



**NEPAL
CLEARING
HOUSE**

नेपाल राष्ट्र बैंकबाट “शुक्लानी प्रणाली सञ्चालक” को
कार्य गर्न अनुमतिपत्रप्राप्त संस्था

Annual Report

FY 2077-78 (2020-21)

Unifying Payments for Nepal

नेपाल राष्ट्र बैंकबाट “भुक्तानी प्रणाली संचालक” को
कार्य गर्न अनुमतिपत्र प्राप्त संस्था

NEPAL CLEARING HOUSE LTD.

राष्ट्रिय भुक्तानी पूर्वाधार विकासमा प्रतिबद्ध



TABLE OF CONTENTS

01 OVERVIEW	2	NCHL-HELPDESK	42
CORPORATE PROFILE	2	NCHL INTERNAL SYSTEMS	42
VISION, MISSION & CORE VALUES	3	MEMBER TRAININGS AND ORIENTATIONS	42
MAJOR MILESTONES	8	05 GOVERNANCE & RISK MANAGEMENT	44
FINANCIAL HIGHLIGHTS	9	CORPORATE GOVERNANCE	44
OPERATIONAL HIGHLIGHTS	11	THE BOARD OF DIRECTORS	45
MESSAGE FROM CHAIRMAN	12	AUDIT COMMITTEE	46
CEO's STATEMENT	14	HR COMMITTEE	47
BOARD OF DIRECTORS	16	SPECIAL COMMITTEES	48
MANAGEMENT TEAM	18	MEETING EXPENSES	48
02 PRODUCTS AND SERVICES	20	SHAREHOLDERS COMMUNICATION	48
ELECTRONIC CHEQUE CLEARING (ECC)	20	INTERNAL CONTROLS	48
INTERBANK PAYMENT SYSTEM (IPS)	21	ISO CERTIFICATION	49
NATIONAL ARCHIVE SYSTEMS	22	RISK MANAGEMENT	50
<i>connectIPS</i> SYSTEM	23	BUSINESS CONTINUITY PLAN ACTIVATION	51
CREDITOR LISTING	24	06 MARKET ANALYSIS	52
NATIONAL PAYMENTS INTERFACE (NPI)	24	07 HUMAN RESOURCES	54
<i>connectRTGS</i> SYSTEM	24	ORGANIZATIONAL STRUCTURE	54
CORPORATEPAY SYSTEM	24	KEY HUMAN RESOURCE INDICATORS	55
NATIONAL PAYMENT SWITCH (NPS)	25	RECRUITMENT PROCESS	55
03 FINANCIAL REVIEWS	26	REMUNERATION AND BENEFITS	55
REPORTING PRONOUNCEMENTS	26	STAFF TRAINING & DEVELOPMENT	56
LAST 5 YEARS PERFORMANCES	26	STAFF WELFARE COMMITTEE	56
PERFORMANCE OF CURRENT YEAR	26	STAFF HEALTH AND INSURANCE	56
FINANCIAL RATIOS	29	STAFF LEAVE	56
VALUE GENERATION AND DISTRIBUTION	31	08 FINANCIAL AND RELATED INFORMATION	58
04 OPERATIONAL REVIEW	32	DIRECTOR'S REPORT AND DISCLOSURE	58
GON FACILITATION	33	AUDITED FINANCIAL STATEMENTS	62
NCHL MEMBERS	33	NRB APPROVAL	62
NCHL-ECC SYSTEM	34	INDEPENDENT AUDITOR'S REPORT	63
NCHL-IPS SYSTEM	37	FINANCIAL STATEMENTS	66
<i>connectIPS</i> SYSTEM	39	NOTES TO FINANCIAL STATEMENTS	71
NATIONAL PAYMENTS INTERFACE (NPI)	41	ANNUAL GENERAL MEETING NOTICE	93
CORPORATEPAY	41	PROXY FORM	94
<i>connectIPS</i> INTEGRATION MODULE	41		
<i>connectRTGS</i>	42		

O1 OVERVIEW

CORPORATE PROFILE

Company Name

Nepal Clearing House Limited

Url

www.nchl.com.np
www.connectips.com

Head Office

3rd Floor, Kamaladi Complex,
Kamaladi, Kathmandu, Nepal
Tel: +977-1-5970065
Fax: +977-1-4255309
Email: info@nchl.com.np

Operations Office

1st & 2nd Floor, DD Plaza, Shanta Marg,
Kamaladi, Kathmandu, Nepal
Tel: +977-1-5970065
Helpdesk Support: Ext: 202-210
Email: support@nchl.com.np

Legal Form

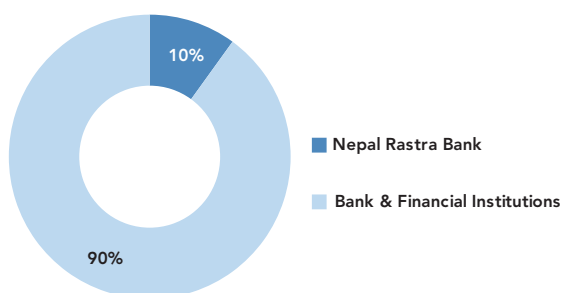
Incorporated as a Public Limited company under the sub section 1 of Section 5 of Companies Act, 2063 (First Amendment 2074) on 8th Poush 2065 (23rd December 2008).

Licenses/Certifications

- Licensed by Nepal Rastra Bank as Payment System Operator (PSO)
- ISO 27001 certification for NCHL 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 and 90% by various banks and financial institutions. The banks and financial institutions include commercial banks, development banks and finance companies.



External Auditor

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

Internal Auditor

Prabin Joshi & Co.
Chartered Accountants
Maharajgunj
Kathmandu, Nepal
Tel: +977-1-4433225, 4720959

ISO 27001 Auditor

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

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 2077/78 (2020/21). NCHL has applied full NFRS in the preparation of the financial statements, which has been duly audited, approved by the Board of Directors and needed approval obtained from Nepal Rastra Bank.

VISION, MISSION & CORE VALUES

VISION

'To be a leading provider of electronic payment and settlement services'

MISSION

The missions of NCHL are to:

- Establish and operate national systems for clearing, payments and settlements;
- Facilitate the development of secure & trusted new payment methods and technologies in Nepal;
- Protect and increase shareholders' values;
- Establish as an organization of choice for the employees.

CORE VALUES

NCHL's core values are:

- Highest standards of ethics, integrity and teamwork;
- Commitment towards the members, shareholders, partners and employees.

