiality, operational and financial conditions. The assessment is conducted on annual basis and the results are reported to the Audit Committee for necessary considerations.

The annual assessment practice and cross functional review have been conducted in FY 2075/76 (2018/19). This year's review also included additional directives issued by NRB Payment System Department and Labor Audit mandated by Rule 56 (2) of Labor Rules, 2075 for the assessment.

### Internal Audit

The Internal Audit reviews the effectiveness of internal control procedures and compliance with policies and procedures across all system and operational departments. The objectivity of the internal audit engagement is to support the NCHL's management in effective discharge of their responsibility. The Internal Audit was conducted by M.B. Shrestha & Co., Chartered Accountants for the FY 2075/76 (2018/19) and the major scope of the internal audit included the followings:

- Review of Opening Balances
- Verification of Minutes
- Capital and Revenue Expenditures Process Controls
- Fixed Assets Process Controls
- Revenue Process Controls
- Payroll Process Controls
- Budgetary Control Process
- Treasury Process Controls
- Investment Procedure and Execution Review
- Procurement Review
- Compliances with Laws and Regulations, Policies, Acts, Standards, Contracts, etc.
- Review of Provisions, Current Liabilities
- ISO Compliance
- Book Keeping System, Accounting Software Review
- Review of Documentation Procedure
- Review of Payment and Receipt Process Control
- Implementation Guidance, as deemed appropriate, for complying with NFRS
- Debtors and Creditors Administration and Operation
- Review of Existing Operational System Software
- Operational System Review (Process of ECC, IPS and connectIPS e-payment System)

- Information Technology Audit
- Human Resources Management
- Corporate Governance
- Follow up of Previous Year's Audit Report

Quarterly internal audits were carried out during the review period under the supervision of the Audit Committee. M.B. Shrestha & Co., Chartered Accountants was paid NPR 137,500 excluding VAT with additional internal audit expenses on actual basis of NPR 58,935 for the fiscal year.

### ISO Certification and IS Audit

ISO 27001:2013 certification assures organization's confidentiality, integrity and availability of the information assets. Information security and its management has always been the priority at NCHL. Hence, as a part of ISO 27001:2013 certification, an annual surveillance audit is carried out every year by the ISO 27001 certified auditors with requirement of complete re-certification every three years. ISO 27001:2013 certification was obtained by NCHL on 16<sup>th</sup> April, 2015 with the involvement of URS Nepal through URS India, which is accredited certification body of United Kingdom Accreditation Service (UKAS).

The re-certification and surveillance audits are executed by the auditors from URS India.

The scope of ISO 27001:2013 includes management, operation and maintenance of information security management system covering information system, assets and associated processes related to company's business activities in Electronic Cheque Clearing System (NCHL-ECC) and Interbank Payment System (NCHL-IPS) for account based payment and clearing in Nepal.

### Vulnerability Assessment and Penetration Testing (VAPT)

In order to obtain acceptable level of assurance of the security controls implemented on the systems of NCHL, various Vulnerability Assessment and Penetration Testing (VAPT) were conducted during the FY 2075/76. IS assessments are conducted as per NCHL's IT Security Policy and as per the requirements of ISO 27001. Such VAPT were executed as multiple service assignments covering network, network policies, web applications, mobile applications and consolidated APIs. Such VAPT assignments were performed by M/s Rigo Technology and M/S Eminence Ways.

### Accountability

The organizational structure ensures separation of duties and clearly defined responsibilities. Such organizational structure and responsibilities are clearly defined by the Board under Human Resource Plan. Each employee is assigned with individual annual performance objectives in line with the overall organizational business objectives and budget approved by the Board. This creates accountability of each employee towards the company and also aligns individual objectives with that of the company for the particular year.

### Risk Assessment

Risk assessment is important part of an organization's internal control framework. As a part of internal control, NCHL's Board has devised Risk Management Framework based upon which the potential risks are identified, measured, controls implemented and monitored. The individual function heads are responsible for the risks and their controls. A Risk Register, Assessment and Treatment Plan is updated on half-yearly basis, which remains under the custody of the Head Risk & Compliance Officer and is reviewed by the Audit Committee with strategic changes forwarded to the Board for necessary considerations. The risk management practice adopted by NCHL is detailed in the Risk Management section.

### External Audit

The independent audit function is discharged by the External Auditor. Joshi & Bhandary, Chartered Accountants was appointed as the external statutory auditor for the review period by the 7<sup>th</sup> AGM of the company. The external auditor is responsible for obtaining reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud. The scope of the external audit includes statutory and tax audit. Total fee of NPR 110,000 excluding VAT was paid to the external auditor for the fiscal year.

Joshi & Bhandary, Chartered Accountants was assigned with the additional responsibility for the audit of the ongoing grant project for the period of 3<sup>rd</sup> May 2019 till 16<sup>th</sup> July 2019, under the partnership agreement with DFID funded UK Aid Sakchyam Access to Finance. The total fee for the assignment was NPR 50,000 excluding VAT.

The details of the audited financials for the fiscal year 2075/76 (2018/19) and Independent Auditor's Report are incorporated in the Financial Information Section of this report.

## Risk Management

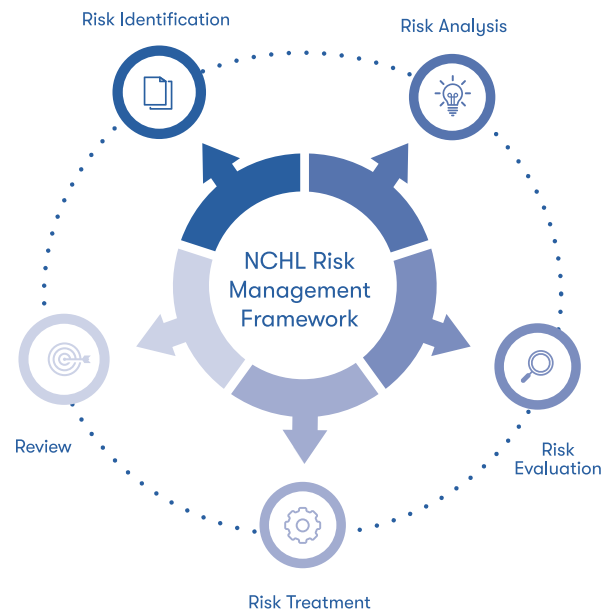
Effective risk management is fundamental to any of the business activities since risk is embedded in the business in different forms. While NCHL remains committed to increasing value to the stakeholders, NCHL understands the importance of operating Systemically Important Payment Systems (SIPS) that has potential to cascade large scale systemic risks to the entire industry and/or the economy of the country. Hence, it has taken into consideration the risk management from NCHL and SIPS perspectives as well.

NCHL has formulated and implemented a comprehensive Risk Management Framework for identifying and managing various risks. NCHL's Risk Management Framework is based on the Principles for Financial Market Infrastructures (recommended by Committee on Payment & Settlement Systems - CPSS) and ISO 27001 standards related to Information Security Management System.

### Risk Management Process

The risk management process involves risk identification, risk analysis, risk evaluation, risk treatment and review. The risks identified and assessed within the domains referred in the framework are compiled by the respective risk owners under detailed Risk Register and periodically reviewed by the Management and the Audit Committee.

The risk items that are identified are quantified based on its likelihood and impact. Likelihood represents the probability of occurrence of the risk, which is quantified in the range of 1 to 5, with 1 being Very Unlikely and 5 being Frequent. Impact represents the severity or implication that such risk may cause in case the risk is triggered, which is quantified in the ranges from 1 to 5, with 1 being Very Low and 5 being Very High. Risk Profile/ Matrix is the product of the risk likelihood and its impact. Based on the risk profile, priorities for the risks are set for risk treatment in terms of urgency, and budgets. Appropriate risk treatments including controls, transfers or acceptance are implemented. The risks including their risk profile and the controls are recorded in the Risk Register, Assessment and Treatment Plan, which is reviewed semi-annually.



Risk Matrix		Impact				
		Very Low	Low	Medium	High	Very High
Likelihood	Frequent	5	10	15	20	25
	Likely	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Very unlikely	1	2	3	4	5

Risk Matrix/Profile

### Risk Register, Assessment and Treatment Plan

Principles for Financial Market Infrastructures identifies 24 key areas for risk management of the systemically important payment systems. Based on the applicability of the key areas for NCHL (payment systems only) and also considering the ISO 27001 framework, NCHL has grouped the key risk areas under 8 domains. Accordingly, the risk identification, assessments and mitigation controls are applied, which are recorded and reviewed in a Risk Register. The key domains are as specified in the Risk Management Framework policy of NCHL.



**General Operational Risks:** Operational risk is the risk of potential loss or service delay due to inadequate internal controls, human errors and external events. NCHL is exposed to operational risk arising from uncertainty of inherent nature of its business. Following are some of the major identified general operational risks and corresponding controls that are implemented.

Risk Profile	Major Risks	Mitigation Strategy
Low	Governance Related Risks <ul style="list-style-type: none"> <li>Unclear governance and oversight, poor management review and inadequate risk management system</li> </ul>	<ul style="list-style-type: none"> <li>Implemented clearly defined governance structure as per the statutory, regulatory requirements and prudent practices.</li> <li>Implemented well defined responsibilities in the HR plan with mechanism in place to align organization's business objectives with annual work plan and individual employee objectives.</li> <li>Assurance to the internal control and risk management function through reviews and oversight at multiple levels by process owners, management, audit committee, Board, internal and external audits.</li> <li>Continuous risk assessment by the designated risk owners with semi-annual reviews of risk register and treatment plan, incident reporting and preventive maintenance/controls.</li> </ul>
Low	Process Based Risks <ul style="list-style-type: none"> <li>Non-compliance of operations of NCHL and the systems.</li> </ul>	<ul style="list-style-type: none"> <li>Defined operating rules and procedures through NRB for the major payment systems being operated by NCHL that remains the regulatory guidelines for NCHL and the members.</li> <li>Implemented well defined NCHL Standard Operational Procedure to ensure all functions follow standardized process.</li> <li>Work closely with designated departments of NRB for general operations and settlement.</li> <li>Periodic review through self-assessment and cross functional audits to ensure compliance.</li> </ul>
Medium	Human Associated Risks <ul style="list-style-type: none"> <li>Unavailability of skilled resources, their retention, and employee related frauds/ breaches.</li> </ul>	<ul style="list-style-type: none"> <li>Implemented well defined recruitment process with proper screening and induction process in place. Legal non-disclosure agreement with all employee. Induction for all new recruits.</li> <li>Training and development remains the part of NCHL's annual plan with training being mandatory performance objectives for all employee to improve skills sets and resource backups.</li> <li>Appropriate fidelity insurance coverage.</li> <li>Review of the HR strategy required to reduce the employee turnover and to provide opportunities &amp; benefits at par with the industry.</li> </ul>

**Operational Risks – Information Security:** Part of the operational risk, it is the potential loss arising due to compromise of confidentiality, integrity and availability of information assets. ISO 27001 standard has been implemented to ensure risks related to Information Security Management System. Following are some of the major identified general information security risks and corresponding controls that are implemented.

Risk Profile	Major Risks	Mitigation Strategy
Low	Information System/ Assets Related Risks <ul style="list-style-type: none"> <li>Breach of information system/ security and their operational failures</li> </ul>	<ul style="list-style-type: none"> <li>Implemented ISO 27001 (with active certification) as a commitment to protect confidentiality, integrity and availability of information assets.</li> <li>Well defined ISMS Policy and IT Security Policy including detailed Standard Operational Procedure.</li> <li>Conducted specific IS assessments on regular basis apart from the normal Internal and External Audits.</li> <li>Implemented Disaster Recovery and Business Continuity Plan with regular mock drills conducted. Also covers continuity of business site (COB) for the participants in case they have issue in accessing the payment systems.</li> <li>Incident management process in place to record risk events/ incidents for their detailed casualty analysis.</li> </ul>

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Risk Profile	Major Risks	Mitigation Strategy
Medium	Infrastructure Capacity Related Risks	<ul style="list-style-type: none"> <li>Implemented processes for regular review of infrastructure capacity enhancement plans. Detailed Capacity Enhancement Plan produced with regular revisions being considered for FY 2076/77 and there forth. It remains as the basis for the major capital expenditures.</li> <li>Support arrangements with the vendors of critical systems and infrastructures with defined SLA within the agreements.</li> </ul>

**General Business Risks:** Business risk is any potential impairment of NCHL's financial position (as a business concern) due to declining revenues or an increase in its expenses. Such impairment may be as a result of adverse reputational effects, poor execution of business strategy, ineffective response to competition, losses in other business lines, etc. Following are some of the major identified general business risks and corresponding controls that are implemented.

Risk Profile	Major Risks	Mitigation Strategy
Medium	Financial Risks <ul style="list-style-type: none"> <li>Potential impairment of NCHL's financial position (as a business concern) due to increase in expenses, volatilities in foreign exchange and interest rates.</li> <li>Stagnant business growth due to declining revenues, merger of BFIs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Practice of in-depth feasibility study and analysis with conservative estimates for all new projects.</li> <li>Implement stringent budgetary control for both revenue and expenses.</li> <li>Major operating expenses being in AMC of software paying in US\$, foreign exchange risk is normally covered through forward contracts with local banks.</li> <li>Implemented NCHL Investment Policy with review every month or on every new investment event to mitigate investment risks and fund management.</li> <li>Promoting high revenue generating services within the existing system and extent services to non-BFIs.</li> </ul>
Medium	Strategic Risk <ul style="list-style-type: none"> <li>Impact due to change in government and regulatory policies, competition from alternate payment products.</li> </ul>	<ul style="list-style-type: none"> <li>Work closely with various department of GoN and NRB to support their policies and initiative. Modify NCHL's strategic plan and related payment products/services to cater with the additional opportunities.</li> <li>Adopted principle of re-investment of profit for establishment of additional national payments infrastructure and cross-subsidizing the fees/charges of the new system from already operating systems.</li> <li>Implemented multiple payment systems handling different financial instruments and through various channels. NCHL currently has systems to process paper based instruments, direct credit, direct debit within the retail segment and through the channels of BFIs' branches and online.</li> <li>Strategies being executed to collaborate with the newly licensed PSPs/PSOs and other stakeholders to increase the digital payment ecosystem.</li> </ul>

**Liquidity Risks:** Liquidity risk relates to the risk that member BFIs will not be able to fulfill their financial obligations on the settlement date of systems (NCHL-ECC, NCHL-IPS and connectIPS) and have potential to create systemic problems. Another potential liquidity risk that NCHL may face is to not having sufficient liquidity to meet its financial obligations. Following are some of the major identified liquidity risks and corresponding controls that are implemented.

Risk Profile	Major Risks	Mitigation Strategy
Medium	Inability of member BFIs to fulfill their financial obligations w.r.t the payment system transactions.	<ul style="list-style-type: none"> <li>• Arrangements in place for NCP settlement of all systems of the member BFIs on their settlement accounts at NRB, which also maintains statutory balance.</li> <li>• Deferred net settlement mechanism implemented for all systems of NCHL, which is an inherent liquidity risk mitigation.</li> <li>• Process defined within the Operating Rules and Operating Procedures for handling of balance shortfall, with last resort being unwinding of transactions of the particular member.</li> </ul>
Low	Not having sufficient liquidity to meet NCHL's financial obligations	<ul style="list-style-type: none"> <li>• Regular monitoring and analysis of cash flow is followed considering the liquidity position of NCHL, risk and returns on investment, concentration of investment and actual and expected cash movements.</li> <li>• NCHL's liquid assets are managed as per NCHL's Investment Policy. At the end of the review period, all the liquid assets of NCHL are held in the Banks and Financial Institutions licensed by NRB in the form of Call, Fixed deposits and debentures.</li> </ul>

**Credit Risks:** Credit risk relate to the risks associated with systems in the form of unsettled transactions and failure of settlement by any of the participants. It also refers to the current or potential loss on the NCHL's earning as a result of counterparties inability to meet with the financial or other contractual obligations to NCHL when due. Following are some of the major identified credit risks and corresponding controls that are implemented.

