

Quick Update

[Nepal Rastra Bank Foreign Investment and Foreign Debt Management Regulations 2078](#)

Objective:

“Nepal Rastra Bank Foreign Investment and Foreign Debt Management Regulations 2078” has been enacted on Jestha 25, 2078 (June 08, 2021) to facilitate and regulate the approval and accounting of foreign remittance related to foreign investments, refund of Foreign Investment and profit earned from those investments, foreign loan approval, remittance and recording of foreign currency relating to foreign loan and provision of foreign exchange for payment of principal and interest.

Some Important Definitions under Rule 2

Foreign Lender – includes Foreign Bank and Financial Institutions, Foreign Government or Central Bank, Foreign Investment company licensed to issue loans by other regulatory bodies, pension fund, hedge funds, international institutions, parent companies, holding company or group of subsidiaries, foreign firm, company including loan providing foreign persons and Non-resident Nepalese.

Foreign Investor – includes a foreign person, firm, company, Non-resident Nepalese, foreign government or international organization and similar organized institutions making foreign investment. The term also includes the last beneficial owners of Organized foreign Investor.

Source of Loan or Investments –

In case of an Institutional Foreign Investor/Lender - 'Net worth as per latest Audited Financial Statements of Foreign Investor/Lender or Liquid Assets like Bank balance and unutilized loan limit. However Audited Financial Statements of Investor/Lender Institution is not required in following cases:

- ✓ If Foreign Investment/Loan is up to upto 1 Million USD
- ✓ If Board of Directors or Top Management of such Institution certifies along with documentary proof that the financial statements provided is not statutorily required to be Audited.



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Rule 3 - Remittance of foreign currency for feasibility study and Preliminary Expenses:

Prior approval of Foreign Investment or Nepal Rastra Bank is not required for initial transfer of funds required for Feasibility study or preliminary expenses by prospective Foreign Investor through banking channels.

Such amount can be counted as foreign investment subject to a maximum of 3% of the paid up capital of the proposed company/industry with due certification from auditor. In case the foreign investment cannot be done or the expenses incurred on feasibility study/preliminary works exceeds the above prescribed limit, then such amount cannot be remitted back.

Rule 4 – Prior approval of NRB:

Prior approval or NRB is not required to bring foreign exchange into Nepal after approval of foreign Investment by the regulating authority, however an intimation in the format as given in Annex 2 needs to be submitted to NRB after the FDI approval.

Prior approval of NRB is required to bring any foreign exchange relating to FDI due to change in shareholding pattern.

Rule 5 - Recording of Foreign Investments:

Any foreign investment remitted to Nepal after enactment of this regulation shall be intimated to the designated Unit of NRB within 6 months of such investment with all the requisite documents in the prescribed format.

Recording of any Foreign investment made before enactment of this regulation for which recording is not yet done, shall be done within 1 (one) year of enactment of this regulation.

Rule 6 - Approval of Foreign Exchange for repatriation of Foreign Investments and its return:

NRB will provide the approval for foreign exchange facility required to repatriate following foreign investment and earned money:

- a. Proceeds from sale of shares of foreign investment.
- b. The amount of profit or dividend received from foreign investment.
- c. Any amount remaining after paying all the liabilities of the company, if such company goes into liquidation.



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- d. The amount of benefits (Royalty) under Technology Transfer Agreement.
- e. Lease rental amount under Lease investment.
- f. The amount of any compensation or indemnity from the final management of a case, arbitration or any other legal process in Nepal.
- g. Amount eligible for repatriation under the prevailing law.

Approval of foreign exchange required for repatriation of FDI or any earned income shall be provided on the basis of approval/recommendation of related authority. **However, the approval of foreign exchange facility required for repatriation of such FDI or earned income for business done through branch office or nature of business where approval/recommendation of such authority cannot be made available, can be done by NRB based on the appropriate evidence and justification.**

Rule 7 - Prior approval of NRB for foreign loans:

Prior approval of NRB is required if any Nepali person, firm, company, bank and financial institutions and other organized institutions need to borrow from outside Nepal in Indian currency/foreign convertible currency subject to the conditions as mentioned in Annex – 10. The annex contains the various conditions like, eligibility of borrower/lender, limit of borrowing, rate of interest etc.

Rule 8 - Recording of Foreign Loans:

Any foreign loan remitted to Nepal after enactment of this regulation shall be intimated to the designated Unit of NRB within 6 months of such remittance with all the requisite documents in the prescribed format.

Recording of any Foreign loan made before enactment of this regulation for which recording is not yet done, shall be done within 1 (one) year of enactment of this regulation.

Rule 9 - Approval of Foreign Exchange for repatriation of foreign loans:

Approval for NRB is not required for foreign exchange required to remit the principal and interest amount on foreign loans already approved and recorded by NRB. BFIs can provide the foreign exchange facility for such remittance.



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