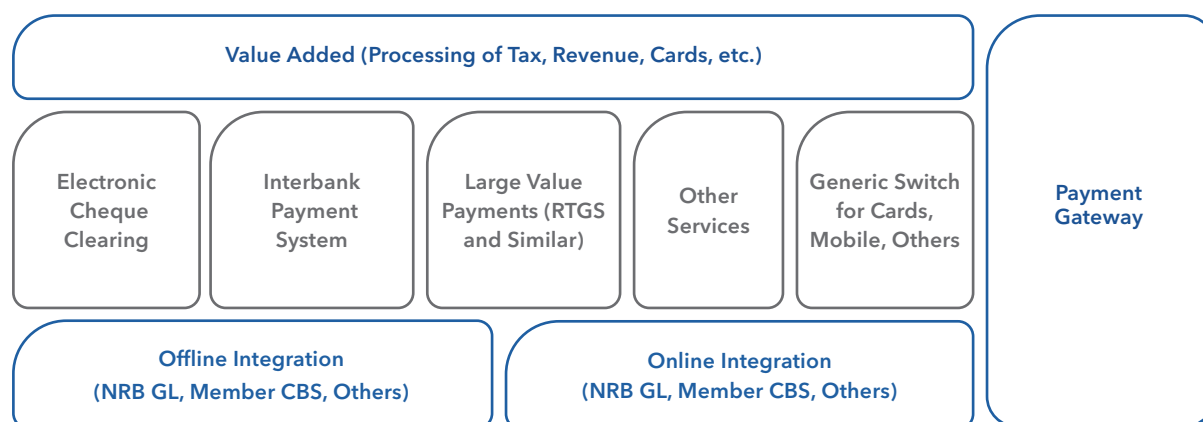
Our Commitment and Code of Conduct Principles

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

1. Every member of the 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 values 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 processes for multiple financial instruments and channels thereby leveraging and reinvesting into national payments infrastructures.



NCHL Product and Services Roadmap

LIST OF SHAREHOLDERS

As at Asadh End 2078

S.N.	Name of Shareholders	No. of Shares	Value in NPR
	Group 'A'		
1	Nepal Rastra Bank	411,350	41,135,000
	Group 'B'		
2	Agricultural Development Bank Ltd.	12,638	1,263,800
3	Bank of Kathmandu Ltd.	146,757	14,675,700
4	Century Commercial Bank Ltd.	58,595	5,859,500
5	Citizens Bank International Ltd.	89,341	8,934,100
6	Civil Bank Ltd.	140,691	14,069,100
7	Everest Bank Ltd.	68,558	6,855,800
8	Global IME Bank Ltd.	294,055	29,405,500
9	Himalayan Bank Ltd.	68,558	6,855,800
10	Kumari Bank Ltd.	144,065	14,406,500
11	Laxmi Bank Ltd.	71,300	7,130,000
12	Machhapuchchhre Bank Ltd.	68,558	6,855,800
13	Mega Bank Nepal Ltd.	95,891	9,589,100
14	Nabil Bank Ltd.	78,197	7,819,700
15	Nepal Bangladesh Bank Ltd.	68,558	6,855,800
16	Nepal Bank Ltd.	68,558	6,855,800
17	Nepal Credit & Commerce Bank Ltd.	113,208	11,320,800
18	Nepal Investment Bank Ltd.	146,757	14,675,700
19	Nepal SBI Bank Ltd.	68,558	6,855,800
20	NIC Asia Bank Ltd.	137,117	13,711,700
21	NMB Bank Ltd.	144,469	14,446,900
22	Prabhu Bank Ltd.	150,980	15,098,000
23	Prime Commercial Bank Ltd.	112,142	11,214,200
24	Rastriya Banijya Bank Ltd.	68,558	6,855,800
25	Sanima Bank Ltd.	63,145	6,314,500
26	Siddhartha Bank Ltd.	505,279	50,527,900
27	Standard Chartered Bank Nepal Ltd.	68,558	6,855,800
28	Sunrise Bank Ltd.	80,941	8,094,100
29	Excel Development Bank Ltd.	2,742	274,200
30	Garima Bikas Bank Ltd.	16,966	1,696,600
31	Jyoti Bikas Bank Ltd.	24,240	2,424,000
32	Kamana Sewa Bikas Bank Ltd.	16,799	1,679,900
33	Lumbini Bikas Bank Ltd.	65,310	6,531,000
34	Mahalaxmi Bikas Bank Ltd.	116,119	11,611,900
35	Miteri Development Bank Ltd.	12,925	1,292,500
36	Mukthinath Bikas Bank Ltd.	8,228	822,800
37	Shangri-la Development Bank Ltd.	25,367	2,536,700
38	Shine Resunga Development Bank Ltd.	11,315	1,131,500
39	Best Finance Ltd.	55,535	5,553,500
40	Central Finance Ltd.	19,279	1,927,900
41	Crystal Finance Ltd.	2,742	274,200
42	Goodwill Finance Ltd.	52,793	5,279,300
43	Guheshwori Merchant Banking & Finance Ltd.	9,641	964,100
44	Gurkhas Finance Ltd.	2,742	274,200
45	Himalaya Finance Ltd.	2,742	274,200
46	ICFC Finance Ltd.	9,641	964,100
47	Janaki Finance Co. Ltd.	9,641	964,100
48	Multipurpose Finance Co. Ltd.	2,742	274,200
49	Nepal Finance Ltd.	40,668	4,066,800
50	Nepal Share Markets & Finance Ltd.	2,742	274,200
51	Pokhara Finance Ltd.	9,641	964,100
52	Progressive Finance Ltd.	2,742	274,200
53	Reliance Finance Ltd.	29,695	2,969,500
54	Samriddhi Finance Co. Ltd.	2,742	274,200
55	Shree Investment & Finance Co. Ltd.	12,383	1,238,300
	GRAND TOTAL	4,113,504	411,350,400