Risk Profile	Major Risks	Mitigation Strategy
Medium	Possibility of unsettled transactions and failure of settlement.	<ul style="list-style-type: none"> <li>• Implemented process/mechanism for the participants to provide with timely information to identify their requisite fund for the day's settlement.</li> <li>• Arrangements in place for NCP settlement of all systems of the member BFIs on their settlement accounts at NRB, which also maintains statutory balance.</li> <li>• Process defined within the Operating Rules and Operating Procedures for handling of balance shortfall, with last resort being unwinding of transactions of the particular member.</li> <li>• Alternative funding arrangement with establishment of Settlement Guarantee Fund (SGF) in place for the case of connectIPS e-Payment System. SGF established with initial contribution of NCHL and will be extended later with contribution from the participating members.</li> </ul>
Low	Potential loss on the NCHL's earning as a result of counterparties inability to meet their financial or other contractual obligations to NCHL, when due.	<ul style="list-style-type: none"> <li>• Majority of the counterparty for NCHL being BFIs, defaults of counterparty for NCHL is very unlikely. However, there has been few cases of default from the institutions categorized as prompt corrective action (PCA) by NRB.</li> <li>• Implemented direct debit of the major receivables on monthly basis from the participants' accounts maintained at NRB to improve the credit cycle of NCHL.</li> </ul>

**Legal/Compliance Risks:** Failure to comply with statutory and regulatory obligation leads to legal and compliance risk. It may also arise if the application of relevant laws and regulations including rights & obligations of parties involved are uncertain. Following are some of the major identified legal/compliance risks and corresponding controls that are implemented.

Risk Profile	Major Risks	Mitigation Strategy
Low	Impact due to weak legal basis and related non-compliance issues.	<ul style="list-style-type: none"> <li>• Legal adherence with the statutory compliances including Company Act, 2063, Information Technology Act 2074, Negotiable Instrument Act 2034, and Income Tax Act 2058.</li> <li>• Adherence with the regulatory compliances including Payment &amp; Settlement By Law 2072, Licensing Policy for Institution/Mechanism Operating Payment Related Activities 2073 and Directives from Nepal Rastra Bank.</li> <li>• Well defined legal structure of the company as per its MOA and AOA.</li> <li>• Issued Nepal ECC Rule Book, Nepal ECC Operating Rule and ECC Cheque Standard &amp; Specifications, NCHL-IPS Operating Rule Book as the NRB guidelines for NCHL and the participating members.</li> <li>• Implemented Self-Compliance Assessments, Internal Audits, External Audit and ISMS Audits to obtain reasonable assurance on compliance.</li> </ul>

**Systemic Risks:** Systemic risk is the risk arising due to interdependencies and possibility of transmitting disruptions beyond NCHL and one or more participants. This may be due to an inability to perform as expected resulting into inability/disruption of other participants to meet their obligations, when due. These adverse effects, for example, could arise from unwinding or reversing of transactions; delaying of settlement. In such cases, the participants could suddenly face significant and unexpected credit and liquidity exposures that might be extremely difficult to manage at the time leading to further cascading effect. Following are some of the major identified systemic risks and corresponding controls that are implemented.

Risk Profile	Major Risks	Mitigation Strategy
Medium	Large scale technical failure of major participant having large transaction volume	<ul style="list-style-type: none"> <li>• Mandatory for larger banks to have redundant network links with NCHL.</li> <li>• Continuity of Business (COB) site arranged at NCHL for members to work, in case the system failed at their end. Possible to at least reject transactions in time to avoid financial risk.</li> </ul>
Medium	Cascading effect due to balance insufficiency of a participant	<ul style="list-style-type: none"> <li>• Settlement on deferred net basis to reduce liquidity risk for participants. Settlement position monitoring facility (report) on real time basis provided to all members</li> <li>• Arrangements in place for NCP settlement of all systems of the member BFI's on their settlement accounts at NRB, which also maintains statutory balance.</li> <li>• Possibility of transaction unwinding before the settlement with consultation of NRB and impacted members, as the last resort. Finality of payments defined in the regulatory guidelines as after the Nostro settlement.</li> </ul>
Medium	Impact due to unavailability of resources or GL system or network links at NRB	<ul style="list-style-type: none"> <li>• Assigned dedicated unit (ECC Unit) at NRB Banking Office for monitoring and handling of the settlements.</li> <li>• National Settlement System (NSS) in place for automated settlement between NCHL systems and NRB through secured network channels.</li> <li>• Contingency in place with dual network connectivity and alternate mechanism for manual NCP settlement on NRB GL system.</li> </ul>

**Other Risks:** This includes various risks not included in the above key domains including reputational risks, single vendor dependencies, communication & member handlings, etc. These are normally handled through defined process and by assigning responsibility to specific resources.

## Risk Assessment Score

A comparative summary of the risk register and assessment with risk scores prior to implementing controls and post implementation have been presented below. These are prepared and reviewed bi-annually in the month of June and December.

S. No.	Key Risk Areas	Post Implementation Risk Score			
		FY 2017/18		FY 2018/19	
		Dec 2017	Jun 2018	Dec 2018	Jun 2019
1.	Operational Risk - Information Security	5.77	5.82	5.92	5.80
2.	Operational Risk - General	5.67	5.67	5.39	6.67
3.	General Business Risk	6.79	6.63	7.00	7.00
4.	Liquidity Risk	6.00	6.00	6.00	6.00
5.	Credit Risk	4.00	4.00	4.57	4.71
6.	Legal/Compliance Risk	4.08	4.58	4.58	4.58
7.	Systemic Risk	7.83	7.83	7.83	7.83
8.	Other Risk	5.78	5.78	6.44	6.78

In comparison to the risk assessment of the previous year, the general business risk, credit risk and other risk have increased during the review period. The general business risk is escalated due to possible risk from alternate payment products and pressure on product/service pricing. These were partly handled by means of addition of products and downward revision of NCHL-ECC transaction fees, NCHL-IPS membership fees for indirect/technical member and other activity based discounts. Possibility of inadequate collateral of participating member in the connectIPS e-Payment system has attributed to the increased credit risk for which Settlement Guarantee Fund (SGF) Operating Procedures is under preparation phase.

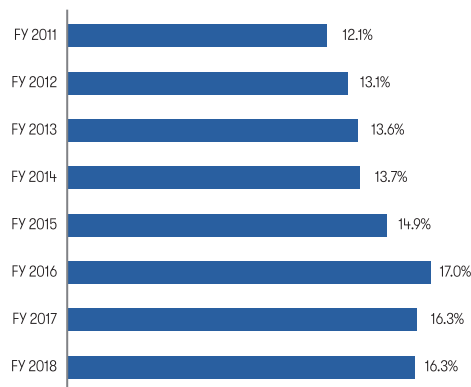
## Collaboration for Digital Payment Ecosystem Development



## 06 | MARKET ANALYSIS

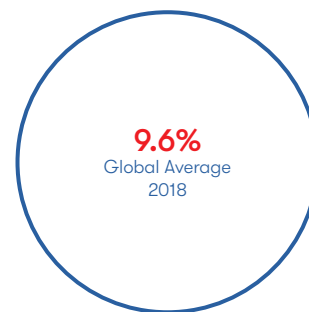
In the absence of the detailed data for cash and non-cash payment transactions for Nepal, one of the principle indicator that could be used is Cash-to-GDP ratio to infer the market analysis. It is the ratio of currency in circulation to gross domestic product of a country and represents the usage of cash within the economy. It remains 16.3% for Nepal against the global average of 9.6%, which remains very high and hence reflect huge potential for the payments industry for realizing electronic payments in Nepal.

### Nepal Cash-GDP Ratio



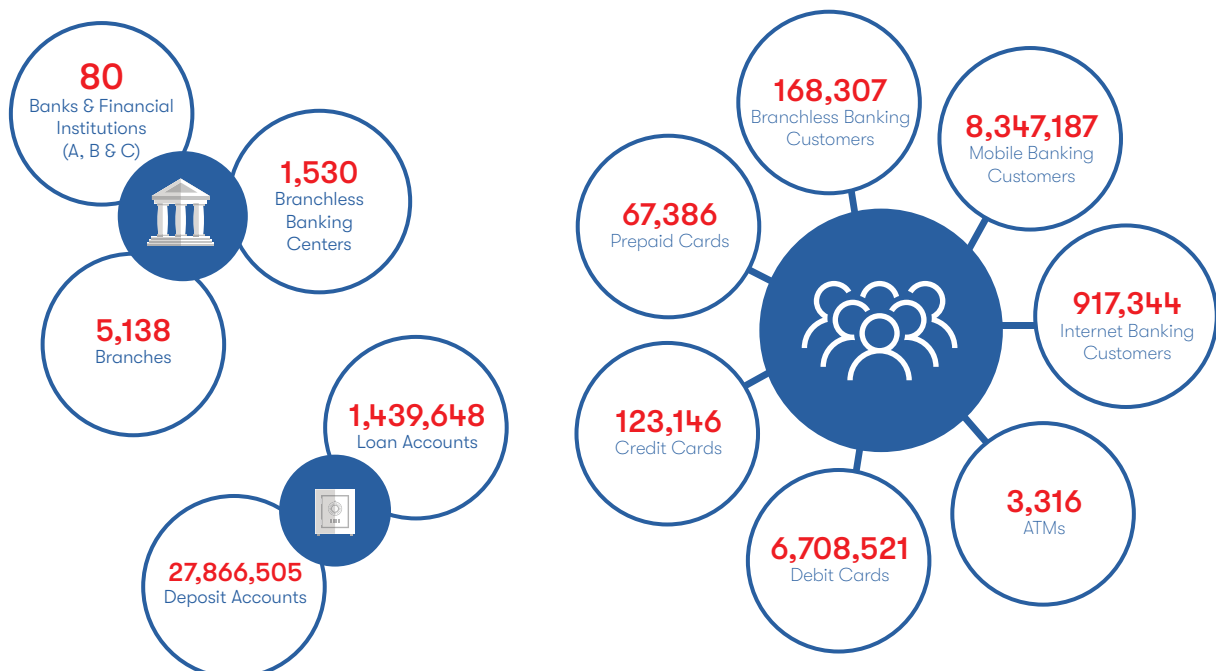
\* Source: NRB Apr 2019 Quarterly Economic Bulletin

### Global Average Cash-GDP Ratio



\* Source: Boston Consulting Group - 2018

### Major indicators for financial access in Nepal



\* Source: NRB Banking and Financial Statistics, Aug 2019

Although, NRB has been regulating the payment and settlement systems in Nepal through various directives and circulars, after the issuance of the Payments & Settlement Bylaw 2072 by NRB in line with the National Payment System Development Strategy, it is inferred that it has been formally identified as a payments industry. Thereafter, NRB has issued Licensing Policy and various other regulatory directives for the stakeholder of payment system. Payment & Settlement Act 2075 is also in place, which provides the legal basis for the payment systems operated in Nepal.

Some of the policy level directions of GoN and NRB that are in favor of payments industry, typically non-cash payments, are as follows:

1. Opening of bank accounts of all Nepali.
2. GoN payouts directly to the beneficiary bank accounts.
3. 10% VAT refund to customer for electronic payments.
4. Cash transactions limit for general purpose set at NPR 1,000,000.
5. Increase in per transaction limit for payments through digital channels.
6. Issuance of licensing policy to create conducive environment for use of various FinTech products.
7. Strategic plans to support establishment of payments infrastructure for high value, retail and micro retail payment systems.

Following are the current licensed non-BFI institutions:

S. No.	Institution Name	Paid-up Capital (in '000)
<b>Payment System Operators (PSO)</b>		
1	Prabhu Technology P. Ltd.	NPR 50,000
2	Nepal Clearing House Ltd. (NCHL)	NPR 216,000
3	Smart Choice Technology Ltd.	NPR 250,000
4	Nepal Electronic Payment System Ltd. (NEPS)	NPR 176,000
5	Union Pay International Co. Ltd.	RMB 2,000,000
6	Visa Worldwide P. Ltd.	USD 8,968
<b>Payment Service Providers (PSP)</b>		
1	IME Digital Solution Ltd.	NPR 50,000
2	E-SewaFone Pay P. Ltd.	NPR 20,000
3	Cellcom P. Ltd.	NPR 15,000
4	CG Pay Nepal P. Ltd.	NPR 10,000
5	Sparrow Pay P. Ltd.	NPR 10,000
6	Pay Nep P. Ltd.	NPR 60,000
7	Q Pay P. Ltd.	NPR 50,000
8	Nepal Pay Time P. Ltd.	NPR 10,000

Real Time Gross Settlement System (RTGS) is under implementation by NRB, which is meant for the processing of the high value and urgent interbank transactions. This is expected to provide needed support for the settlement of SIPS systems in Nepal, corresponding to which NCHL will be integrated with RTGS for its net clearing position settlement. This will reduce the settlement risk for NCHL and also provide mechanism to increase number of settlements for its payment systems. It is also to be noted that National Payment Gateway (NPG) is also under implementation by NITC, GoN, with an objective to process GoN transactions.

With more market players entering the payments industry, there are possibility of overlapping of the systems, instruments and services. This will also likely increase the compliance requirements. Hence, payments industry though has a promising outlook for Nepal, the level of competition, particularly in the low value retail will be high with high investment required for risk management. In this context, strategic focus of NCHL has remained to working closely with all relevant stakeholders including BFIs, PSPs, PSOs, service providers in a collaborative approach such that multiple use cases including interoperability could be achieved, which is paramount for the ecosystem development of the payments industry.

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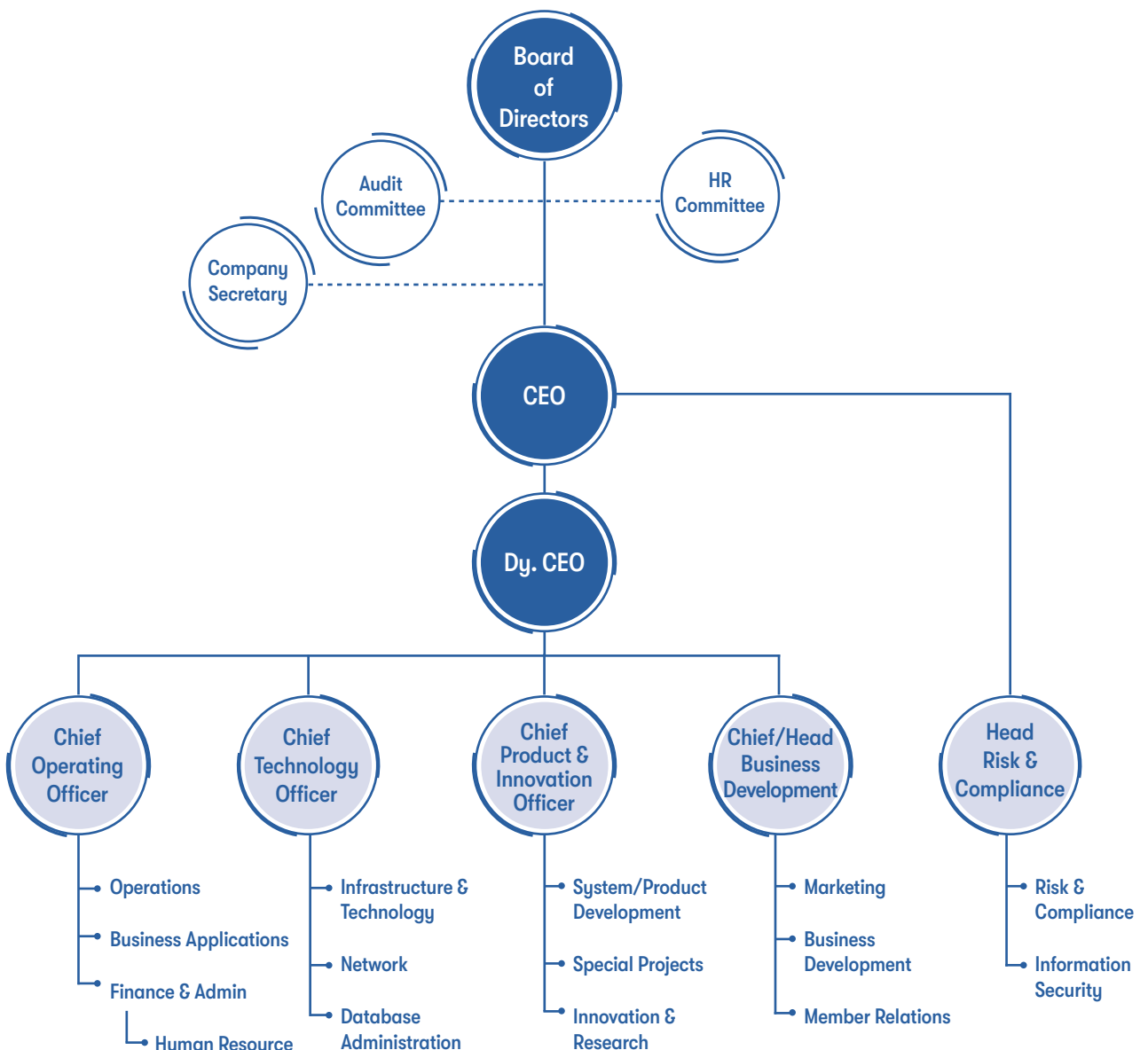
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नेपाल राष्ट्र बैंक र बैंक तथा वित्तीय संस्थाहरुबाट प्रवर्द्धित

## 07 | HUMAN RESOURCES

NCHL recognizes the value and effort invested by the employees in attaining the overall organizational objectives. Achieving organizational goal, integration between employee's and employer's interest is vital for any organization. Hence, NCHL has tried its best to attract best resources and retain them. HR at NCHL is guided by the policies including NCHL Code of Conduct, Employee Service Rules, HR Plan and Employee Performance Objectives & Appraisal Procedures, which are formulated by the Board. These are in line with the prevailing Labor Acts and Bylaws. And the responsibilities and job descriptions for each of the positions are defined in the HR Plan and are monitored through regular performance review.

### Organizational Structure



NCHL has maintained a lean organization with highly productive workforce with total of 28 employees at the end of the FY 2075/76 (2018/19), as compared to 22 in the previous year. It supported more than 11,000 business users of 77 member BFIs (of NCHL-ECC and NCHL-IPS) equivalent to supporting 393 average business users per employee. NCHL support team has also been providing 2<sup>nd</sup> line support for the member BFIs in handling their connectIPS users and for enrollment of their creditors.



## | NCHL TEAM



1st Row (Left to Right)

Anand Panjiyar, Subash Thapa, Manish Patel, Shovit Sharma, Bishnu Dhital, Navaraj Thapa, Raju Maharjan, Bishal Panthi,

2nd Row (Left to Right)

Neeti Joshi, Prajana Kayastha, Chhabi Sapkota, Munni Rajbhandari,



*Preeti Jha, Swosti Ranabhat, Jenny Shrestha, Shristy Sangraula, Thani Lama, Kiran Maharjan, Yash Sen, Bibek Giri, Raj Kumar Anamani Shrestha, Sabin Shrestha and Rakesh Shrestha.*

*Neelesh Man Singh Pradhan, Dilliman Singh Shakya, Vivek Giri, Rupak Gyawali and Anesh Shrestha.*

## Key Human Resource Indicators

### Employee Mix by Gender

Gender	Count	Percent
Female	9	32%
Male	19	68%
<b>Total</b>	<b>28</b>	<b>100%</b>

As of the end of the fiscal year there are 7 non-core resources, who have been outsourced from the local providers for services related to security guard, helper, reception and driver.

### Level Wise Employee

Job Level	Gender		Count
	Male	Female	
CEO	1		1
L80	-	1	1
L70	2		2
L60	1	-	1
L50	2	-	2
L40	6	2	8
L30	3	1	4
L20	3	4	7
L10	1	1	2
<b>Total</b>	<b>19</b>	<b>9</b>	<b>28</b>

### Employee Productivity Indicators

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	FY 2073/74 (2016/17)	FY 2072/73 (2015/16)
Number of Staff	28	22	15	14
Staff Turnover	3	1	1	1
Staff Expenses (Amount in NPR '000)	24,456	19,406	16,919	13,898
Average Expense per Staff (Amount in NPR '000)	873	882	1,128	993
Staff Expense to Total Operating Expenses	43%	38%	35%	30%
Operating Income per Staff (Amount in NPR '000)	15,404	14,680	17,786	11,608
Net Profit After Tax per Employee (Amount in NPR '000)	8,490	8,255	8,796	4,124
Staff Bonus (Amount in NPR '000)	35,228	24,209	17,608	7,742

## Recruitment Process

NCHL believes in recruiting the employees on the best-fit basis for any available job/position based on competencies, skills, qualification, experience and aptitude. NCHL follows fair and competitive recruitment process providing an equal opportunity to all the deserving candidates. The HR function is executed by the Fin/ Admin Officer under necessary overseeing by the Chief Executive Officer. The job specification for each position is clearly indicated in its Human Resource Plan, as approved by the Board.

The recruitment is normally through public notice of vacancy announcement in national newspaper. Such vacancy is also published in online job portals and in NCHL's official website. The applicants go through a series of screening steps including initial shortlisting based on minimum criteria for the position, written test (up to mid-level) and interviews. The interviews are generally conducted in presence of CEO, COO and the Department Head. Appropriate controls are put in place to ensure that the confidentiality of candidates' identity shortlisted for written test is maintained. Applicants are then ranked based on their total marks and the best ranked candidate is selected with others kept on waiting.

In order to make new recruits accustomed with the work culture of the company, one week's induction session is normally organized that involves knowledge sharing by function heads; self-learning of regulatory laws and rules, internal policies and procedures; and job specific walk through by the immediate supervisor.

In the FY 2075/76 (2018/19), nine new employee (4 in L40, 1 in L30 and 4 in L20) were appointed and 3 employee have resigned during the review period.



## Remuneration and Benefits

NCHL has defined job level for its staff from L10 – L100, with L10 being the lowest level and L100 being the highest level. This is other than CEO's position. All the core staff have job level with additional functional title. Remunerations and benefits are tied-up with the level and are defined in the Human Resource Plan and Employee Service Rules.

### Salary & Allowance

The minimum and maximum salary scale is defined for each level. The salary scale consists of two components namely basic salary and allowance, where basis salary component is a minimum of 60 percent of the Salary and Allowance. All benefits and appraisal based increments are computed based on basic salary. Salary scale is reviewed once in two years based upon the company's financial position, inflation and prevailing market condition. And such reviews are done by comparing the remuneration and benefits with similar and/or related companies.

Annual salary increment is directly linked with their performance, which is appraised as per the Employee Performance Objectives and Appraisal Procedure, with minimum increment of one grade, equivalent to 5% of the basic salary.

### Other Benefits

Benefits as mandated by the Labor Act 2074 and Labor Bylaw 2075 including provident fund, insurance, festival allowance and retirement benefits in the form of gratuity are provided to all regular staff. As a recognition for the long serving employees, an additional superannuation benefit is provisioned for the employees, who have served for 3 or more years in the company and is provided when the employee retires. The provision regarding these are specified in the company's Employee's Service Rules.

Additional benefits including mobile allowance, fuel allowance, and evening/late shift allowance (to specific function) are provided based upon their eligibility criteria. Personal/Social Loan facility is provided at a concessional interest rate to the regular staff who have completed 3 years of service and the managerial staff (L70 and above) are also provided with vehicle facility option (VFO). As per the Bonus Act, the share of the profit contribution is distributed to as Staff Bonus under statutory bonus and welfare bonus.

Below is the financial extract of staff expense:

Staff Expense	Amount in NPR '000			
	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	FY 2073/74 (2016/17)	FY 2072/73 (2015/16)
Staff - Salary & Allowance	16,730	13,629	12,816	10,161
Staff - Dashain Allowance	976	737	624	519
Staff - HR activity	235	181	200	87
Staff - Leave Fare Allowance	274	240	240	240
Staff - Provident Fund	1,101	887	777	633
Staff - Training Expenses	720	468	341	131
Staff - Gratuity	2,015	1,581	388	449
Staff - Leave	895	516	524	168
Staff - Other Benefits	1,510	1,167	1,008	1,509
<b>Total Staff Expenses</b>	<b>24,456</b>	<b>19,406</b>	<b>16,919</b>	<b>13,898</b>

## Staff Training & Development

Training and development activities are vital for all employees to widen their horizon of knowledge and develop new skills. NCHL promotes learning culture with regular internal knowledge sharing sessions as well as external trainings, courses, certifications, seminars and self-studies. The training requirements and expected skill sets for the company are identified at the beginning of the year as part of the annual work plan of NCHL and then they are mapped with the resources. These training and development activities are then set as the part of the performance objectives for the year under training category, which carries weightage of 15% in annual performance appraisal of each employee.

In order to enhance skills of the staff for better performance of their responsibility, NCHL identifies and provides appropriate trainings to them. Skill developments are embedded as a part of the individual performance objectives under Training Objectives for all staff and separate budget is allocated for Staff Training Expenses.

**Staff Training Expenses**

Amount in NPR '000

Particulars	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	FY 2073/74 (2016/17)	FY 2072/73 (2015/16)
Staff Training Expenses	720	468	341	131
Training Expense / Staff Expenses	2.94%	2.41%	2.02%	0.90%

NCHL arranged total of 13 knowledge sharing sessions during the review year which were facilitated by the internal resources having domain expertise. Below are some of the internal knowledge sharing sessions:

S. No.	Internal Knowledge Sharing Sessions	Date	Conducted By
1	Self-Assessment of Income Tax	8 Aug 2018	Jenny Shrestha
2	AML and CFT	31 Aug 2018	Prajana Kayastha
3	Amendment in the updated Employee Service Rules, HR Plan and TADA policy and its impact	15 Oct 2018	Prajana Kayastha Munni Rajbhandari
4	VAPT of Mobile App & Integration Module	2 Nov 2018	Dilliman Singh Shakya
5	Code of Conduct, Confidentiality and Reputational Risk	30 Nov 2018	Neelesh Man Singh Pradhan Prajana Kayastha
6	Network of NCHL and connectIPS system	28 Dec 2018	Bijay Dahal
7	NCHL-ECC Rule Book, Operating Rules and Cheque Standards	15 Mar 2019 & 29 Mar 2019	Shovit Sharma
8	ISMS Awareness	5 Apr 2019	Dilliman Singh Shakya
9	Positioning connectIPS V/s other payment players	19 Apr 2019	Vivek Giri
10	Overview of Rules books, relevant NRB Directives, Guidelines and Internal SOP	29-30 Apr 2019	Munni Rajbhandari
11	Basics of Infrastructure & Network of NCHL-ECC & NCHL-IPS systems	14 Jun 2019	Rupak Gyawali
12	NRB IT Guideline, Payment and settlement directive -03 and compliance requirement to NCHL	21 Jun 2019	Dilliman Singh Shakya
13	General awareness and responsibility of the concern departments related to NPI	28 Jun 2019	Diwas Sapkota

Following are some of the external trainings, professional certification and seminar/conferences attended by various staff at NCHL.

S. No.	Staffs Training & Capacity Building	Date	Location	Attended By
1	Certified AML Professional	6-9 Aug 2018	India	Munni Rajbhandari Prajana Kayastha
2	HR Conference-The future of work	3 Oct 2018	Nepal	Anuja Adhikari
3	ITIL Foundation Certificate in IT service management	14 Oct 2018	Nepal	Rupak Gyawali
4	Mid Level Tax payers interaction	22 Nov 2018	Nepal	Anuja Adhikari Jenny Shrestha
5	THREAT CON 2018-Secure Coding	22-23 Nov 2018	Nepal	Subash Thapa Chhabi Sapkota
7	The Banking Transformation Summit	14 Dec 2018	Nepal	Dilliman Singh Shakya Diwas Sapkota
8	Conference on the Deliberation for the Next Decade 2019	17 Feb 2019	Nepal	Munni Rajbhandari
9	Fortigate Training	5-6 March 2019	Nepal	Rupak Gyawali
10	RTGS Participating Training	4-5 April 2019	Nepal	Chhabi Sapkota Diwas Sapkota
11	Certified AML Professional	8-11 April 2019	India	Shovit Sharma Subash Thapa
12	Advanced Java Training	1 Month May and Jun 2019	Nepal	Shristy Sangraula Rakesh Shrestha Kiran Maharjan
13	Subisu Conclave	15 May 2019	Nepal	Dilliman Singh Shakya Rupak Gyawali

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S. No.	Staffs Training & Capacity Building	Date	Location	Attended By
14	Annual Digitization Conference-Innovation in Banking 2019	22 May 2019	Nepal	Munni Rajbhandari Diwas Sapkota
15	Knowledge sharing visit at BCSIS, Singapore	23-27 May 2019	Singapore	Vivek Giri

### Staff Welfare Committee

A committee was constituted in FY 2071/72 (2014/15) as 'Staff Welfare Committee' as per the Clause 47 of NCHL Employee Service Rule that has the following responsibilities.

1. To hold consultation to improve working environment;
2. To handle grievances of the employees;
3. To address employee's Health and Safety in the company;
4. To decide on utilization and operation of Staff Welfare Fund in the interests of the employee;
5. To co-ordinate for various activities/functions for the welfare of the employee including team building HR activities, staff canteen, and similar.

The staff welfare committee also handles the responsibilities of maintaining the employee relation in line with Labor Act, 2074. The Staff Welfare Committee comprises of the following members, which convenes its meeting as deemed necessary:

S. No.	Committee Members	Role
1	Chief Operating Officer	Chairperson
2	Representation from Help Desk Team	Member
3	Representation from Finance/Admin Function	Member Secretary

In the review period, the committee convened 5 meetings in order to address various staff related issues.

### | Glimpses of HR Activities



An annual outing program with NRB Officials at Dhulikhel



Hiking Fun !!!



NCHL team at Chhaimale !!



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## 08 | CORPORATE SOCIAL RESPONSIBILITIES

Corporate Social Responsibility integrates the company with the social and environmental concerns in their business operations and interactions with the stakeholders. Electronic payments being the primary objective of NCHL, it has been advocating and facilitating various institutions (Government, Semi-Government and Others) in re-engineering their processes for automation along with electronic payments. And the automation increases operational efficiencies and the less paper work.

NCHL marked its 10<sup>th</sup> year of establishment in 23<sup>rd</sup> December, 2018 and as the part of its social responsibility, it organized a blood donation program at Lalitpur, Nepal in association with Nepal Red Cross Society.



Blood Donation Program at Lalitpur

NCHL donated five computers to establish e-library at Shree Damaitar Basic School, Lalitpur, Nepal, which was executed in association with Help Nepal Network.



Computer Donation to establish e-library at Shree Damaitar Basic School



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# अब कम्पनी रजिष्ट्रार कार्यालयको भुक्तानी सजिलो छ



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## 09 | FINANCIAL AND RELATED INFORMATION

### Director's Report and Disclosure as per Section 109 of Companies Act, 2063

Dear Shareholders,

It is with great pleasure on the behalf of the Board of Directors of Nepal Clearing House Ltd. (NCHL) to welcome all the shareholders and the invited guests in our eighth annual general meeting. We present you the company's performance, achievements, challenges, business review along with the audited reports of the financials for the fiscal year ending 2075/76 (2018/19).

#### Performance review of last year:

This has been disclosed under sections Financial Review and Operational Review of this report.

#### Effect on business of the company due to national and international situation:

NCHL has continued its outstanding business growth in the last fiscal year in terms of the operational and financial achievements. And NCHL will maintain the current momentum of growth and will continue to re-invest into the innovative payment and settlement systems.

Recent announcements of the government policies in its budget for 2076/77, there is an encouraging indication to promote electronic payments for P2G, G2P, B2G and G2B transactions. Some of the initiatives to promote retail electronic payments like 10% of VAT refund and similar are also very promising. This is expected to positively impact the transaction volume of NCHL-ECC, NCHL-IPS and connectIPS e-Payment systems.

We also see major activities in Nepal within the payments industry and in particular retail payments segment, after the issuance of multiple PSP/PSO licenses by Nepal Rastra Bank. There are already 6 licensed PSOs and 6 licensed PSPs with many already received letter of intent (LOI) from NRB. So, there are possibility of some overlapping in the low value retail payments segment. This may impact NCHL especially for the transactions that are anticipated to be processed through connectIPS e-Payment system. However, given the strategic position of NCHL that has linked almost all the banks and financial institutions in Nepal, it is well placed to collaborate with the new providers, corresponding to which 7 PSPs/PSOs have already been on-boarded within NCHL's infrastructure as technical members.

Due to the merger of the BFIs, the membership base of NCHL has considerably reduced, which is expected to continue in next fiscal year also. This has reduced the annual membership fees income for NCHL. Despite the challenges of continuous merger, NCHL was able to enroll additional 2 members within NCHL-ECC system, 20 members within NCHL-IPS and 27 members in connectIPS e-Payment System. The total live membership base by the end of the review period remained at 77 members for NCHL-ECC, 80 for NCHL-IPS and 56 for connectIPS e-payment.

Ongoing implementation of Real Time Gross Settlement (RTGS) by NRB is expected to impact NCHL-ECC high value transactions, however it will provide needed support to reduce the settlement risk of various systems operated by NCHL. Fluctuations in USD/NPR exchange rate impacts the operating expense of NCHL, as the software AMC (of NCHL-ECC, NCHL-IPS and Oracle) is payable in USD to the vendor. The upside exchange rate fluctuation has remained not in favor of NCHL in the last fiscal year.