MEMBER LIST

As at Kartik End 2078

S.N.	Members	ECC	IPS	connectIPS	connectRTGS	NPI	CORPORATEPAY	NPS
DIRECT MEMBERS								
1	Nepal Rastra Bank	✓	✓					
2	Nepal Infrastructure Bank Ltd.	✓	✓		✓		*	
3	Agricultural Development Bank Ltd.	✓	✓	✓	✓	✓	*	*
4	Bank of Kathmandu Ltd.	✓	✓	✓	✓	✓	✓	*
5	Century Commercial Bank Ltd.	✓	✓	✓	✓	✓	*	*
6	Citizens Bank International Ltd.	✓	✓	✓	✓	✓	✓	*
7	Civil Bank Ltd.	✓	✓	✓	✓	✓	✓	
8	Everest Bank Ltd.	✓	✓	✓		✓	✓	*
9	Global IME Bank Ltd.	✓	✓	✓	✓	✓	✓	
10	Himalayan Bank Ltd.	✓	✓	✓	✓	✓	✓	*
11	Kumari Bank Ltd.	✓	✓	✓	✓	✓		
12	Laxmi Bank Ltd	✓	✓	✓	✓	✓	✓	*
13	Machhapuchchhre Bank Ltd.	✓	✓	✓	✓	✓	✓	*
14	Mega Bank Nepal Ltd.	✓	✓	✓	✓	✓	✓	*
15	Nabil Bank Ltd.	✓	✓	✓	✓	✓	✓	*
16	Nepal Bangladesh Bank Ltd	✓	✓	✓	✓	✓	✓	*
17	Nepal Bank Ltd.	✓	✓	✓	✓	✓	✓	
18	Nepal Credit & Commerce Bank Ltd.	✓	✓	✓	✓	✓	✓	*
19	Nepal Investment Bank Ltd.	✓	✓	✓		✓		
20	Nepal SBI Bank Ltd.	✓	✓	✓	✓		✓	
21	NIC Asia Bank Ltd.	✓	✓	✓	✓	✓	✓	*
22	NMB Bank Ltd.	✓	✓	✓	✓	✓	✓	*
23	Prabhu Bank Ltd.	✓	✓	✓	✓	✓	✓	*
24	Prime Commercial Bank Ltd.	✓	✓	✓	✓	✓	✓	*
25	Rastriya Banijya Bank Ltd.	✓	✓	✓	✓	✓		
26	Sanima Bank Ltd.	✓	✓	✓	✓	✓	✓	*
27	Siddhartha Bank Ltd.	✓	✓	✓	✓	✓	✓	
28	Standard Chartered Bank Nepal Ltd.	✓	✓	✓				
29	Sunrise Bank Ltd.	✓	✓	✓	✓	✓	✓	*
30	Corporate Development Bank Ltd.	✓	✓					
31	Excel Development Bank Ltd	✓	✓	✓	*	✓	*	
32	Garima Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	*
33	Green Development Bank Ltd.	✓	✓	✓		✓		
34	Jyoti Bikash Bank Ltd.	✓	✓	✓	✓	✓	✓	
35	Kamana Sewa Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	*
36	Karnali Development Bank Ltd.	✓	✓	✓	*			
37	Lumbini Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	*
38	Mahalaxmi Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	*
39	Miteri Development Bank Ltd.	✓	✓	✓		✓		
40	Mukthinath Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	*
41	Narayani Development Bank Ltd.	✓	*	*				
42	Saptakoshi Development Bank Ltd.	✓	✓	✓	*		*	
43	Shangri-la Development Bank Ltd.	✓	✓	✓	✓	✓	✓	
44	Shine Resunga Development Bank Ltd.	✓	✓	✓	✓	✓	✓	
45	Sindhu Bikas Bank Ltd.	✓	✓	✓		✓		

S.N.	Members	ECC	IPS	connectIPS	connectRTGS	NPI	CORPORATEPAY	NPS
46	Best Finance Co. Ltd.	✓	✓	✓	*	✓		
47	Central Finance Ltd.	✓	✓	✓		✓		*
48	Goodwill Finance Ltd.	✓	✓	✓	*	✓	*	*
49	Guheshwori Merchant Banking & Finance Ltd.	✓	✓	✓	*	✓	✓	
50	Gurkhas Finance Ltd.	✓	✓	✓	*	✓	*	
51	ICFC Finance Ltd.	✓	✓	✓	✓	✓	*	*
52	Janaki Finance Co. Ltd.	✓	✓					
53	Manjushree Finance Ltd.	✓	✓	✓	✓	✓	*	*
54	Multipurpose Finance Co. Ltd.	*	*					
55	Nepal Finance Ltd.	✓	✓	✓	*	*		
56	Pokhara Finance Ltd.	✓	✓	✓			*	
57	Progressive Finance Ltd.	✓	✓	✓	*	✓	*	
58	Reliance Finance Ltd.	✓	✓	✓	*		*	*
59	Samriddhi Finance Co. Ltd.	✓	✓	✓		✓	*	*
60	Shree Investment and Finance Co. Ltd.	✓	✓	✓	*			
TOTAL DIRECT MEMBERS LIVE		59	58	54	35	46	30	-
INDIRECT/TECHNICAL MEMBERS								
1	Citizen Investment Trust (CIT)		✓	✓		✓		
2	Department of Foreign Employment (DOFE)		✓	✓		✓		
3	Employee Provident Fund (EPF)		✓	✓		✓		
4	Nepal Stock Exchange Ltd. (NEPSE)		✓	✓		✓		
5	Social Security Fund (SSF)		✓	✓		*		
6	Belauri Municipality		*	✓				
7	Bhimdatta Municipality		*	✓		✓		
8	Birendranagar Municipality		*	✓		✓		
9	Birtamod Municipality		*	*				
10	Butwal Submetropolitan City		*	✓		*		
11	Dhangadi Submetropolitan City		*	✓		*		
12	Dharan Municipality		*	✓		✓		
13	Dhulikhel Municipality		*	✓		✓		
14	Harion Municipality		*	✓		*		
15	Kankai Municipality		*	✓		✓		
16	Myagde Gaupalika			✓		✓		
17	Walling Municipality		*	*		✓		
18	Suryodaya Municipality		*	*				
19	Nepal Oil Corporation		*	✓		*		
20	Rastriya Beema Sansthan		*	✓		✓		
21	Global IME Capital Ltd.		✓					
22	Siddhartha Capital Ltd.		*	*		*		
23	Asian Life Insurance Ltd.		✓	✓		✓		
24	Citizens Life Insurance Company Ltd.		✓	✓		*		
25	IME Life Insurance Co. Ltd.		✓	✓		*		
26	Prime Life Insurance Co. Ltd.		✓	✓		✓		
27	Reliable Nepal Life Insurance Ltd.		*	✓		*		
28	Sanima Life Insurance Ltd.		*	✓		*		
29	Union Life Insurance Ltd.		✓	✓		*		

S.N.	Members	ECC	IPS	connectIPS	connectRTGS	NPI	CORPORATEPAY	NPS
30	Bhatbhateni Money Transfer Pvt. Ltd.		✓	✓		✓		
31	Cashway Money Transfer Pvt. Ltd.		✓	✓		✓		
32	City Express Money Transfer Pvt. Ltd.		✓	✓		✓		
33	Easylink Remittance Pvt. Ltd.		✓	✓		✓		
34	GME Remit Pvt. Ltd.		✓	✓		✓		
35	Esewa Money Transfer Pvt. Ltd.		✓	✓		✓		
36	IME Ltd.		✓	✓		✓		
37	Ipay Remit Pvt. Ltd.		✓	✓		✓		
38	JME Remit Company Pvt. Ltd.		✓	✓		✓		
39	Nepal Remit International Pvt. Ltd.		✓	✓		✓		
40	Samsara Remit Pvt. Ltd.		✓	✓		✓		
41	Thamel Remit Pvt. Ltd.		*	*		*		
42	Nepal Payment Solution Pvt. Ltd.		✓	✓		✓		
43	Cellcom Pvt Ltd.		✓	✓		✓		
44	CG Pay Nepal Pvt. Ltd.		✓	✓		*		
45	DigiPay Pvt. Ltd.		✓	*		*		
46	E-Net Payment Pvt. Ltd.		✓	✓		✓		
47	Focusone Payment Solution Pvt. Ltd.		*	*		*		
48	Goldmine Business Group Pvt. Ltd.		✓	✓		✓		
49	Icash Pvt. Ltd.		✓	✓		✓		
50	IME Digital Solutions Ltd.		✓	✓		✓		
51	iPay Pvt. Ltd.		✓	✓		✓		
52	Lenden Sewa P. Ltd.		✓	✓		✓		
53	Nepal Digital Payments Co. Ltd.		*	*		*		
54	Nepal E-biz Management Pvt. Ltd.		✓	✓		✓		
55	Nepal Pay Time Pvt. Ltd.		✓	✓		✓		
56	PayNep Pvt. Ltd.		✓	✓		✓		
57	Paywell Nepal Pvt. Ltd.		✓	✓		✓		
58	Prabhu Technology Pvt. Ltd.		✓	✓		✓		
59	Qpay Pvt. Ltd.		✓	✓		✓		
60	Sajilo Pay Payment Services Pvt. Ltd.		✓	✓		✓		
61	Smart Card Nepal Pvt. Ltd.		✓	✓		✓		
62	Sparrow Pay Pvt. Ltd.		✓	✓		✓		
63	Sulav Pay Pvt. Ltd.		✓	✓		✓		
64	Subisu Cablenet Pvt. Ltd.		✓	✓		✓		
65	Vianet Communication Pvt. Ltd.		✓	✓		✓		
66	Websufer Nepal Communication Pvt. Ltd.		*	*		*		
67	Agni Incorporated Pvt. Ltd.		✓	✓		✓		
68	Hamro Technology Pvt. Ltd.		*	*		*		
69	Sasto Tickets Pvt. Ltd.			*		*		
70	United Distributor Pvt. Ltd.		*	*		*		
71	Yeti Distillery Pvt. Ltd.		*	*		*		
72	Zinob Inc. Pvt. Ltd.		*	*		*		
INDIRECT/TECHNICAL MEMBERS		-	45	38	-	45	-	-
DIRECT & INDIRECT/TECHNICAL MEMBERS		59	103	92	35	91	30	-

✓ Live * Subscribed

MAJOR MILESTONES



FINANCIAL HIGHLIGHTS

NPR 268 PER SHARE **NET WORTH PER SHARE**

A decrease by 7% in comparison to preceding fiscal year due to the increased capital from bonus shares issued.

NPR 62 PER SHARE **EARNING PER SHARE**

There is no change in earning per share in comparison to preceding fiscal year. Both the share capital and net profit after tax has increased by approximate 38% during the year.

NPR 480 MILLION **OPERATING REVENUE**

An increase of 25% in comparison to preceding fiscal year. Despite the reduction in transaction fee from beginning of the year, the increase was mainly due to increase in transaction volume from *connectIPS* and NCHL-IPS (NPI) and after normalization of the transaction fee post COVID-19 which was made free for almost 4 months in the preceding fiscal year.

NPR 70 MILLION **INDIRECT INCOME**

Indirect income has remained almost static with increase of 1% in comparison to preceding fiscal year.

NPR 262 MILLION **OPERATING CASH FLOW**

A cash inflow increased by 72% as compared with preceding fiscal year.

NPR 244 MILLION **INVESTING CASH FLOW**

A cash outflow increased by 8% as compared with preceding fiscal year.

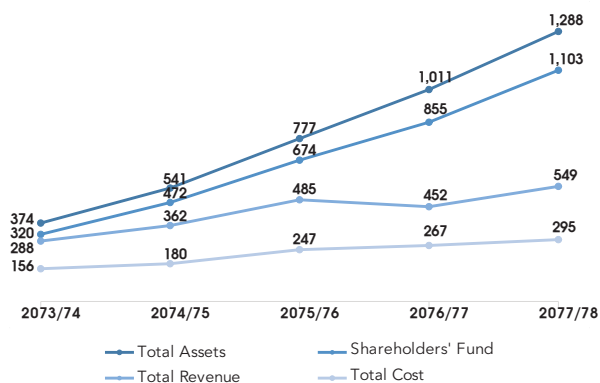
NPR 254 MILLION **NET PROFIT AFTER TAX**

An increase of 38% in comparison to preceding fiscal year

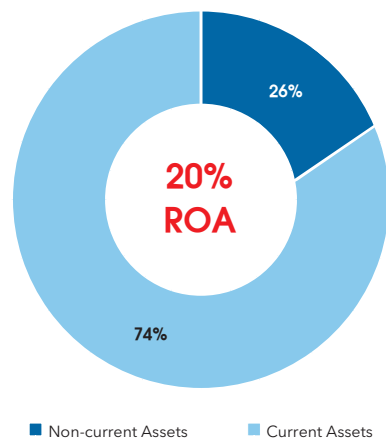
NPR 692 MILLION **RESERVE & SURPLUS**

An increase of 24% in comparison to preceding fiscal year. Reserves are established to support re-investment into payment infrastructures, technology enhancements, land & building and to cover unforeseen risks.

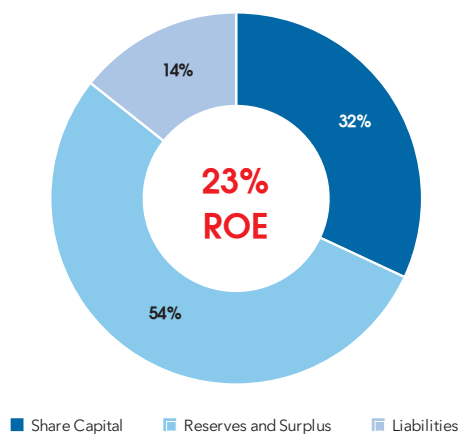
Financial Summary (in NPR Millions)



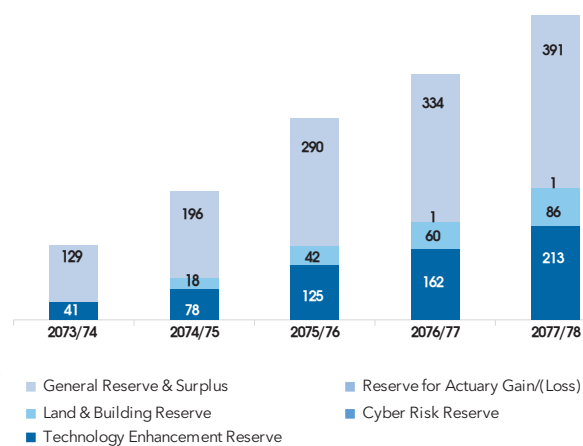
Total Assets Distribution FY 2077/78



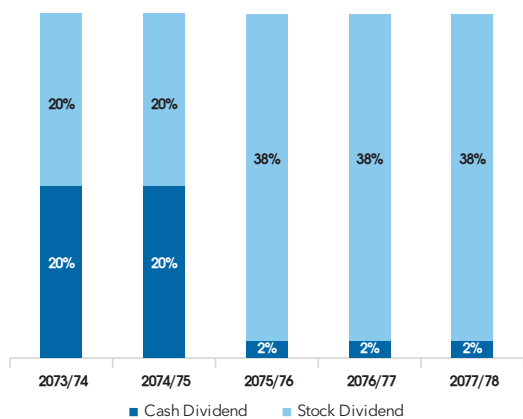
Total Equity/Liabilities Distribution FY 2077/78