Difficulty in recruiting qualified and experienced human resources with increased employee turnover was one of the major challenges that we had to face in the by gone year.

And this may be even severe in view of the number of PSPs/PSOs coming into operation and the increased requirements of the BFIs.

#### Human Resource:

As disclosed under section Human Resource of this report.

#### Industrial and professional relationships:

NCHL has maintained co-ordinal relationship with all the major stakeholders including various department of the Government of Nepal (GoN), Nepal Rastra Bank (NRB), Banks and Financial Institutions, their associations, non-bank institutions, payment service providers (PSPs/ PSOs), employees, and various other business groups. And due to the continuous support and confidence shown by all the parties, it has been able to establish and operate various national payment system infrastructures and bring the institution up to this level. NCHL has also maintained a balanced relationship with the national and international technology partners and service



providers. NCHL will continue to gain the trust and confidence from different sectors and will collaborate with all such partners.

#### **Changes in Board of Director:**

As disclosed in the sub-section changes in the Board of Directors under section Governance and Risk Management of this report.

#### **Main factors affecting the business:**

Following are some of the major factors that may adversely affect NCHL's business in the coming fiscal year.

- Continuation in the trend of merger of various BFIs, ultimately reducing the potential and existing members which will directly impact the annual membership fee based income. However, due to the increased branch network and the customer base, the transaction volume in all the systems are expected to increase. And also the focus of NCHL has also been to increase Indirect and Technical members to compensate for the loss of direct members.
- The recent policy of Nepal Rastra Bank to issue PSP/PSO licenses and Letter of Intent approvals will allow other institutions to provide payment services. This will increase the number of players in the payments industry with possible overlapping with some of the products/services of NCHL. Although there are possibility of some level of competition in the micro retail payments segment, this is also expected to increase number of Indirect and Technical members as NCHL intends to collaborate with these players also.
- The policy of GoN to open bank account for all Nepalese citizens; GoN's payouts and revenue collection to be through electronic channels refund of 10% VAT on electronic payments; NRB's policy to allow transactions of NPR 10 lakh and above mandatorily through bank accounts; NRB's policy amendment to allow per transaction limit through mobile and internet; and remittance above NPR 60,000 through bank account; indicates regulatory direction towards promoting non-cash transactions. This will increase opportunities for cheque and electronic transactions for NCHL.
- Technology based inherent risks and increased level of interest in Nepal for cyber frauds/hacks could adversely affect the operations at NCHL thereby causing impact in its business. However, NCHL has implemented comprehensive risk management framework to monitor and control such risks. NCHL will invest on upgrading its operational and security related infrastructures.
- The fluctuation in the exchange rate of USD against NPR will have major impact in the operating expenses of the company.
- Limited availability of the skilled resources is one of the major factors that could affect NCHL. This could further aggravate if the resource turnover increases due to high demand at new PSPs/PSOs and BFIs. To address this, the company has been continuously providing various internal and external trainings to enhance the skills of its employees and has regularly reviewed the employee benefits.

#### **Remarks and observation from Independent Auditor's Report:**

Auditor has expressed their satisfaction on the financial transactions of the company and has positively remarked the growth of the company. Complete audit report is attached in the later section of the report.

#### **Amount recommended for Dividend and Bonus:**

2% on paid-up capital amounting NPR 4,320,000 has been proposed as cash dividend and 38% of the paid-up capital has been proposed as bonus shares from the profit earned from the fiscal year 2075/76 (2018/19), subject to the approval of the AGM. However, they have not been accounted in the financials.

#### **Detail of share forfeited:**

No share has been forfeited.

#### **Any information given to Company by its principal shareholder (who holds 1% or more shares of the company) during financial year:**

Not applicable.

#### **Company and its subsidiary company's transaction and review of situations at the end of the fiscal year:**

NCHL does not have subsidiary. And the details of transactions of the company have been mentioned in the presented statement of financial position, statement of comprehensive income & income statement, statement of cash flows, statement of changes in equity and independent auditor's report.

#### **Information regarding personal interest of any of the directors or their relatives regarding the agreement related to the company:**

There is no record of such event/ transaction.

#### **Purchase of its own share:**

Not applicable

**Information regarding existing internal control:**

This has been disclosed under sub-section Internal Control of section Governance & Risk Management of this report.

**Plan of the company for the coming fiscal year:**

Some of the major activities of NCHL that are planned for the FY 2076/77 (2019/20) include:

- Support members in the operations of NCHL-ECC, NCHL-IPS and connectIPS e-Payment Systems facilitate for the integration with the BFIs to improve the service delivery.
- Upgrade and strengthen the existing infrastructures (hardware and network).
- Increase acceptability of NCHL-IPS system and connectIPS e-Payment for the member BFIs and their customers to increase transactions.
- Focus on increasing Indirect/ Technical members in NCHL-IPS and connectIPS e-Payment, and primarily through the consolidated APIs (NPI).
- Ensure commercial rollout of National Payments Interface (NPI).
- Enhance and extend the features to cover various business use cases of bank branch assisted, online and mobile channel based payment services through connectIPS e-Payment System.
- Jointly promote with the member BFIs for connectIPS e-Payment System as single payments platform for Nepal. And facilitate various GoN/ Semi-GoN and other large institutions/ corporates for their onboarding into the digital payments ecosystem.
- Continue providing training and orientation programs to the members and other institutions.
- Support NRB and BFIs for the implementation of connectRTGS for integrating BFIs with the RTGS system being implemented by NRB.
- Improve risk management of the payment systems and its operations through implementation of internal controls and assessments.
- Prepare detailed project for implementing generic switch/system.

**Detail of management expenses incurred during the year:**

The details of the management expenses are as follows:

Particulars	Amount in NPR			
	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	FY 2073/74 (2016/17)	FY 2072/73 (2015/16)
Staff Expenses	24,456,265	19,405,585	16,918,812	13,897,739
Other Admin Expenses	29,928,353	13,574,296	11,574,597	7,847,173
<b>Total</b>	<b>54,384,619</b>	<b>32,979,881</b>	<b>28,493,409</b>	<b>21,744,912</b>

**Member of Audit Committee, their remunerations & benefits and details of their activities performed along with recommendations:**

Members of the Audit Committee are:

1. Mr. Ujjal Rajbhandary - Chairperson
2. Mr. Samaj Prakaash Shrestha – Member
3. Mr. Surendra Bhusan Shrestha – Member\*
4. Mr. Anesh Shrestha - Member Secretary

\*Newly appointed member after the departure of the then member Mr. Rabindra Bahadur Malla.

There was no provision for remunerations to any of the members of the Audit Committee. As a meeting allowance, NPR 5,000 for each member was provided per sitting except for the Member Secretary. Total of NPR 60,000 was disbursed as meeting allowance to the Audit Committee members. Applicable tax was deducted prior to the payment in all such payments. Five audit committee meetings were held in the fiscal year.

**Details of remunerations, allowances and other benefits paid to Directors, Managing Director and Chief Executive:**

There was no provision for remunerations to any of the Directors. As a meeting allowance for each board meeting, the meeting allowance was provided to Board of Directors for each sitting which was NPR 5,000 for each Director during this year. The Board had 18 meetings during the period under review and total of NPR 535,000 was disbursed as board meeting allowance to the Directors. Applicable tax was deducted prior to the payment in all such payments.

Amount in NPR

Board Member	Total Meeting Allowance	Remarks
Mr. Naresh Shakya	535,000	4/4 meeting
Mr. Ujjal Rajbhandary		12/18 meeting
Mrs. Umang Sharma		17/18 meeting
Mr. Surendra Bhushan Shrestha		17/18 meeting
Mr. Madhav Prasad Upadhaya		16/18 meeting
Mr. Samaj Prakash Shrestha		12/13 meeting
Ms. Kusum Lama		2/4 meeting
Mr. Jhalak Sharma Acharya*		13/14 meeting
Mr. Sunil Pant*		4/5 meeting
Mr. Rabindra Bahadur Malla*		10/14 meeting

\*Outgone Board Members

The Chief Executive Officer during the year under review was paid basic salary of NPR 5,120,000 as salary and allowances, NPR 850,560 as other benefits including provident fund contribution, leave fare allowance and other benefits. Staff statutory & welfare bonus was paid as per the law. He was also provided with office vehicle with a driver with fuel expense of up to 150 liters per month on actual and mobile expense of up to NPR 2,000 per month on actual basis.

**Details of Dividend, Bonus and Dividend Payable:**

Cash Dividend of 2% and Bonus Share Capital of 38% has been proposed from the profit earned from the FY 2075/76 (2018/19), subject to the approval of the AGM.

**Information disclosure as per Section 141 regarding purchase or sale of assets:**

Not Applicable.

**Details of related party transaction as per the section 175 (transaction between associated companies):**

Not Applicable.

**Any other details to be disclosed:**

Disclosed in appropriate part of this report and financial statements.

Finally, on the behalf of the Board of Directors, we would like to thank Nepal Rastra Bank, Banks & Financial Institutions, other regulatory bodies and other stakeholders for placing their trust and confidence in our company. Sincere thanks to the management team and other staff whose commitment and hard work has brought the company up to this stage. We look forward towards continued support and suggestions from all the stakeholders to establish NCHL as a leading service provider of national payment and settlement systems.

On behalf of Board of Directors

**Naresh Shakya**  
Chairman

## Audited Financial Statements

| NRB Approval of the Audited Financials



**नेपाल राष्ट्र बैंक**  
भुक्तानी प्रणाली विभाग



केन्द्रीय कार्यालय  
बालुवाटार, काठमाडौं  
फोन: ००९७७ १ ४४२८२२६  
फ्याक्स: ००९७७ १ ४४४३८७८  
E-mail : psdept @nrb.org.np  
Web : www.nrb.org.np  
पोस्ट बक्स: ७३

पत्रसंख्या : भु.प्र.वि./२७/५४/०७६/७७

मिति : २०७६/०६/२८

श्री नेपाल क्लियरिङ हाउस लिमिटेड,  
कमलादी, काठमाडौं ।

विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०७५/७६ को लेखापरीक्षण भएको वासलात, नाफा नोक्सान हिसाब, सोसँग सम्बन्धित अनुसूचीहरू, लेखापरीक्षकको प्रतिवेदन समेतका आधारमा गैर स्थलगत सुपरीवेक्षण गर्दा देखिएका कैफियतहरूका सम्बन्धमा देहाय बमोजिमका निर्देशनहरू शेयरधनीहरूको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गरी कार्यान्वयन गर्ने गरी संस्थाले प्रस्ताव गरेको रु.८,२०,८०,०००।- (अक्षरेपि आठ करोड बीस लाख असी हजार मात्र) बोनश शेयर तथा रु.४३,२०,०००।- (अक्षरेपि त्रिचालीस लाख बीस हजार मात्र) बराबरको नगद लाभांश अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना हुने गरी वार्षिक साधारण सभाबाट पारित गरी वितरण गर्ने स्वीकृति तथा वार्षिक साधारण सभा प्रयोजनको लागि आर्थिक वर्ष २०७५/७६ को वित्तीय विवरण प्रकाशन गर्न सहमति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

- (क) कम्पनी ऐन, २०६३ को दफा ८६ को उपदफा ३ तथा त्यस संस्थाको नियमावलीको नियम २७(२) बमोजिम १ जना स्वतन्त्र सञ्चालक नियुक्त गर्नुहुन ।
- (ख) आन्तरिक लेखापरीक्षक, बाह्य लेखापरीक्षक तथा यस बैंकबाट औल्याएका थप अन्य कैफियतहरू पुनः नदोहोरिने गरी सुधार गर्नुहुन ।

भवदीय,

(शुभाष चन्द्र घिमिरे)  
का.मु.कार्यकारी निर्देशक



## | Independent Auditor's Report

**JB JOSHI & BHANDARY** ■ Chartered Accountants ■

G.P.O. Box: 3423  
Koshi Compound, Dillibazar  
Kathmandu, Nepal  
Tel: 977-1-4419364  
Tel: 977-1-4423550  
Fax: 977-1-4413038  
Web: www.jb.com.np

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
Nepal Clearing House Limited, Kathmandu, Nepal**

We have audited the accompanying financial statements of **Nepal Clearing House Limited** comprising of the Statement of Financial Position (SoFP) as at July 16, 2019 (corresponding to Asad 31, 2076), the Statement of Comprehensive income and Income Statement, Statement of Changes in Equity and Statement of Cash Flow for the year then ended and a summary of Significant Accounting Policies and Notes to Accounts.

**Opinion**

In our opinion and to the best of our information and explanations provided to us, Financial Statement referred to above present fairly, in all material respects, the financial position of Nepal Clearing House Limited as at 31<sup>st</sup> Ashad 2076 [i.e. July 16, 2019] and its financial performance for the year then ended in accordance with Nepal Financial Reporting Standard for Small and Medium Enterprises (SMEs).

These statements are the responsibility of management of Nepal Clearing House Limited. Our responsibility is to express an opinion on the accompanying statement based on our audit.

**Basis of Opinion**

We conducted our audit in accordance with Nepal Standard on Auditing (NSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Nepal Clearing House Limited in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibility of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement whether due to fraud or error and selecting and applying appropriate accounting policy and making accounting estimate that are reasonable in the circumstance.

**Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit also involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure selected depends upon auditor's






judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting estimates made by management, as well as evaluation the overall presentation of the financial statement.

#### Report on Other Legal and Regulatory Requirements

As per Companies Act 2063, based on our audit carried out on sampling basis, we report that, in our opinion:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit;
2. Proper books of accounts as required by law have been kept by the Company as far as appears from our examination of such books;
3. The Statement of Financial Position (SoFP) as at July 16, 2019 (corresponding to Asad 31, 2076), the Statement of Comprehensive income and Income Statement, Statement of Changes in Equity and Statement of Cash Flow for the year then ended are prepared as per the provisions of the Company Act 2063 and the same are in agreement with the books of accounts maintained by the Company;
4. The business of the Company has been conducted satisfactorily; and
5. To the best of our knowledge and in accordance with explanations given to us and from our examination of the books of accounts of the Company, necessary for the purpose of our audit, we have not come across cases where the Board of Directors, representative or any employee of the Company has acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Company deliberately.