Reserves (in NPR Millions)

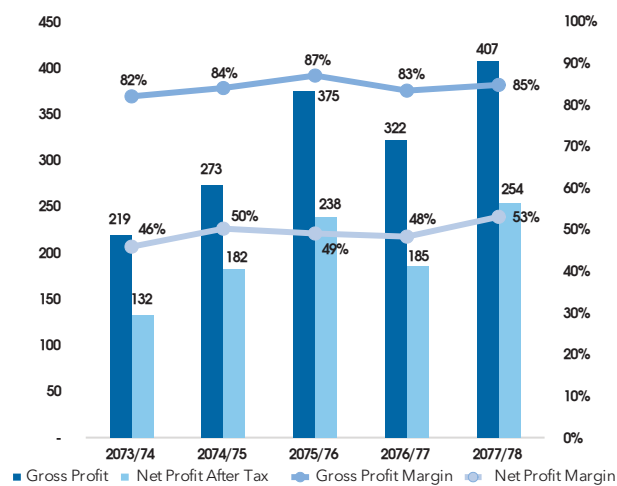


Dividend Distribution



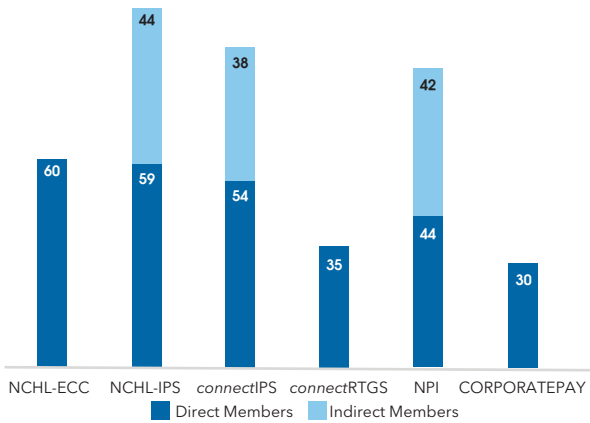
* Proposed dividend for FY 2077/78 is subject to approval by AGM

Profitability Analysis (in NPR Millions)

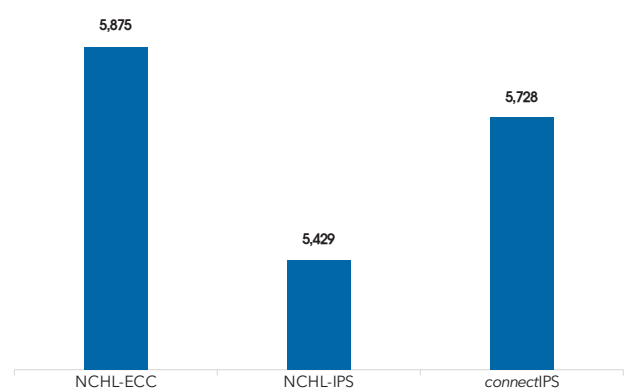


OPERATIONAL HIGHLIGHTS

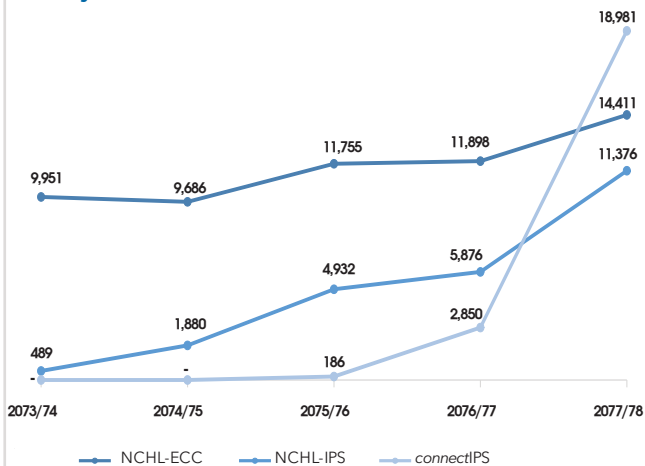
NCHL Members
As at Asadh end, 2078



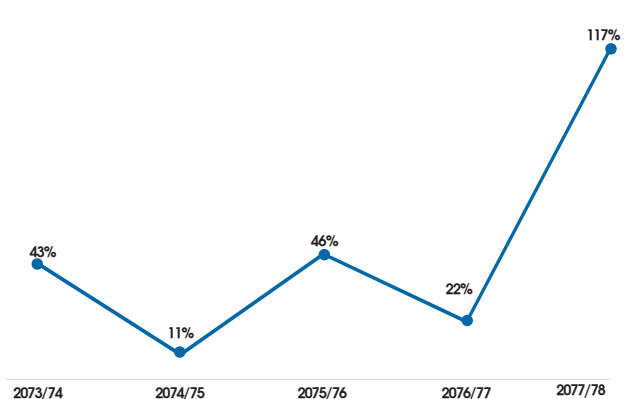
NCHL Direct Members Branches
As at Asadh end, 2078



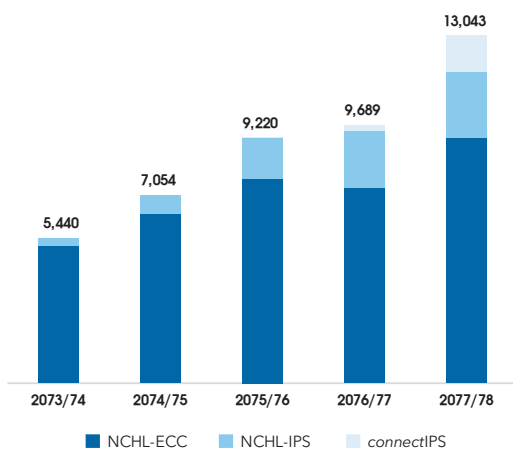
System-wise Transaction Count (in '000)



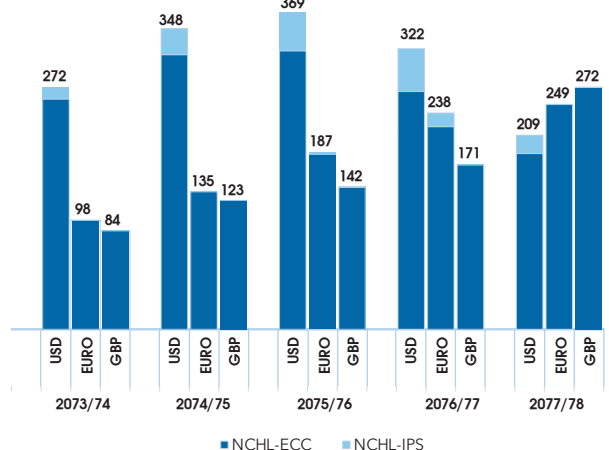
Total Transaction Count Growth in %



NPR Transaction Value (in Billions)



FCY Transaction Value (in Millions)



MESSAGE FROM CHAIRMAN

Dear Shareholders,

It is with great pleasure and privilege, on behalf of the Board of Directors, to present the Annual Report and the Audited Financial Statements of Nepal Clearing House Ltd. (NCHL) for the fiscal year 2077/78 (2020/21).