  
Prabin K Jha, FCA  
Partner



Dillibazar, Kathmandu  
Date: September 11, 2019

## Statement of Financial Position

As at Ashad 31, 2076 (16 July 2019)

Particulars	Notes	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment		123,641,581	92,613,099
Less: Accumulated Depreciation		(66,588,050)	(56,565,299)
<b>Net Block: Property, Plant and Equipment</b>	<b>4</b>	<b>57,053,531</b>	<b>36,047,800</b>
Intangible Assets		116,046,269	81,994,501
Less: Accumulated Amortization		(57,882,868)	(47,446,945)
<b>Net Block: Intangible Assets</b>	<b>4</b>	<b>58,163,401</b>	<b>34,547,556</b>
Long Term Investment	5	93,974,000	70,000,000
Settlement Guarantee Fund Deposit	7	50,050,029	20,000,000
<b>Other Non Current Assets</b>		<b>144,024,029</b>	<b>90,000,000</b>
Project WIP	4	-	2,975,644
Deferred Tax Asset		-	177,302
<b>Total Non Current Assets</b>		<b>259,240,961</b>	<b>163,748,303</b>
<b>Current Assets</b>			
Cash & Bank Balances	6	21,607,712	18,563,842
Cash Equivalents	6	85,000,000	36,000,000
Short Term Investment	5	350,500,000	276,500,000
Inventories	8	120,998	198,184
Prepaid, Loans, Advances & Deposits	9	10,464,947	10,603,302
Trade & Other Receivables	10	50,265,488	35,613,850
<b>Total Current Assets</b>		<b>517,959,145</b>	<b>377,479,177</b>
<b>TOTAL ASSETS</b>		<b>777,200,106</b>	<b>541,227,480</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity &amp; Shareholder's Fund</b>			
Share Capital	1	216,000,000	180,000,000
Reserve & Surplus	2	457,524,065	291,788,279
i) Technology Enhancement Reserve		125,110,287	77,563,130
ii) Land & Building Reserve		41,934,449	18,160,871
iii) General Reserve & Surplus		290,479,329	196,064,279
<b>Total Equity &amp; Shareholder's Fund</b>		<b>673,524,065</b>	<b>471,788,279</b>
<b>Non Current Liabilities</b>			
Medium & Long Term Loans	3	-	-
<b>Total Non Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Current Liabilities</b>			
Trade and Other Payables	11, 16	65,775,903	44,473,193
Provisions	12	36,916,946	24,966,007
Deferred Tax Liabilities		983,192	-
<b>Total Current Liabilities</b>		<b>103,676,041</b>	<b>69,439,201</b>
<b>Total Liabilities</b>		<b>103,676,041</b>	<b>69,439,201</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>777,200,106</b>	<b>541,227,480</b>

Notes 1-23 form an integral part of financial statements

Neelesh Man Singh Pradhan  
Chief Executive Officer

Naresh Shakya  
Chairman

CA. Prabin K. Jha  
Joshi & Bhandary  
Chartered Accountants

Ujjal Rajbhandary  
Director

Umang Sharma  
Director

Surendra Bhushan Shrestha  
Director

Madhav Prasad Upadhyay  
Director

Samaj Prakash Shrestha  
Director

Kusum Lama  
Director

Date: 5<sup>th</sup> September 2019

Place: Kamaladi, Kathmandu, Nepal

## Statement of Comprehensive Income and Income Statement

For the Period Ending Ashad 31, 2076

(Corresponding to 17 July 2018 to 16 July 2019)

Particulars	Notes	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>Operating Income :</b>			
Revenue	13	429,726,636	321,310,100
Software License - Members		1,590,000	1,653,000
<b>Operating Expenses :</b>			
Operating Expenses	14	56,296,412	50,334,059
Cost of Software License - Members		-	-
<b>Gross Profit</b>		<b>375,020,225</b>	<b>272,629,041</b>
Add: Interest Income		52,076,777	37,583,202
Add: Other Income		1,352,967	1,231,033
Less: Administrative Cost	15, 16.1	54,384,619	32,979,881
<b>Operating Profit</b>		<b>374,065,349</b>	<b>278,463,395</b>
Depreciation Expenses		11,348,055	5,831,413
Amortization Expenses		10,435,923	6,327,365
Staff Bonus		35,228,137	24,209,511
<b>Profit before Tax</b>		<b>317,053,234</b>	<b>242,095,105</b>
Provision for Income Tax		78,156,954	59,339,815
Deferred Tax Surplus (Deficit)		1,160,494	1,146,582
<b>Net Profit After Tax</b>		<b>237,735,786</b>	<b>181,608,709</b>
<b>Other Comprehensive Income/(Expenses)</b>		<b>-</b>	<b>-</b>
<b>Total Attributable Profit</b>		<b>237,735,786</b>	<b>181,608,709</b>
Profit (Loss) Up to Last Year		196,064,279	128,938,183
Less: Cash Dividend Paid for Last Year		(36,000,000)	(30,000,000)
Less: Bonus Share Capital for Last Year		(36,000,000)	(30,000,000)
<b>Adjusted Profit Up to Last Year</b>		<b>124,064,279</b>	<b>68,938,183</b>
<b>Accumulated Profit (Loss) Up to This Year</b>		<b>361,800,065</b>	<b>250,546,891</b>
<b>Appropriation</b>			
a. Technology Enhancement Reserve		47,547,157	36,321,742
b. Land & Building Reserve		23,773,579	18,160,871
c. Balance of Profit & Loss Transferred to General Reserve and Surplus		166,415,050	127,126,096

Neelesh Man Singh Pradhan  
Chief Executive Officer

Naresh Shakya  
Chairman

CA. Prabin K. Jha  
Joshi & Bhandary  
Chartered Accountants

Ujjal Rajbhandary  
Director

Umang Sharma  
Director

Surendra Bhushan Shrestha  
Director

Madhav Prasad Upadhyay  
Director

Samaj Prakash Shrestha  
Director

Kusum Lama  
Director

Date: 5<sup>th</sup> September 2019  
Place: Kamaladi, Kathmandu, Nepal

## Cash Flow Statement

For the Period Ending Ashad 31, 2076

(Corresponding to 17 July 2018 to 16 July 2019)

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>Net Profit/(Loss) Before Tax</b>	<b>317,053,234</b>	<b>242,095,105</b>
<b>Preliminary &amp; Pre-operating (Expenses)/Surplus</b>		
<b>Add/(Less) : Adjustment</b>		
Depreciation Expenses	11,348,055	5,831,413
Amortization Expenses	10,435,923	6,327,365
Superannuation/Gratuity Provision	1,289,549	1,439,197
Leave Provision	852,467	196,409
Staff Bonus Provision	35,228,137	24,209,511
Provision Write Back	(21,600)	(143,000)
Profit on Sale of Assets	(178,000)	(85,600)
Loss on Disposal of Assets	-	103,686
Bonus Paid	(24,209,511)	-
<b>Cash Flow from Operation Before Working Capital</b>	<b>351,798,254</b>	<b>279,974,087</b>
Increase (Decrease) in Current Liabilities	21,324,309	(68,138,352)
Decrease (Increase) in Current Assets	(45,695,829)	(36,930,808)
Less: Tax Provision	(78,156,954)	-
<b>Cash Flow From Operating Activities</b>	<b>249,269,781</b>	<b>174,904,926</b>
Purchase of Fixed Assets	(58,859,748)	(42,020,498)
Sale or disposal of Fixed Assets	178,000	147,800
Project WIP	(4,570,162)	(2,975,644)
Investment in FD	(146,974,000)	(102,500,000)
<b>Cash Flow From Investing Activities</b>	<b>(210,225,910)</b>	<b>(147,348,342)</b>
Interest on Loan	-	-
Increase (Decrease) in Loans	-	-
Share Capital	-	-
Dividend Paid	(36,000,000)	(30,000,000)
<b>Cash Flow From Financing Activities</b>	<b>(36,000,000)</b>	<b>(30,000,000)</b>
Net Increase (Decrease) in Cash & Bank Balances	3,043,871	(2,443,416)
Cash & Bank Balances at the Beginning of the Year	18,563,842	21,007,258
<b>Cash &amp; Bank Balance at the end of the Year</b>	<b>21,607,712</b>	<b>18,563,842</b>

Neelesh Man Singh Pradhan  
Chief Executive Officer

Naresh Shakya  
Chairman

CA. Prabin K. Jha  
Joshi & Bhandary  
Chartered Accountants

Ujjal Rajbhandary  
Director

Umang Sharma  
Director

Surendra Bhushan Shrestha  
Director

Madhav Prasad Upadhyay  
Director

Samaj Prakash Shrestha  
Director

Kusum Lama  
Director

Date: 5<sup>th</sup> September 2019

Place: Kamaladi, Kathmandu, Nepal

### Statement of Change in Equity

As at Ashad 31, 2018 (16 July 2019)

Particulars	Share Capital	Share Premium	Revaluation Reserve	Tech. Enhancement Reserve	Land & Building Reserve	Accumulated Profit/(Loss)	Total
Balance at 16 July 2018	180,000,000	-	-	77,563,130	18,160,871	196,064,279	471,788,279
Changes in Accounting Policy	-	-	-	-	-	-	-
Bonus Share capital (Last year)	36,000,000	-	-	-	-	(36,000,000)	-
Cash Dividend (Last year)	-	-	-	-	-	(36,000,000)	(36,000,000)
Restated Balance	216,000,000	-	-	77,563,130	18,160,871	124,064,279	435,788,279
Surplus on Revaluation of properties	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-	-
Net Profit for Period	-	-	-	-	-	237,735,786	237,735,786
Transfer to Technology Enhancement Reserve	-	-	-	47,547,157	-	(47,547,157)	-
Transfer to Land & Building Reserve	-	-	-	-	23,773,579	(23,773,579)	-
Issue of Share Capital	-	-	-	-	-	-	-
Balance as at 16 July 2019	216,000,000	-	-	125,110,287	41,934,449	290,479,329	673,524,065



## Notes Attached to and Forming Part of Financial Statements

For the Period Ended Ashad 31, 2076 (16 July 2019)

### Significant Accounting Policies and Notes to Accounts

#### 1. Background Information

Nepal Clearing House Ltd. (NCHL) is a limited liability company registered with Company Registrar Office on 8<sup>th</sup> Poush 2065 (corresponding to 23<sup>rd</sup> December 2008) with registered address at Kamaladi, Kathmandu. The principle objective of the company is to implement and operate national payment and settlement systems in Nepal. It obtained the letter of commencement of business from Company Registrar Office effective from 31<sup>st</sup> Jestha 2068. NCHL obtained approval from Nepal Rastra Bank for operation of Electronic Cheque Clearing (NCHL-ECC) system for foreign currency cheques clearance effective from 7<sup>th</sup> Poush 2068 and obtained circular for conducting the cheque clearance in Nepalese currency effective from 20<sup>th</sup> Chaitra 2068. NCHL obtained approval from Nepal Rastra Bank for operation of Interbank Payment System (NCHL-IPS) from 4<sup>th</sup> Mangsir 2071 and effectively commenced NCHL-IPS transaction since 1<sup>st</sup> Bhadra 2073. NCHL obtained approval from Nepal Rastra Bank on 19<sup>th</sup> Chaitra 2074 for operation of connectIPS e-Payment System for processing of payments through alternate channels and which was commenced from 12<sup>th</sup> Baisakh 2075.

NCHL entered into agreement for NCHL-ECC with 157 members out of which 77 members (Nepal Rastra Bank, Nepal Infrastructure Bank Limited, 28 Commercial Banks and 28 Development Banks & 19 Finance Companies) are now in operation till Ashad end 2076. Nepal Infrastructure Bank Ltd. and Sahara Bikas Bank Ltd. were added and 5 members (3 development banks and 2 finance companies) were reduced due to merger during the fiscal year 2075/76.

Similarly, for NCHL-IPS System, NCHL entered into agreement with 106 members out of which only 80 members (Nepal Rastra Bank, Nepal Infrastructure Bank Limited, 28 commercial banks, 26 development banks, 16 finance companies and 8 Indirect/technical members) are in operation till Ashad end 2076. 5 members of NCHL-IPS including 3 development banks and 2 finance companies merged during the fiscal year 2075/76 while 8 indirect/technical members who have subscribed for the service are yet to come into operation.

For connectIPS e-payment system, 56 members went live (23 commercial banks, 18 development banks, 9 finance Companies and 6 indirect/technical members) till Ashad end 2076. 1 development bank and 1 finance company merged during the fiscal year 2075/76. 6 banks and financial institutions and 8 indirect/technical members who have subscribed for the service are yet to come into operation. NCHL has also facilitated its members for needed integrations of various systems as connectIPS Integration to the total of 53 BFls.

#### 2. Approval of Financial Statements

Accompanied financial statements are prepared under the responsibility of the management and adopted by the Board of Directors on its meeting held on 5<sup>th</sup> September 2019 with necessary recommendation for approval by the shareholders in the upcoming Annual General Meeting.

#### 3. Basis of Financial Statements Preparation

Financial statements is prepared and/or presented based on the following considerations:

- 3.1. Financial statements are prepared on a going concern basis.
- 3.2. Financial statements are presented in Nepalese Rupees (NRs.) which is the functional and presentation currency.
- 3.3. Financial statements are prepared by applying accrual basis of accounting (except as otherwise stated therein).
- 3.4. Statement of Financial Position has been prepared with bifurcation of assets and liabilities into current and non-current nature, Statement of Comprehensive Income and Income Statement has been prepared using classification 'by nature' method.
- 3.5. Fair values of assets and/or liabilities are discounted with respect to effective interest rate, wherever the impact of such discount is material. Effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of asset or liability to the gross carrying amount of a financial asset or to the amortized cost of the financial liability.

#### 4. Reporting Pronouncements

The financial statements have been prepared as per as per Nepal Financial Reporting Standards (NFRS) for Small and Medium Enterprises (SMEs) issued by Accounting Standard Board of Nepal.

## 5. Use of Estimates

The preparation of financial statements in conformity with NFRS for SMEs, requires the management to make estimates and assumptions that affect the reported amount in the financial statement. The management believes that the uses of estimates in preparation of the financial statement are prudent and reasonable. Apart from use of estimates, management has made various judgments in the process of applying the NCHL's accounting policies which has been described through significant accounting policies and explanatory notes as stated herein.

## 6. Statement of Compliance

The financial statements are prepared in accordance with Nepal Financial Reporting Standards (NFRS) for SMEs except otherwise stated and the Companies Act, 2063.

## 7. Significant Accounting Policy and Explanatory Notes

Accounting policies are the specific principles, bases, conventions, rules and practices applied by the company. The accounting policies adopted by the company are included in the relevant notes for each item of the financial statement along with the explanatory notes, wherever required. The effect and nature of the changes in policy, if any, are also disclosed.

### Note 1: Share Capital

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>Authorized Capital</b>		
2,500,000 Ordinary Shares of Rs. 100/- each	250,000,000	250,000,000
<b>Issued Capital</b>		
2,160,000 Ordinary Shares of Rs. 100/- each	216,000,000	180,000,000
<b>Subscribed Capital</b>		
2,160,000 Ordinary Shares of Rs. 100/- each	216,000,000	180,000,000
<b>Paid up Capital</b>		
2,160,000 Ordinary Shares of Rs. 100/- each	216,000,000	180,000,000
Less: Calls in Arrears	-	-
Deposit for Share	-	-
Bonus Share Capital	-	-
<b>Total</b>	<b>216,000,000</b>	<b>180,000,000</b>

The changes in the Share Capital are due to the bonus shares distributed during the last fiscal year 2075/76.

### Note 2: Reserve & Surplus

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>Technology Enhancement Reserve</b>	<b>125,110,287</b>	<b>77,563,130</b>
Opening Balance	77,563,130	41,241,388
Transfer during the Period	47,547,157	36,321,742
<b>Land &amp; Building Reserve</b>	<b>41,934,449</b>	<b>18,160,871</b>
Opening Balances	18,160,871	-
Transfer during the Period	23,773,579	18,160,871
<b>General Reserve &amp; Surplus</b>	<b>290,479,329</b>	<b>196,064,279</b>
Opening Balances	196,064,279	128,938,183
Less: Bonus Share capital	(36,000,000)	(30,000,000)
Less: Cash Dividend	(36,000,000)	(30,000,000)
Transfer during the Period	166,415,050	127,126,096
<b>Total</b>	<b>457,524,065</b>	<b>291,788,279</b>

#### 2.1 Technology Enhancement Reserve

20% of the Profit after Tax for each fiscal year before dividend and other reserves is appropriated as Technology Enhancement Reserve. The objective of the reserve is to set out separate fund for major enhancement/upgrade of the existing system(s) and/or for funding of new payment and settlement system projects in future.

As per the policy, 20% of the current year's profit, equivalent to NRs. 47,547,157 is appropriated as Technology Enhancement Reserve. Total accumulated Technology Enhancement Reserve as of date stands at NRs. 125,110,287.

## 2.2 Land & Building Reserve

10% of the Profit after Tax for each fiscal year before dividend and General Reserve is appropriated as Land & Building Reserve. The objective of this reserve is to set out separate fund for acquiring NCHL's own premise (Land & Building) in future.

As per the policy, 10% of current year profit, equivalent to NRs. 23,773,579 is appropriated as Land & Building Reserve. Total accumulated Land & Building Reserve as of date stands at NRs. 41,934,449.

## 2.3 General Reserve & Surplus

Surplus profit after the appropriation of the specific reserves is transferred to General Reserve & Surplus.

An amount equivalent to NRs. 166,415,050 is appropriated as General Reserve & Surplus. Total accumulated General Reserve & Surplus as of date stands at NRs. 290,479,329.

The proposed dividend and bonus will be adjusted from General Reserve & Surplus in the next fiscal year and as per the approval of the next Annual General Meeting.

## Note 3: Medium & Long Term Loan

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
i) Secured Loan	-	-
ii) Unsecured Loan	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

The company did not avail any loan in the current fiscal year.

## Note 4: Tangible and Intangible Assets

Particulars	Office Equipment	Vehicle	Others	Total Tangible Assets	Intangible Assets	Total Assets	Project WIP
<b>Cost Price</b>							
<b>Opening Balance</b>	<b>87,551,063</b>	<b>5,011,124</b>	<b>50,912</b>	<b>92,613,099</b>	<b>81,994,501</b>	<b>174,607,600</b>	<b>2,975,644</b>
Addition during the Period	32,172,486	181,300	-	32,353,786	34,051,768	66,405,554	4,570,162
Deletion during the Period/ Early Period	(1,325,304)	-	-	(1,325,304)	-	(1,325,304)	(7,545,806)
<b>Total</b>	<b>118,398,245</b>	<b>5,192,424</b>	<b>50,912</b>	<b>123,641,581</b>	<b>116,046,269</b>	<b>239,687,850</b>	<b>-</b>
<b>Depreciation</b>							
<b>Opening Balance</b>	<b>54,945,797</b>	<b>1,584,087</b>	<b>35,415</b>	<b>56,565,299</b>	<b>47,446,945</b>	<b>104,012,244</b>	<b>-</b>
For the Period	10,577,159	767,502	3,394	11,348,055	10,435,923	21,783,978	-
Deletion during the Period	(1,325,304)	-	-	(1,325,304)	-	(1,325,304)	-
<b>Total Depreciation</b>	<b>64,197,651</b>	<b>2,351,590</b>	<b>38,809</b>	<b>66,588,050</b>	<b>57,882,868</b>	<b>124,470,918</b>	<b>-</b>
<b>WDV as on 31 Ashad 2076</b>	<b>54,200,593</b>	<b>2,840,835</b>	<b>12,103</b>	<b>57,053,531</b>	<b>58,163,401</b>	<b>115,216,932</b>	<b>-</b>

4.1 Tangible assets are recognized in historical cost convention basis at the cost of construction/acquisition/development inclusive of incidental expenses related to construction/acquisition. Asset value of NRs. 5,000 or less are expensed off in the same year of purchase during the fiscal year.

4.2 Intangible assets are recognized at cost less any accumulated amortization and any accumulated impairment losses. The cost includes directly attributable cost necessary to create, develop, produce and/or prepare the intangible assets that are incurred in research and/or development phases. Directly attributable cost in generating such intangible assets includes cost of materials and services used or consumed; benefits to the employee involved in generation (excluding specific benefits like bonus, retirement payments or similar); fees/charges to register a legal rights or similar cost that could be directly attributed to the intangible asset.

4.3 Tangible and Intangible Assets are depreciated on Straight Line Method (SLM) on the basis of effective useful life of the assets decided by the Board. Accordingly, assets are depreciated on the basis of completed month applying the following rates based on approved class of assets. However, depreciation for the assets procured during the fiscal year are applied on pro-rata basis from next month of the procurement of the fixed assets.

Class of Assets	Depreciation rate
<b>Tangible Assets:</b>	
Building	5%
Office Equipment (Furniture, Fixtures, Computer accessories)	20%
Vehicle	15%
Other Assets	15%
<b>Intangible Assets:</b>	
Software	20%

- 4.4 In case of disposal of assets during the year, depreciation is charged up to the previous month of disposal and disposed amount accounted as approved by the Board.
- 4.5 Depreciation is calculated as per the rate and procedures defined in Income Tax Act, 2058 (Amended) for income tax purpose.
- 4.6 At each reporting date, assets are also assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.
- 4.7 The investments that are made during development and implementation of a project but not commercially rolled out are identified as Project Work-in-Progress and are presented separately under the Project WIP. They will be capitalized from the month they are brought into commercial use.
- 4.8 The connectIPS System software, including Integration Module, Core e-Payment Module and consolidated APIs are developed internally at NCHL by the software development team and hence the connectIPS System is classified as intangible asset with capitalization of the employee cost incurred for the staff directly involved in development activities and directly attributable costs for its development (e.g. third party testing, etc.). Project WIP of NRs. 3,117,236, is capitalized under Intangible Assets on Ashwin 2075 and NRs. 4,428,571 is capitalized as of Ashad 2076.

#### Note 5: Investment

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>Long Term Investment</b>	<b>93,974,000</b>	<b>70,000,000</b>
FD - Janata Bank Nepal Ltd.	10,000,000	-
FD - Laxmi Bank Ltd.	20,000,000	20,000,000
FD - NIC Asia Bank Ltd.	-	20,000,000
FD - Siddhartha Bank Ltd.	55,000,000	20,000,000
FD - Mega Bank Nepal Ltd.	-	10,000,000
Debenture-Global IME Bank Ltd.	8,974,000	-
<b>Short Term Investment</b>	<b>350,500,000</b>	<b>276,500,000</b>
FD - Goodwill Finance Ltd.	21,000,000	10,000,000
FD - Guheshwori Merchant Banking & Finance Ltd.	33,000,000	33,000,000
FD - ICFC Finance Ltd.	22,000,000	-
FD - Janata Bank Nepal Ltd.	30,000,000	10,000,000
FD - Jyoti Bikash Bank Ltd.	36,000,000	47,500,000
FD - Kailash Bikash Bank Ltd.	13,500,000	10,000,000
FD - Kumari Bank Ltd.	25,000,000	40,000,000
FD - Laxmi Bank Ltd.	20,000,000	30,000,000
FD - Machhapuchhre Bank Ltd.	29,500,000	46,000,000
FD - Mega Bank Nepal Ltd.	6,000,000	-
FD - Muktinath Bikas Bank Ltd.	10,000,000	-
FD - NIC Asia Bank Ltd.	33,500,000	-
FD - NMB Bank Ltd.	18,500,000	22,500,000
FD - Sanima Bank Ltd.	25,000,000	-
FD - Shangri-la Development Bank Ltd.	15,000,000	-
FD - Siddhartha Bank Ltd.	-	15,000,000
FD - United Finance Co. Ltd.	12,500,000	12,500,000
<b>Total</b>	<b>444,474,000</b>	<b>346,500,000</b>

Investments are managed as per NCHL-Investment Policy (December 2015), as approved by the Board. Extract of the prevailing Investment Policy is as follows:

## 5.1. Investment asset allocation

Assets Category	Strategic Allocation	Lower Limit	Upper Limit
Fixed Deposits	40%	0%	90%
Debentures/Bonds	20%	0%	30%
Mutual Fund	20%	0%	30%
Cash Equivalents	20%	0%	100%

5.2. Investment counterparties include Government/Nepal Rastra Bank (NRB), Banks & Financial Institutions, Listed Companies and Mutual Funds. Following criteria are used for identifying eligible counterparties other than for Government/ NRB.

- i. Counterparty shall be in operations for at least three years. For mutual fund investment, it shall be the years in operation for the issuer.
- ii. Counterparty shall be in profit for at least last two years with positive net worth.
- iii. For investments in banks and financial institutions, their capital adequacy ratio (CAR) shall be 1% better than as prescribed by Nepal Rastra Bank and non-performing loan equal or less than 4%, both for at least last one year.
- iv. Investment allocation in banks and financial institutions shall be as follows:
  - Commercial Banks: 60-80%
  - Development Bank: 10-20%
  - Finance Companies: 10-20%

5.3. Single counterparty (other than Government/NRB) exposure shall not exceed 25% of the investible fund. For the computation of counterparty exposure, investments in all asset categories shall be considered. However, if the limit exceeds due to the market revaluation or cash movements, it shall be rebalanced in the next review period or at the time of the maturity of the investment.

5.4. Investments in Fixed Deposits are valued at fair value, being considered as carrying amount.

5.5. The investments are segregated and presented as:

- i. Long Term Investments that will realize in more than 12 months' period.
- ii. Short Term Investments that will realize within 3 to 12 months' period.

5.6. The reported investments and placements equivalent to NRs. 444,474,000 are made in various banks and financial institutions with different maturities. This includes investment of NRs. 8,974,000 on debenture issued by Global IME Bank Ltd.

**Note 6: Cash & Bank Balances and Cash Equivalents**

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>Cash &amp; Bank Balances</b>		
Nepal Rastra Bank	5,000	5,000
Civil Bank Ltd.	5,924	9,275
Goodwill Finance Ltd.	124,178	6,425
Guheshwori Merchant Banking & Finance Ltd.	747,133	931,708
Himalayan Bank Ltd.	6,584	6,584
ICFC Finance Ltd.	534,365	9,931
Janata Bank Nepal Ltd.	831,400	168,598
Jyoti Bikash Bank Ltd.	814,211	1,039,080
Kailash Bikas Bank Ltd.	457,240	303,422
Kumari Bank Ltd.	9,487,826	1,068,328
Laxmi Bank Ltd.	177,054	218,393
Machhapuchhre Bank Ltd.	382,376	329,721
Mega Bank Nepal Ltd.	16,295	36,216
Muktinath Bikas Bank Ltd.	86,981	-
NCC Bank Ltd.	15,236	14,683
NIC Asia Bank Ltd.	4,861,602	11,868,940
NMB Bank Ltd.	336,839	445,577
Prabhu Bank Ltd.	5,884	6,680
Sanima Bank Ltd.	147,690	70,351

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Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
Shangrila Development Bank Ltd.	372,824	-
Siddhartha Bank Ltd.	1,675,301	1,768,141
United Finance Ltd	515,770	256,789
<b>Total</b>	<b>21,607,712</b>	<b>18,563,842</b>

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>Cash Equivalents</b>		
FD - Goodwill Finance Ltd.	6,000,000	-
FD - Jyoti Bikash Bank Ltd.	12,500,000	10,000,000
FD - Kailash Bikash Bank Ltd.	5,000,000	-
FD - Kumari Bank Ltd.	7,500,000	-
FD - Mega Bank Nepal Ltd.	20,000,000	6,000,000
FD - NMB Bank Ltd.	-	5,000,000
FD - Sanima Bank Ltd.	5,000,000	-
FD - Shangri-la Development Bank Ltd.	15,000,000	-
FD - Siddhartha Bank Ltd.	9,000,000	-
FD - United Finance Co. Ltd.	-	15,000,000
<b>Total</b>	<b>85,000,000</b>	<b>36,000,000</b>

- 6.1. Cash/Bank Balances and Cash Equivalents are short term, highly liquid placements that are readily convertible to known amounts and which are subject to an insignificant risk of changes in value.
- 6.2. Placements having short term maturity that will realize within 3 months or less from the year end date are categorized as Cash Equivalents and recognized at cost as per section 7 of NFRS for SMEs – Statement of Cash & Cash Equivalent

Concentration exposure towards counterparties and maturity profile for Cash & Bank Balances, Cash Equivalents, Short Term Investment and Long Term Investment is as follows:

Particulars	Cash/Bank Balance	Cash Equivalents (< 3 Mths)	Short Term Placements (3 - 12 Mths)	Long Term Investment (> 12 Mths)	Total	%
Nepal Rastra Bank	5,000	-	-	-	5,000	0%
Commercial Banks	17,950,010	47,500,000	187,500,000	93,974,000	346,924,010	63%
Development Banks	1,731,256	26,500,000	74,500,000	-	102,731,256	19%
Finance Companies	1,921,446	11,000,000	88,500,000	-	101,421,446	18%
<b>Total</b>	<b>21,607,712</b>	<b>85,000,000</b>	<b>350,500,000</b>	<b>93,974,000</b>	<b>551,081,712</b>	<b>100%</b>

Fixed deposit of NRs. 10,000,000 made to Tourism Development Bank Ltd. is clubbed under commercial banks group due to its merger with Mega Bank Nepal Ltd.

#### Note 7: Settlement Guarantee Fund Deposit

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
Settlement Guarantee Fund Deposits (NCHL)	50,050,029	20,000,000
<b>Settlement Guarantee Fund Account</b>		
<b>Opening Balance</b>	<b>20,000,000</b>	<b>-</b>
Add: Contribution during the Period (NCHL)	30,050,029	20,000,000
Add: Contribution during the Period (Members)	-	-
Less: Deduction during the Period (NCHL)	-	-
Less: Deduction during the Period (Members)	-	-
<b>Closing Balance</b>	<b>50,050,029</b>	<b>20,000,000</b>
Less: Settlement Guarantee Fund Liability (NCHL)	(50,050,029)	(20,000,000)
Less: Settlement Guarantee Fund Liability (Members)	-	-
<b>Total</b>	<b>50,050,029</b>	<b>20,000,000</b>

- 7.1. Settlement Guarantee Fund (SGF) is established to guarantee the settlement between the participating members in order to mitigate the possible settlement risks that may arise due to the deferred net settlement arrangement for real time or immediate credit products. The main objective of establishing the SGF is to utilize the fund as the last resort after having exhausted all available opportunities for the members that are unable to settle its obligation for the transactions backed by SGF at the time of settlement.
- 7.2. A separate non-interest bearing account at Nepal Rastra Bank (NRB) is maintained and operated by NCHL whereby the contribution to the fund is to be made by NCHL, other sources and expected contribution from the participating members. NCHL's contribution is currently in the form of block contribution and later as percentage of the transaction fee of SGF backed products, which shall be 5% for 2 years and 2.5% for next 3 years (net of corporate tax).  
During the FY 2075/76, NCHL has contributed NRs. 30,000,000 and NRs. 50,029 from transaction fees in addition to the initial NRs. 20,000,000 contributed during FY 2074/75. The participating members' contributions have not yet been collected, which shall be initiated after separate SGF operating procedure is formulated.
- 7.3. The income and expenses of the fund is accounted in accrual basis.

### Note 8: Inventories

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
Fuel Storage	120,998	198,184
<b>Total</b>	<b>120,998</b>	<b>198,184</b>

- 8.1. Inventories are valued at cost, being weighted average cost, or net realizable value whichever is lower.
- 8.2. During the period, Inventory of NRs. 120,998 includes fuel stock which is maintained for operating generators.
- 8.3. Other recurring inventory is not maintained. Since the value of such purchases is minor, they are expensed off as and when purchased.

### Note 9: Prepaid Loan, Advances & Deposits

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
Advance Income Tax	78,613,342	61,468,780
Provision for Income Tax	(77,985,095)	(59,339,815)
<b>Net Advance Tax</b>	<b>628,247</b>	<b>2,128,965</b>
Prepaid Expenses	7,724,474	5,818,452
Deposits	683,863	665,863
Staff Advances	729,926	1,219,829
Deferred Other Benefits	63,639	72,224
Other Advances	634,797	697,968
<b>Total</b>	<b>10,464,947</b>	<b>10,603,302</b>

- 9.1. Income tax provision of NRs. 77,985,095 considering inadmissible expenses as per Income Tax Act, 2058, is adjusted against Advance Tax of NRs. 78,613,342.
- 9.1.1. Provision for income tax as stated in the Statement of Comprehensive Income and Income Statement also includes previous year income tax amounting to NRs. 171,859.
- 9.2. Prepaid loans, advances & deposits are initially recognized at fair value and subsequently carried at amortized cost. The carrying amount is considered as approximate fair value for instrument with short term maturity.
- 9.3. Deposits include refundable deposits, however the tenure of deposit is neither fixed nor cancellable, hence fair value is considered to be carrying amount.
- 9.4. Staff advances (loan to employee) are provided as per Human Resource Plan and are valued at fair value based on Effective Interest Rate (EIR) which is the weighted average fixed deposit interest rate of the investments of NCHL applicable at the issuance of the loan and with respect to the maturities of such advances.
- 9.5. The fair value loss of staff advances is accounted as Deferred Other Benefits. Total fair value loss is divided into number of advance periods and the current year portion is recognized as expenses under Other Benefits whereas remaining expenses is deferred to remaining advance period and shall be recognized as expenses in subsequent periods proportionately.

**Note 10: Trade & Other Receivables**

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
Member Banks	49,073,637	34,271,823
Less: Provision for Doubtful Debt	(674,900)	(696,500)
Net Receivables	48,398,737	33,575,323
Interest Receivable	1,866,751	2,038,527
<b>Total</b>	<b>50,265,488</b>	<b>35,613,850</b>

- 10.1. Trade and other receivables are initially recognized at fair value and subsequently carried at amortized cost. The carrying amount is considered as approximate fair value due to their short term maturity.
- 10.2. Receivables from the Member Banks relate to the due amount from regular operations and the credit cycle remains at 37.95 days considering total receivables against total income (excluding other income), of which NRs. 46,102,416 will be directly debited from the member's account on 5<sup>th</sup> (or the next business day) of the month as per the billing cycle.
- 10.3. Provision for Doubtful Debt is related to the receivable amount from World Merchant Banking and Finance Ltd. which has been declared by NRB as problematic finance company and the amount was provisioned since fiscal year 2070/71. However, the institution also being the shareholder of NCHL, the receivable is being settled through dividend payable.

**Note 11: Current Liabilities & Accounts Payable**

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
Accounts Payable	4,896,672	2,750,193
TDS Payable	1,565,056	485,961
Sundry Creditors	19,333,709	6,006,930
Advances Incomes	39,975,850	35,230,109
<b>Total</b>	<b>65,771,287</b>	<b>44,473,193</b>

- 11.1. Current Liabilities & Accounts Payable are initially recognized at fair value and subsequently carried at amortized cost. The carrying amount is considered as approximate fair value due to their short term maturity.
- 11.2. The advance income includes the followings for the subsequent periods.