NCHL has established itself as the primary institution in Nepal for providing national payments and settlement services. It is closely integrated with almost all banks and financial institutions (BFIs), non-bank financial service providers and key institutions including Government, Semi-Government entities and large number of other institutions. NCHL has been able to play an instrumental role in establishing national payment infrastructures, generate momentum for digital transaction growth, facilitate various sectors to enroll within digital eco-system. In line with NCHL's objective to re-invest in payments infrastructures, NCHL has already implemented and operated over six such national infrastructures with National Payment Switch under implementation. We are committed to continue driving NCHL in the similar direction in the years to come.

The last fiscal year has been major challenging period due to COVID-19 pandemic with continued risk of new variants and negative outlook in the economic growth going forward. NCHL's services being considered as critical services and partial restrictions during the pandemic to maintain social distancing, the acceptance and usage of digital payments have considerably increased. The impact and the risk of COVID-19 still exists but we are committed to enhance and support the industry through promoting digital payments.

NCHL has supported NRB's initiative to expand the payment industry through non-bank entities by opening up NCHL's payments infrastructure to such PSOs/PSPs in addition to the BFIs. They have been enrolled within NCHL as Indirect/Technical Members through National Payments Interface (NPI), with additional channels of CORPORATEPAY and NPI provided to the institutional customers of the BFIs. This has largely supported to increase non-cash transactions in Nepal. In order to support the payments industry and in line with our principle to reduce transaction fee as the number grows, we have recently reduced the transaction fee of *connectIPS*.



During the fiscal year, the company managed to achieve over 44.8 million transactions with settlement value of over 13.04 Trillion (for NPR transactions only) from its various systems, which is an increment of 117% and 35% in terms of volume and value respectively. The average daily transaction in NCHL-ECC system increased from 44,269 to 54,394 with increase of 23%. Likewise, the settlement value of NCHL-ECC system increased from NPR 7.3 trillion to NPR 9.2 trillion. The average daily transaction of NCHL-IPS increased from 22,345 to 44,615 in number (increase by 100%) with settlement value increased from NPR 2.1 trillion to NPR 2.4 trillion. Similarly, the average number of daily transaction in *connectIPS* system increased from 10,836 to 74,434 (increase of 587%) with settlement value increased from NPR 205 billion to NPR 1.4 trillion. 53.6% of the total transactions from *connectIPS* and NCHL-IPS were initiated from National Payments Interface (NPI), which is a complete open API for initiating transactions from any of the alternate channels. The company expects further growth in the digital payment transactions in the coming days, partly due to the digital payment adoption post COVID lockdown and additional services of digital channels including NPI, CORPORATEPAY and *connectIPS*.

By end of the fiscal year, there were 60, 103 and 92 members (including BFIs and non-bank institutions) in NCHL-ECC, NCHL-IPS and *connectIPS* respectively. The total members in NCHL-IPS includes 59 direct (BFIs) members and 44 indirect/ technical members. Similarly, the total members in *connectIPS* system includes 53 direct (BFIs) members and 39 indirect/ technical members. 5,875 and 5,429 bank branches are included within the network of NCHL-ECC and NCHL-IPS respectively, while 534,615 customers of the BFIs including 785,611 bank accounts were linked within *connectIPS* system until the end of FY 2077/78.

The number of direct members and the corresponding subscription fees for NCHL has considerably decreased due to the merger and acquisition policy taken by Nepal Rastra Bank since the last couple of years. However, the company has taken alternative initiatives to increase the number of branches and indirect/technical members to further increase the members and their transactions. In addition, with the growth of technology-based payment transactions, gradual growth in financial literacy/awareness and additional channels of *connectIPS* and CORPORATEPAY, it is expected to create more business opportunities to grow in the days to come.

After the initial approval from Nepal Rastra Bank for implementation and operations of National Payment Switch (NPS), the company has been working together with the major stakeholders in this regards. The first phase of the project related to Enhancement of NPI for Retail Payment Switch to interconnect non-card based transactions including QR has already obtained final approval for rollout. The Phase II of the NPS project related to establishing national card switch and domestic card scheme (Nepal payment card) is work in progress. The implementation of NPS is expected to create large scale interoperability within instruments, infrastructure and services for retail payments within Nepal. The responsibility to implement and operate NPS provided to NCHL is expected to create a special positioning for NCHL.

Increase in digital transactions, members and additional use cases has resulted into the requirements to further expansion and investment in the infrastructures and cyber security. The company has continued to follow and implement its NCHL Risk Management Framework, corresponding to which

information security management and infrastructure capacity enhancement plans have been given prime importance to minimize the risks and continuous effort to invest on infrastructures. In view of NCHL's commitment and achievements towards the digital economy, NCHL has recently been awarded with 'ICT Award 2021' under the category of Digital Services by Living With ICT in Nepal.

In spite of the challenging situation, NCHL has been able to achieve the net profit after tax (PAT) of NPR 254 million for the year, which is increase of 38%. The Operating Profit for the review period has also increased by 35%. In view of the excessive requirement to re-invest on infrastructures, introduced additional systems, security appliance and in line with the principle of re-investment, the Board has proposed to raise the paid-up capital by issuing 38% of bonus share and 2% of cash dividend (for tax purposes). The existing provision of appropriating 20% and 10% of the profit to Technology Enhancement Reserve and Land & Building Reserve respectively has been continued. Also, from this fiscal year, an additional special reserve of 0.5% has been created as Cyber Risk Reserve to cover any unforeseen risks related to cyber security. As part of our commitment on financial disclosure, we have continued to prepare the financials in compliance to the full NFRS.

Lastly, on behalf of the Board of Directors and myself, I would like to express sincere gratitude to Nepal Government, Nepal Rastra Bank, other regulatory bodies, our shareholders along with other stakeholders for their continuous support and cooperation. The effort that has been put in place by the entire team at NCHL to ensure excellent performance in the fiscal year 2077/78 (2020/21) is commendable. I also thank the members of the Board of Directors for their due engagement and full support. I would like to express my strong confidence that continuous support and cooperation will be extended by Nepal Government, Nepal Rastra Bank, Shareholders and all the stakeholders in establishing NCHL as the leading institutions within the industry.

I would like to thank you for your presence and once again welcome in the 10th Annual General Meeting of our company.

Ram Bahadur Manandhar
Chairman

CEO's STATEMENT



The last few years has seen major engagements in the payments industry in Nepal by various stakeholders including the regulator and the institutions from supply and demand side. Major investments have been made by the BFIs, PSPs, PSOs and other institutions, whereas the service providers are also getting ready to improve their service delivery through digital channels. The COVID-19 situation has majorly impacted all the sectors and the economy. However, a silver lining during the pandemic has been an improved acceptability and usage of the digital payments. Though the situation is still uncertain due to COVID-19 and the current economic situation likely to continue in Nepal, digitization is expected to transform the entire digital transformation in Nepal.