Particulars	Amount (NRs.)
NCHL-Login ID Fee	15,663,226
NCHL-Network and Connectivity Management Fee	3,549,200
NCHL-Membership Renewal Fee	4,845,705
NCHL-Software Renewal Fee	6,260,903
NCHL-IPS Subscription Fee	9,560,206
NCHL-IPS/ connectIPS Creditor Listing	96,610
<b>Total Advance Income</b>	<b>39,975,850</b>

**Note 12: Provisions**

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
Provision for Superannuation/Gratuity benefits	4,122,496	2,832,947
Less: Superannuation/Gratuity Investment Fund	(3,863,594)	(2,653,890)
	258,902	179,057
Provision for Leave Accumulation	1,429,907	577,440
Provision for Staff Bonus	35,228,137	24,209,511
<b>Total</b>	<b>36,916,946</b>	<b>24,966,007</b>

- 12.1. Provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made for the amount of obligation. Provisions are reviewed at the year end and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

12.2. Provision for Superannuation benefit, Gratuity and Leave are computed as per the Employee Service Rule and as per the prevailing Labor Act 2074. Leave provision is based on outstanding leave balances of the staff as of 31<sup>st</sup> Ashad 2076.

The total year-end liability for Staff Superannuation/Gratuity benefit amounts to NRs. 4,122,496. The eligible superannuation /gratuity amount to be deposited in Approved Retirement Fund (ARF) amounts to NRs. 3,863,594 presented as Superannuation Investment Fund and Gratuity Investment Fund during the fiscal year. Additional provision for superannuation and gratuity for FY 2075/76 amounts to NRs. 907,554 and NRs. 1,075,620 respectively. Similarly, the total Staff - Leave amount against accumulated leave in FY 2075/76 is NRs. 1,429,907 which includes total provision for leave for the year of NRs. 895,058 less payment of leave made during the year amounting to NRs. 42,591.

12.3. Staff Bonus is computed as per Bonus Act, 2030, at 10% of the profit before staff bonus rather than earlier practice of 10% of profit after staff bonus. The change in computation logic is as per the Supreme Court verdict (Case# 069-WO-0029 dated 14<sup>th</sup> August 2016 / 30<sup>th</sup> Shrawan 2073 between Staff Union and Indu-Shankar Sugar Industry Ltd.).

Staff Bonus of NRs. 35,228,137 is provisioned, which shall be distributed/utilized as per the Bonus Act and the Bylaw.

### Note 13: Operating Income

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
ECC Transaction Fees - NPR	150,827,315	133,564,550
ECC Transaction Fees - USD	1,121,150	1,203,000
ECC Transaction Fees - EUR	28,665	33,330
ECC Transaction Fees - GBP	24,695	22,800
ECC Transaction Fees - Express	157,251,400	93,787,700
ECC Transaction Fees - Archive	873,000	344,220
ECC Transaction Fees - High Value	31,000	24,500
ECC Other Fees & Charges	19,301,055	19,528,120
IPS Transaction Fees - NPR	34,745,853	13,677,113
IPS Transaction Fees - USD	39,870	29,745
IPS Transaction Fees - EUR	270	405
IPS Transaction Fees - GBP	810	435
IPS Other Fees & Charges	87,711	39,318
connectIPS Income	1,334,099	-
Less: connectIPS Revenue Sharing	(667,050)	-
Net connectIPS Income	667,050	-
Membership Fee	343,750	281,250
Membership Renewal Fee	9,389,712	9,640,625
Software AMC Fee	10,880,347	11,244,271
NCHL IPS Subscription Fee	17,317,122	17,148,769
NCHL-IPS/connectIPS Creditor Listing	121,087	98,969
Login ID Fee	20,063,354	14,311,534
Network Connectivity & Management Fee	6,611,421	6,329,446
<b>Total</b>	<b>429,726,636</b>	<b>321,310,100</b>

13.1. The revenues, including NCHL-ECC transaction fees and charges, NCHL-IPS transaction fees and charges, connectIPS transaction fees, software and renewal charges; membership and membership renewal charges; network connectivity and management charges; NCHL-IPS subscription annual charges, creditor listing annual charges and Login Id fee, are accounted under accrual basis.

13.2. While segregating the first billed amount between the current year's Income and Advance Income on pro-rata basis, the first day of the month is considered rather than the effective date. Such computation is automated through NCHL-CRM & Billing System.

13.3. During the period, an amount of NRs. 329,458,280 and NRs. 34,874,514 is booked as transaction fees and charges of NCHL-ECC and NCHL-IPS respectively; an amount of NRs. 64,726,793 as other annual charges including network connectivity & management fee.

13.4. The transaction fees from connectIPS e-Payment which was waived till Ashad 2075 has started to generate revenue from Shrawan 2075. The revenue of connectIPS e-Payment after revenue sharing with the members for the period is NRs. 667,050, which includes 5% contribution towards SGF.

- 13.5. The transaction fees and annual membership/subscription fees in NCHL-ECC and NCHL-IPS are waived for Nepal Rastra Bank (NRB) in the last renewal of the membership agreement, since 14<sup>th</sup> Bhadra, 2073 in lieu of the settlement arrangements that is in place between NCHL and NRB for deferred settlement of all the systems of NCHL. However, NRB is charged for annual software AMC, network connectivity and login id fee that are related to the direct cost for NCHL.

#### Note 14: Operating Expenses

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
AMC for ECC Software - NCHL	7,865,747	7,332,429
AMC for ECC Software - BFIs	31,462,990	29,329,718
AMC for IPS Software	4,237,188	3,436,663
AMC for Oracle	1,834,686	662,899
AMC & Renewal - Network/Firewall	2,191,522	2,360,400
Network Connectivity Charges	3,831,716	3,453,789
AMC Expenses - Dark Core	171,700	171,700
AMC Expenses - Hardware	1,967,164	1,524,067
AMC Expenses - Internal S/w & H/w	601,055	492,593
connectIPS Expenses (SMS)	617,653	189,292
Data Hosting - Remote DR	735,457	763,247
Member Training/Orientation Expenses	881,375	617,263
<b>Total</b>	<b>56,296,412</b>	<b>50,334,059</b>

14.1. Expenses that are directly related to service delivery are classified as operating expenses. The expenses are recognized on accrual basis.

14.2. AMC for ECC Software, IPS Software and Oracle Software are payable in US Dollar to the software vendor corresponding to which reverse charging of VAT and TDS are grossed up. Additional licenses of Oracle Enterprise with RAC are added during FY 2075/76.

#### Note 15: Administrative Expenses

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<i>Administrative Expenses</i>		
Advertisement & Public Notice	370,998	346,377
AGM Expenses	707,245	532,097
Audit Expenses - ISO Certification	113,000	309,794
Audit Fee & Expenses - Internal	214,310	168,435
Audit Fee & Expenses - Statutory	180,800	114,095
Bank Commission	39,988	84,438
Books and Subscription Expenses	29,890	27,143
Business Promotion Expenses	9,411,065	2,383,111
Common Area & Parking Expenses	613,721	564,035
Consultancy Fee	49,999	103,618
Courier Expenses	52,657	55,423
Driver Expenses	318,069	-
Electricity Expenses	1,562,409	1,514,016
Fuel Expenses	302,971	267,540
Insurance Expenses	455,592	302,849
Legal Fee	107,350	90,400
Local Conveyance	41,145	11,318
Loss on Disposal of Fixed Assets	-	103,686
Meeting Allowance & Expenses	807,582	483,696
Office Expenses	655,230	579,993
Other Expenses	245,730	142,213
Printing & Stationery	179,470	160,381
Registration & Renewal	80,385	76,835

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Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
Rent - Building	2,947,456	2,785,538
Rent - DR Site	549,688	516,250
Repair & Maintenance	410,253	623,307
Support/Security Expenses	1,586,426	1,042,890
Telephone Expenses	314,413	118,985
Travelling Expenses	404,271	59,793
Website Development /Hosting Expenses	53,356	6,041
Research & Development - Product /Service	830,908	-
<b>Staff Expenses</b>		
Staff - Dashain Allowance	976,459	736,992
Staff - HR activity	235,142	180,769
Staff - Leave Fare Allowance	259,200	240,000
Staff - Provident Fund Contribution	1,059,981	886,753
Staff - Salary & Allowance Expenses	16,126,014	13,628,979
Staff - Training Expenses	719,675	467,980
Staff - Gratuity/Superannuation Benefit	1,981,086	1,580,786
Staff - Leave	895,058	516,013
Staff - Other Benefits	1,456,278	1,167,312
<b>Total</b>	<b>47,345,271</b>	<b>32,979,881</b>

Administrative expenses include general expenses incurred for the operation of the company. The administrative expenses are recognized on accrual basis.

#### 15.1. Operating Lease

The operating lease expenses are recognized on accrual basis, based on rent/lease agreement terms. The rent expenses are booked on actual basis wherein straight line method is not considered, in view of annual increment being inflationary adjustment that are supposed to be recognized in the year of increment only.

Lease Category	Lease Period for FY 2075/76	Lease Rental Expenses	Inflationary Incremental Rate
Rent - Main Office	1,095,373	2067/09/01 to 2077/08/30	5% p.a
Rent - Operations Office	1,852,083	2074/06/17 to 2084/06/16	8% p.a
DR Rental Charges	549,688	2073/01/01 to 2077/12/30	NA

An additional server rack was added at the DR site to accommodate additional servers/hardware, corresponding to which the DR rental agreement was amended with effect from 1<sup>st</sup> Baisakh 2076. During the period an amount of NRs. 3,497,144 has been booked as operating lease.

#### 15.2. Employee Benefits

Employee benefits accounted under staff expenses are the remuneration and benefits availed to staff as per Employee Service Rule, HR Plan and prevailing Labor Act/Bylaw.

##### 1. Remuneration and Benefits

Remuneration and Benefits for the employee are guided by the Employee Service Rules and HR Plan. Total Staff Expenses charged against the Statement of Comprehensive Income and Income Statement in the current fiscal year is NRs. 23,708,894.

##### 2. Provident Fund

Provident Fund contributory scheme are accounted on monthly basis to the retirement fund equal to 10% of the basic salary of eligible employees. Such expenses are charged directly to Statement of Comprehensive Income and Income Statement. During the period NRs. 1,059,981 has been contributed to Provident Fund. This includes provisions as per the Labor Act 2074 and Labor Bylaw 2075. The provident fund is deposited at Citizen Investment Trust (CIT) on monthly basis.

##### 3. Gratuity/ Superannuation Benefit and Leave

Gratuity/ Superannuation Benefit and accumulated leave are the benefit schemes, corresponding to which the liability recognized in the Statement of Financial Position is the present value of the benefits less fair value. However, in the absence of third party actuarial valuation for gratuity/ superannuation benefit and accumulated leave and the fair value of such benefits considered to be immaterial, they are computed on accrual basis and charged directly to the Statement of Comprehensive Income and Income Statement.

The total Staff Gratuity/ superannuation benefit expenses amounts to NRs. 1,981,086 which also include Superannuation benefit NRs. 907,554 and gratuity benefit of NRs. 1,073,532 equivalent to 8.33% of basic salary per month required by the Labor Act 2074 and Labor Bylaw 2075.

#### 4. Other Benefits

Other Benefits and facilities including mobile expense reimbursement, fuel expense reimbursement, shift allowance, vehicle facility option (VFO), festive allowance, are recognized in the books of accounts as per Employee Service Rules (September 2018), Human Resource Plan (September 2018) and employment contract. Other Benefits also includes the current period cost of fair value loss computed for Staff Advances using Effective Interest Rate (EIR) as weighted average fixed deposit interest rate of NCHL applicable at the time of staff advance issuance. Remaining fair value loss is deferred to be recognized as an expense in respective periods.

Dashain Allowance is one month's basic salary provided to the eligible employees amounting to total of NRs. 976,459.

#### Note 16: Grant Project

Particulars	Ashad 31, 2076 (16 July 2019)	Ashad 32, 2075 (16 July 2018)
<b>SCF Project Grant Received</b>	<b>31,583,596</b>	-
<b>SCF Grant Project</b>		-
<b>16.1 Administrative Expenses</b>	<b>7,039,348</b>	-
Human Resource Expenses	1,494,744	-
Less: Grant Contribution	(747,372)	-
Other Project Operating Expenses	-	-
Less: Grant Contribution	-	-
Programme Specific Expenses	12,583,952	-
Less: Grant Contribution	(6,291,976)	-
<b>16.2 Assets</b>	<b>-</b>	<b>-</b>
Investment in Assets	-	-
Less: Grant Contribution	-	-
<b>16.3 Settlement Guarantee Fund</b>	<b>30,027,313</b>	<b>-</b>
Settlement Guarantee Fund	30,027,313	-
Less: Grant Contribution	-	-
SCF Grant - Advance	24,544,248	-
NIC Asia Bank Ltd. - SCF	(24,539,632)	-
<b>Payable to SCF</b>	<b>4,616</b>	<b>-</b>

NCHL entered into an agreement with UKaid DFID, Sakchyam Access to Finance under Sakchyam Challenge Fund with effect from 3<sup>rd</sup> May 2019 for the implementation of the project titled 'Promote connectIPS e-Payments, establish National Payments Interface (NPI) and extend Settlement Guarantee Fund (SGF)'. The project period ends on 31<sup>st</sup> July 2020.

The project aims to extend market infrastructure for an integrated mobile and web based payment services to 200,000 bank customers and 100 SME/Corporates with addition of 20 Government/Semi-Government/Large Institutions within interoperable National Payments Interface (NPI) and 45 service providers (creditors) within digital payment ecosystem of connectIPS e-Payment, by the end of July 2020.

**Sub-Project 1 - Marketing - Promotion/Orientation:** To facilitate for promotion, awareness and training of connectIPS e-Payment system, targeted at banks/branches; creditors/institutions (non-conventional and commercial); and bank customers – Scaling-up of mobile and web based financial services solutions to increase P2G, P2B and P2P transactions through bank accounts.

**Sub-Project 2 - Development and Rollout of National Payments Interface (NPI):** To support in the development and rollout of National Payments Interface (NPI) including Corporate channel – Establish consolidated application programming interface (APIs) of multiple payment systems for ease of integration and interoperability for the Banks, Payment Service Providers (PSPs) and service providing institutions (Govt/Semi-Govt/Large institutions); Provide additional channel of electronic payment for SMEs/Corporates; in order to increase non-conventional and commercial service providers in the digital payments ecosystem.

**Sub-Project 3 – Contribution in Settlement Guarantee Fund (SGF):** To contribute for expanding Settlement Guarantee Fund (SGF) – Mitigate settlement risk of mobile & web based financial services (based on real-time and/or guaranteed payments) for scaling-up of electronic payments (in volume and value).

Particulars	Project Commitment		Project Utilization	
	NCHL	SCF Grant	NCHL	SCF Contribution
Sub Project 1-Marketing - Promotion/Orientation	49,572,739	50,000,000	6,524,196	6,524,196
Sub Project 2-Development and rollout of National Payments Interface (NPI)	19,765,814	19,765,814	515,152	515,152
Sub Project 3-Contribution in Settlement Guarantee Fund (SGF)	60,902,526	60,000,000	30,027,313	-
<b>Total</b>	<b>130,241,079</b>	<b>129,765,814</b>	<b>37,066,661</b>	<b>7,039,348</b>

A separate bank account at NIC Asia Bank Ltd. has been opened for maintaining project related transactions.

The accounting of the SCF project is done as per section 24 of NFRS for SMEs – Government Grants following the income approach where the expenses are reflected in Statement of Comprehensive Income and Income Statement in their deducted values.

#### Note 17: Income Tax

Income tax provision is calculated as per Income Tax Act, 2058.

##### 17.1. Income Tax

The company has provided for income tax provision of NRs. 77,985,095 considering inadmissible expenses as per Income Tax Act, 2058 which is presented under 'Provisions' after adjusting Advance Income Tax in the Statement of Financial Position.

##### 17.2. Previous Year Tax

The company has adjusted an additional income tax of NRs. 171,859 related to FY 2074/75 in the current fiscal year due to difference in tax provision in financials vis-a-vis actual computation reported in tax annexure. This has been reflected as Provision for Income Tax in the Statement of Comprehensive Income and Income Statement.

##### 17.3. Deferred Tax

Deferred tax liability/assets is considered at the tax rate applicable to the company as per Income Tax Act, 2058, based on the temporary differences between accounting base and tax base in line with NFRS for SMEs Section 29, Income Taxes.

Particulars	Accounting Base	Tax Base	Temporary Difference	Deferred Tax
Fixed Assets	115,216,932	109,595,356	5,621,576	(1,405,394)
Provision for Gratuity/Superannuation	258,902	-	258,902	64,725
Provision for Leave	1,429,907	-	1,429,907	357,477
<b>Total</b>			<b>7,310,385</b>	<b>(983,192)</b>
<b>Total Deferred Tax Assets up to Last Year</b>				<b>177,302</b>
<b>Deferred Tax Expenses for This Year</b>				<b>1,160,494</b>

#### Note 18: Impairment

18.1. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets. The company assesses for such impairment at each reporting date.