While the infrastructures are being built and implemented by the BFIs, PSPs, and PSOs, there are risks of establishing independent silos of such supply side infrastructures, whereas the service providers and their customers are to be on-boarded within digital ecosystem for acceptability. So, a large effort is required to unify the existing infrastructures, instruments and services that are already available in the ecosystem and alongside collaborate with the stakeholders to drive the digital transformation. NCHL has remained at the fore-front to drive such collaboration for implementation, operation and expansion of the digital payment infrastructure as service, through multiple payment and settlement systems in Nepal. And with the current initiatives to implement and operate National Payment Switch, we intend to unify the payments for Nepal.

The fiscal year 2077/78 (2020/21) has seen a major uptake of our real-time retail payment system (*connectIPS* System) and consolidated API based payments through National Payments Interface (NPI) and major potential seen in the business payments platform of CORPORATEPAY. The overall growth in non-cash transactions has been over 117% and 35% in terms of volume and value respectively. The engagements of major stakeholders including Government of Nepal, semi-government entities, large fund managers, other regulated entities and large institutions have helped increase digital transaction. The central government has been able to migrate to digital payments with over 90% of its expenses and estimated 10% of the revenue collection during FY 2020/21, which we expect to increase in the current fiscal year.

Although the number of participating member BFIs is decreasing due to the ongoing mergers, we have been focusing on onboarding indirect/ technical members within our network, which process large number payments, earlier through cash or cheques. The acceptability of NPI as an open payments API by the members and the BFIs has helped improve digital ecosystem for automation, with close to 54% of the digital transactions processed through NPI during the FY 2020/21.

We have given the highest priority for introducing innovative digital payment products to remain future ready, improve service delivery, and implement prudent risk management practices. We have continued for strengthening our risk management framework that is based on the Principles for Financial Markets Infrastructures (PFMI) recommended by BIS and ISO27001 standards. We have invested on additional national payment infrastructures and is further being invested in the implementation of National Payment Switch.

In spite of major downward revision of the transaction fees in NCHL-IPS, *connectIPS* and other charges during the fiscal year to support our members and their customers, due to the improved transactions, the profitability of NCHL for the fiscal year has increased. The operating profit remained at NPR 414.7 million as against NPR 307.8 million in the previous year. The net profit for the year stood at NPR 254.4 million as against NPR 185 million in the previous year. The shareholders fund has increased to NPR 1.1 billion with book value per share at NPR 268. We are committed to continue on our principle of re-investment on the payments infrastructure and yet very optimistic to maintain the sustainability of the business lines and improve the financials position of the company in the next fiscal year.

As part of our strategy to support the policies of the Government of Nepal and NRB to support and improve digital payments ecosystem in Nepal, we will continue to play necessary role within the payments industry and to work together with all the stakeholders and other key entities in a collaborative model to unify payments for Nepal. With the increased acceptance of digital payments, that gives a positive outlook for payments industry in the current and coming years, we will remain focused on improving the resilience and security of our core infrastructure.

I believe the entire products and services of NCHL today are due to the effort made by the NCHL team, guidance from the Board, support from the members and the leadership policy direction of the NRB. So, lastly, I would like to thank our NCHL team, our Board, Nepal Rastra Bank, members and other stakeholders for their guidance, continued support and trust on NCHL.

Neelesh Man Singh Pradhan
Chief Executive Officer

BOARD OF DIRECTORS



Ram Bahadur Manandhar, Chairman

Mr. Manandhar is the Executive Director at Nepal Rastra Bank and has been working at the central bank since 2055 BS. He has a rich experience at various functions and departments of the central bank for over two decades. He holds Masters degrees in Economics. He is a member of the Board of NCHL representing Nepal Rastra Bank since 4th Chaitra 2077.



Mr. Ujjal Rajbhandary, Director

Mr. Rajbhandary is the General Manager at Himalayan Bank Ltd. He has over 28 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 6th Ashwin 2074 (elected for 2nd term on 5th Jestha 2078).



Mahesh Sharma Dhakal, Director

Mr. Dhakal is the Senior Deputy Chief Executive Officer at Global IME Bank Ltd. He has over 20 years of experience in banking sector and has worked at various banks including Nepal Bank Ltd., Mega Bank Ltd. among others. He holds a Master's Degree in Economics from Tribhuvan University and is a Fellow Chartered Accountant (FCA). He is a past council member of the Institute of Chartered Accountants of Nepal (ICAN). He is a member of the Board of NCHL representing commercial bank shareholders since 5th Jestha 2078.



**Srijan Krishna Malla,
Director**

Mr. Malla is the Head Information Technology at Siddhartha Bank Ltd. He has over 18 years of experience in banking sector and has worked at various banks including Nabil Bank Ltd. and Siddhartha Bank Ltd. He holds an Engineering Degree in Computer Science from B.I.T., India. He is a member of the Board of NCHL representing commercial bank shareholders since 5th Jestha 2078.



**Madhav Prasad Upadhyay,
Director**

Mr. Upadhyay is Deputy Chief Executive Officer of Garima Bikas Bank Ltd. He has more than 14 years of experience in banking sector and 17 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 8th Asadh 2075.



**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 15 years with over 27 years of total experience. He has also held the position of CEO of two finance companies. 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 14th Mangsir 2075.

MANAGEMENT TEAM



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

Mr. Pradhan has experience of over 20 years in the field of banking and financial technology with an expertise in financial systems & technologies design, operation and management. 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 17 years in the field of banking, operations and management and is associated with NCHL since 13th February 2014. She was earlier working with Citizens Bank International Ltd. in the capacity of Executive Operating Officer heading various departments under operations 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.



**Dilli Man Shakya,
Chief Technology Officer**

Mr. Shakya has experience of over 18 years in the field of IT infrastructure operations and is associated with NCHL since 28th March 2011. He was earlier working with Social Development Bank Ltd. as Head of IT prior to joining NCHL. He was also associated with Rastriya Banijya Bank Ltd. 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 Certified ISO 27001 Lead Auditor, Certified Data Center Professional (CDCP), ITIL Foundation Certified and Microsoft Certified Technology Specialist.



**Bikash Saran,
Chief Product & Innovation Officer**

Mr. Saran has experience of over 15 years in the field of IT Management & Operations and is associated with NCHL since 23th October 2019. He was earlier working with IME Digital Solution Ltd. as Chief Technology Officer (CTO) and Finaccess Pvt. Ltd. in the capacity of CTO. Mr. Saran has comprehensively been involved in designing, developing & implementing FinTech based solutions. He holds the Bachelor of Information Management from Tribhuvan University.



**Vivek Giri,
Head Business Development**

Mr. Giri has experience of over 12 years in the field of sales/marketing and is associated with NCHL since 15th June 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.