18.2. During the period, no impairment loss is recognized for any of the financial assets.

#### Note 19: Contingent Assets and Contingent Liabilities

19.1. All other known liabilities are provided for as liabilities but whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed under contingent liabilities. Contingent Assets are neither recognized nor disclosed in the financial statement.

19.2. There is no contingent liability as at the end of the fiscal year.

#### Note 20: Related Party Disclosure

Following are the related party transactions.

##### 20.1. Transaction with entity with significant influence (having more than 5% equity)

The company has operated current account with Nepal Rastra Bank (having 10% of equity) which was opened for the purpose of settlement of fees and charges. NCHL Settlement Guarantee Fund (SGF)

account is also held at Nepal Rastra Bank for the purpose of holding the fund. NCHL SGF account and Current account balance at Nepal Rastra Bank as of the end of Ashad 2076 are NRs. 50,050,029 and NRs. 5,000 respectively.

#### 20.2. Transaction with the banks represented on the Board

No transaction was entered with the banks represented on the Board except for fee and charges related to the normal business. However, prior to the appointment of the representatives from some of the members of the Board of Directors, NCHL had current accounts with such institutions.

#### 20.3. Transaction with Board Members and Key Employee

1. No transactions were made with the Board Members except for the payment of meeting allowance of total of NRs. 700,000 related to the Board Meetings, Audit Committee Meeting and HR Committee Meeting.
2. The Chief Executive Officer during the fiscal year has been paid NRs. 5,120,000 as salary and allowances, NRs. 850,560 as other benefits including provident fund contribution, leave fare allowance and others benefits. Staff bonus has been paid as per the law. He was also provided with office vehicle with a driver, total reimbursement of fuel expenses of NRs. 194,302 and mobile expenses of NRs. 24,000 during the fiscal year.
3. There were no transactions with the employees except allowed as per the Employee Service Rules and HR Plan of the company.

### Note 21: Profit Appropriation

#### 21.1 Appropriation of Profit

Appropriation of Profit for Technology Enhancement Reserve, Land & Building Reserve and General Reserve & Surplus are defined under Note-2 of 'Reserve and Surplus'.

#### 21.2 Proposed Dividend and Bonus Share

The Board of Directors has proposed 38% of Bonus Shares (equivalent to 820,800 units of shares) and 2% of Cash Dividend for tax purpose (amounting to NRs. 4,320,000) from the profit of the fiscal year 2075/76, subject to final approval in the next Annual General Meeting. Proposed Bonus shares equivalent are not adjusted in the financial statements.

### Note 22: Risk Management and Controls

NCHL's Board has laid down Risk Management Framework policy based on the Principles for Financial Market Infrastructures (recommended by Committee on Payment & Settlement Systems - CPSS) and ISO 27001 standards for effective risk management of the company. The risks identified as per the provisions are monitored and controls implemented by the Management. The risks with their quantified likelihood and impact are recorded by the function heads in the detailed Risk Register, which is periodically assessed by the Management, reviewed by the Audit Committee and necessary considerations made by the Board.

The key risk areas for NCHL are as follows:

#### 22.1 Operational Risk

1. Operational risk concerns the risk of potential loss or service delay due to inadequate internal controls, human errors and external events to NCHL, which may be either general in nature or specifically related to Information Security. The company's infrastructures and resources are safeguarded from possible casualties with adequate insurance coverage. Any incident having potential impact to the operations is recorded and casual analysis is done to ensure identification as well as implementation of preventive controls. Any potential risks arising from the participants of the payments and settlement systems operated by NCHL are also identified and are appropriately managed by NCHL or at least informed to the concerned entities.
2. ISO 27001 standard relates to Information Security Management System which is implemented by NCHL to safeguard from information security risks, concerning confidentiality, integrity and availability of information. NCHL has obtained ISO 27001:2013 certification in the fiscal year 2071/72 and an annual surveillance audit is carried out by the ISO 27001 certified auditor every year with requirement of re-certification every three years.

#### 22.2 Disaster Recovery and Business Continuity Plan

1. NCHL has set up a fully functional primary Disaster Recovery Site at Thimi, Bhaktapur, which is equipped with redundancy, load balancing and high availability of critical systems in order to mitigate the risk of data center failure. Secondary backup site is built in different seismic zone at Bhairahawa to maintain cold backup.
2. Periodic disaster recovery drills are conducted to test the readiness of the primary DR site. Two such drills were conducted during the FY 2075/76.
3. Continuity of Business (COB) site is also set up at NCHL's premise to provide system access to the members in case they have a technical failure at their bank/branch. An alternate arrangement for accessing NCHL's COB site through internet is also available for the members outside Kathmandu valley.

### 22.3 General Business Risk

1. General business risk refers to any potential impairment of the NCHL's financial position due to declining revenue or increment in expenses. Such impairment may occur as a result of poor execution of business strategy, ineffective response to competition, losses in other business lines, etc.
2. NCHL maintains its business projections by analyzing past trend and future prospect of the market. Accordingly, it has developed long term strategy and plans for sustainability of its business. It also assesses interest rate volatility concerning its investments and transaction specific foreign exchange risk.
3. Business risk on NCHL-ECC and NCHL-IPS is relatively low but due to the overlapping business line of connectIPS with other PSPs/PSOs licensed by NRB, there are possibilities of business risk. Extreme pressure on pricing is also one of the major business risk for its sustainability in long run.

### 22.4 Liquidity and Settlement Risk

1. Liquidity risk concerns the risk that member BFIs will not be able to fulfill their financial obligations on the settlement time/date of NCHL-ECC, NCHL-IPS system and connectIPS e-payment system, which in turn, can create systemic problems on the systems that NCHL operates. In order to manage this risk, the settlement accounts of the member BFIs maintained at NRB is used for final settlements of the system operated by NCHL. And the members are provided with facility to monitor their settlement position in the system.
2. As a last resort to cover the liquidity and settlement risk in the NCHL-ECC and NCHL-IPS system, there are provisions of transaction unwinding before the settlement, in which certain transactions are cancelled equal to the amount of the settlement sort fall for a particular member.
3. For connectIPS e-payment system, which is based on instant faster payment allows the creditor bank to credit the beneficiary account prior to the settlement, an additional arrangement of Settlement Guarantee Fund (SGF) is established to avoid settlement risk due to insufficiency of fund of the participating bank at the time of settlement.
4. Another potential liquidity risk that NCHL may face is insufficiency of liquid funds to meet its financial obligations. Regular monitoring and analysis of cash flow and financial position is conducted by the management and forwarded to the Board for necessary considerations. The liquid assets are managed as per NCHL's Investment Policy.

### 22.5 Credit Risk

Credit risk is the current or potential loss on the NCHL's earning as a result of counterparties' inability to meet their financial or other contractual obligations to NCHL, when due. Majority of the counterparty for NCHL being BFIs, their default is very unlikely. For Indirect/Technical Members, all transactional fees and charges are settled through the respective settlement bank, whereas annual fees are covered through the member.

### 22.6 Legal and Compliance Risk

Legal and Compliance risks are posed due to non-compliance and ambiguity of legislations and regulations. NCHL has ensured compliance of relevant Acts and Bylaws, NRB Directives, Operating Rules and internal policies, corresponding to which compliance self-assessment and cross-functional assessment are intermittently conducted.

### 22.7 Systemic Risk

Systemic risk is the risk arising due to interdependencies and possibility of transmitting disruptions beyond NCHL from one or more participants. The inability of any participant to perform as expected can result into disruption with cascading effects to other participants. In order to minimize the systemic risk, NCHL works closely with Nepal Rastra Bank, and with other participating members thereby reducing the overall impact of such risk.

### 22.8 Internal Control

NCHL is committed to strengthen its internal controls through a set of well-established organizational structure, comprehensive policies and procedures. Such policies and procedures are formulated by the Board and the Management is responsible for their implementation. The effectiveness of internal control is assessed by the Internal Audit conducted on quarterly basis, Annual Compliance Self & Cross Functional Assessments and Annual Statutory Audit, which are reviewed by the Audit Committee and forwarded to the Board for necessary considerations.

### Note 23: Subsequent Events

Adjusting event are adjusted and non-adjusting events, if any, are disclosed in the financial. And there are no any occurrences after the reporting date considered as adjusting event requiring provisioning.

Previous year's figures are regrouped or rearranged wherever necessary.



## आठौं वार्षिक साधारण सभा सम्बन्धि सूचना

(पहिलो पटक प्रकाशित मिति: २०७६/०७/०४)

श्री शेयरधनी महानुभावहरू,

यस कम्पनीको सञ्चालक समितिको मिति २०७६/०७/०१ मा बसेको १३७ औं बैठकको निर्णय बमोजिम यस कम्पनीको आठौं वार्षिक साधारण सभा निम्न लिखित मिति, स्थान र समयमा निम्न विषयहरूमा छलफल तथा निर्णय गर्न बस्ने भएको हुँदा कम्पनी ऐन, २०६३ को दफा ६७(२) अनुसार सबै शेयरधनी महानुभावहरूको जानकारीको लागि यो सूचना प्रकाशित गरिएको छ।

### सभा हुने मिति, स्थान र समय :-

मिति : २०७६ साल कार्तिक महिना २५ गते सोमवार (11<sup>th</sup> November 2019)

स्थान : होटेल काउन इम्पेरियल, रविभवन, काठमाडौं।

समय : साँझ ५:३० बजे

### छलफल गर्ने विषयहरू :-

#### क. साधारण प्रस्ताव:

१. सञ्चालक समितिको आ.व. २०७५/७६ को प्रतिवेदन पारित गर्ने।
२. लेखा परीक्षण प्रतिवेदन सहितको २०७६ आषाढ मसान्त सम्मको वासलात तथा सोही मितिमा समाप्त आ.व. २०७५/७६ को नाफा नोक्सान हिसाब तथा नगद प्रवाह विवरण स्वीकृत गर्ने।
३. सञ्चालक समितिले प्रस्ताव गरे बमोजिम २ प्रतिशत नगद लाभांश (बोनस शेयरको कर प्रयोजनका लागि) स्वीकृत गर्ने।
४. आ.व. २०७६/७७ को लागि लेखा परीक्षकको नियुक्ति तथा निजको पारिश्रमिक निर्धारण गर्ने। (वर्तमान लेखा परीक्षक श्री जोशी एण्ड भण्डारी पुनः नियुक्त हुन योग्य रहनु भएकोले लेखा परीक्षण समितिबाट पुनः नियुक्तिको निमित्त सिफारिस भएको।)
५. सञ्चालकको बैठक भत्ता वृद्धि गर्न स्वीकृत गर्ने।

#### ख. विशेष प्रस्ताव:

१. सञ्चालक समितिले प्रस्ताव गरे बमोजिम ३८ प्रतिशत बोनस शेयर स्वीकृत गर्ने।
२. कम्पनीको अधिकृत पूँजी वृद्धि गरि रु ५० करोड पुऱ्याउन स्वीकृत गर्ने।
३. अधिकृत पूँजी वृद्धि गर्न र बोनस शेयर बराबर चुक्ता पूँजी वृद्धि गर्न प्रवन्ध पत्रको संशोधन स्वीकृत गर्ने।
४. प्रस्तावित संशोधनमा नियमनकारी निकायहरूबाट कुनै फेरबदल वा सुझाव आएमा आवश्यक फेरबदल गर्न कम्पनीको सञ्चालक समिति वा सञ्चालक समितिले तोकेको कुनै पदाधिकारीलाई अधिकार प्रत्यायोजन गर्ने अख्तियारी दिने।

#### ग. विविध।

सञ्चालक समितिको आज्ञाले  
कम्पनी सचिव

### साधारण सभा सम्बन्धि अन्य जानकारी

- (१) शेयरधनीज्यूहरूको ठेगानामा हुलाक/कुरियरबाट पठाइने वार्षिक साधारण सभाको प्रतिवेदन यस कम्पनीको वेबसाइट [www.nchl.com.np](http://www.nchl.com.np) मा पनि हेर्न सकिनेछ। कुनै कारणले प्रतिवेदन प्राप्त नगर्नु हुने शेयरधनीज्यूहरूले यस कम्पनीको रजिष्टर्ड कार्यालयमा शेयरधनी प्रमाण-पत्र प्रस्तुत गरी सो प्राप्त गर्न सक्नु हुनेछ।
- (२) लेखापरिक्षकको प्रतिवेदन सहित कम्पनीको वार्षिक आर्थिक विवरण, सञ्चालक समितिको प्रतिवेदन, कम्पनी ऐन, २०६३ को दफा ७८ बमोजिमको प्रतिवेदन समेतका कागजातहरू कम्पनीको रजिष्टर्ड कार्यालय, कमलादी काठमाडौंमा कार्यालय समय भित्र निरीक्षण गर्न तथा त्यसको प्रतिलिपी माग गरेमा प्रतिलिपी दिने व्यवस्था मिलाईएको छ।
- (३) सभामा उपस्थित हुने शेयरधनी कम्पनीको प्रतिनिधित्व गर्ने आधिकारिक पत्र साथमा लिई आउनुहुन अनुरोध छ। कथम कदाचित् सो सम्भव नभए शेयर धनी प्रमाण-पत्र साथमा लिई आउनुहुन अनुरोध छ, अन्यथा सभाकक्ष भित्र प्रवेश गर्न पाइने छैन।
- (४) सभामा भाग लिन प्रतिनिधि (प्रोक्सी) नियुक्त गर्न चाहने शेयरधनीज्यूहरूले सभा सुरु हुने समय भन्दा कम्तीमा ४८ घण्टा अगावै यस कम्पनीको केन्द्रीय कार्यालयमा प्रोक्सी फारम दर्ता गरिसक्नु पर्नेछ। सभामा भाग लिन र मतदान गर्नका लागि प्रतिनिधि नियुक्त गरिसकेपछि उक्त प्रतिनिधि बदर गरी अर्कै मुकुरर गर्ने भएमा सोको लिखित सूचना सोही अवधिभित्र कम्पनीको केन्द्रीय कार्यालयमा दर्ता गरिसक्नु पर्नेछ।
- (५) शेयरधनीज्यूहरूको सुविधाको लागि हाजिरी पुस्तिका सभास्थलमा सभा हुने दिन साँझ ५:०० बजे देखि सभा चालु रहेसम्म खुल्ला रहनेछ।
- (६) अन्य कुनै जानकारीका लागि कम्पनीको रजिष्टर्ड कार्यालय, कमलादी, काठमाडौंमा सम्पर्क गर्नु हुन अनुरोध छ।



नेपाल क्लियरिङ हाउस लिमिटेड

तेश्रो तल्ला, कमलादी कम्प्लेक्स, कमलादी, काठमाडौं

पो.ब.नं. २१४००, फोन नं. ४२३२३६६, ४२३२३६७

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## प्रोवसी फाराम

श्री सञ्चालक समिति,  
नेपाल क्लियरिङ हाउस लिमिटेड  
कमलादी कम्प्लेक्स तेस्रो तल्ला  
कमलादी, काठमाण्डौ ।

### विषय : प्रतिनिधि नियुक्ति गरेको बारे ।

महाशय,

..... जिल्ला..... न.पा./गा.वि.स. वडा नं ..... बस्ने  
म/हामी ..... ले त्यस कम्पनीको शेयरधनीको हैसियतले २०७६ साल  
कार्तिक महिना २५ गते सोमबारका दिन हुने आठौं वार्षिक साधारण सभामा स्वयंम उपस्थित भइ छलफल तथा  
निर्णयमा सहभागी हुन नसक्ने भएकोले उक्त सभामा भाग लिन तथा मतदान गर्नका लागि .....  
न.पा./गा.वि.स. वडा नं. .... बस्ने त्यस कम्पनीका शेयरधनी श्री .....  
शेयर प्रमाण-पत्र नं. .... लाई मेरो /हाम्रो प्रतिनिधि मनोनित गरी पठाएको छु/छौं ।

निवेदक :-

दस्तखत:-

नाम:-

ठेगाना:-

शेयरधनी परिचय नं:-

शेयर प्रमाणपत्र नं:-

कि.नं. .... देखि ..... सम्म

मिति:-

द्रष्टव्य: यो निवेदन साधारणसभा हुनुभन्दा कम्तीमा ४८ घण्टा अगावै कम्पनीको रजिष्टर्ड कार्यालयमा पेश गरिसक्नु पर्नेछ ।

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