**Chhabi Lal Sapkota,
Head Payment Systems**

Mr. Sapkota has experience of over 13 years in information & financial technology industry and is associated with NCHL since 18th September 2015. He was earlier working with United Telecom Limited (UTL) in the capacity of Sr. Network & System Engineer and later worked as System Integrator and Business Development Manager in Everest Tech & Solutions Pvt. Ltd. prior to joining NCHL. He holds BE in Computer Engineering degree from IOE Tribhuvan University, Nepal.



**Prajana Kayastha,
Head Risk & Compliance**

Ms. Kayastha is a qualified Chartered Accountant from the Institute of Chartered Accountant of Nepal (ICAN) with over 7 years of experience in the field of Auditing and Accounting. She is associated with NCHL since 15th April 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 FCCA with over 8 years of experience in the field of Auditing and Accounting. He is associated with NCHL since 13th January 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 MBS degree from Tribhuvan University, Nepal.

02 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 branch. The physical cheque does not require to travel to the clearing house or to the paying bank resulting in a faster and easier 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 their 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. Both the 1st and 2nd express session are available from Sunday to Thursday for NPR and from Monday to Thursday for FCY (USD, GBP and EUR).

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 for NPR and from Monday to Friday for FCY (USD, GBP and EUR).

Cheque Clearing Cut-off Times

Cheque Clearing Cut-off Timings	Regular Clearing	1 st Express Clearing	2 nd Express Clearing	High Value Clearing	Friday Regular Clearing
Presentment cut-off time	13:30	10:00 to 11:00	11:00 to 12:00	10:00 to 11:30	11:30
Pay bank response cut-off time	15:00	11:30	12:30	12:30	12:30
Settlement time	15:10	12:00	13:00	13:00	12:40

Note: 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.N.	Particulars	Transaction Amount Based Slab			
		Up to 500	>500-50,000	>50,000-200,000	>200,000
1	Regular Clearing (NPR)	-	5	10	15
2	Regular Clearing (FCY)			15	
3	Express Clearing			100	
4	High Value Clearing			100	

With an objective to facilitate the general public during the COVID-19 pandemic situation and to promote non-cash transactions, the transaction fees & charges in NCHL-ECC was completely waived for almost 4 months in the FY 2076/77, which was re-instated from 1st Shrawan 2077 (16th July 2020) with downward revision. It was last revised on 15th Chaitra 2075 (29th March 2019). The presentment fee for transaction NPR 5,000 to 50,000 was changed from NPR 10 to NPR 5. Similarly, presentment fee for transaction above NPR 200,000 and foreign currency denominated cheques were also revised from NPR 25 to NPR 15. Also, 15% discount on transaction fee to the BFIs who fully implemented MICR cheques has been continued in order to incentivize the BFIs for issuing MICR cheques.

INTERBANK PAYMENT SYSTEM (NCHL-IPS)

NCHL-IPS is a system for clearing large number of transactions that provides 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 are 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 15:00 are cleared and settled on the same day. Currently, there are 25 direct credit and 6 debit category purposes availed in the system.



Category Purposes	Direct Credit	Direct Debit
Customer Transfer	✓	
Treasury Payment	✓	
Government Payment	✓	
Remittance Payment	✓	
Domestic Remittance Payment	✓	
Dividend Payment	✓	
IPO Refund Payment	✓	
Salary Payment	✓	
Salary Payment Corporate	✓	
Insurance Payment	✓	✓
Installment Payment	✓	✓
Credit Card Payment	✓	✓
Fees Payment	✓	✓
Supplier Party Payment	✓	
Collection Payment	✓	✓
Social Security Payment	✓	
Pension Payment	✓	
Investment & Securities	✓	
PF Savings	✓	
PF Disbursement	✓	
Government To Government Payment	✓	
SSF Collection Payment	✓	
Real Time Retail Payment	✓	
Government Revenue Related Payment	✓	
Commercial Payment	✓	✓

NCHL-IPS Cut-off Times

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

Exchange Sessions/Timings	Presentment cut-off time	Cancellation cut-off time	Reply cut-off time	Settlement of the session	Business Day
0	14:00 (T-1) 10:00	10:30	11:00	11:30	Sun- Fri (NPR) Mon -Fri (FCY)
1	10:00-14:00	14:30	15:00	15:30	Sun - Thu (NPR) Mon - Thu (FCY)
1F	10:00-12:30	12:45	13:10	13:30	Fri (NPR/FCY)
2	9:00-10:00	10:15	10:30	10:50	Sun - Fri (NPR) Mon - Fri (FCY)
3	10:00-11:00	11:15	11:30	12:00	Sun- Fri (NPR) Mon -Fri (FCY)
4	11:00-12:00	12:15	12:30	13:00	Sun - Fri (NPR) Mon - Fri (FCY)
5	12:00-13:00	13:15	13:30	14:00	Sun - Thu (NPR) Mon - Thu (FCY)
6	13:00-14:00	14:15	14:30	15:00	Sun - Thu (NPR) Mon - Thu (FCY)
7	14:00-15:00	15:15	15:30	16:00	Sun - Thu (NPR) Mon - Thu (FCY)
8 (Funding)	15:00-15:30	N/A	15:40	16:00	Sun - Thu (NPR) Mon - Thu (FCY)

Exchange Sessions 0, 2, 3, 4 are available from Sunday to Friday, except that foreign currency sessions are not available on Sunday. Exchange Sessions 1, 5, 6, 7 and 8 are available from Sunday to Thursday, except that foreign currency sessions are not available on Sunday. Exchange Session 1F is special session available on Friday for both NPR and FCY. The additional sessions with extended presentment and settlement times were added for NCHL-IPS during FY 2078/79. The cut-off timings set by the member BFIs could be different depending on their internal operational arrangements for NCHL-IPS system.

NCHL-IPS Transaction Fee (in NPR)

S.N.	Particulars	Transaction Amount Based Slab		
		Up to 500	>500-50,000	>50,000
1	NPR Transactions	2	5	10
2	FCY Transactions (Fee in NPR)		10	

* 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.

With an objective to facilitate the general public during the COVID-19 pandemic situation and to promote non-cash transactions the transaction fees & charges in NCHL-IPS was completely waived for almost 4 months in FY 2076/77, which was re-instated from 1st Shrawan 2077 (16th July 2020) with downward revision. The transaction fee for amount above NPR 5,000 to 50,000 was changed from NPR 10 to NPR 5. Similarly, transaction fee above NPR 50,000 and foreign currency transactions was changed from NPR 15 to NPR 10.

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 System is a payments infrastructure for online real-time payments directly through the bank accounts to handle instant payments initiated or processed through multiple channels. It has connectIPS e-payment as core switch and alternate channel platform of mobile and web; integration components to interconnect with the BFI's core banking system; and API extended to NPI for integrating with the overlaying services for full automation of payment transactions.

This payment infrastructure is being disintegrated into the existing channels of the system and real-time Retail Payment Switch (RPS) as part of the National Payment Switch, which is under implementation.



connectIPS e-Payment

connectIPS e-Payment System is a faster payment system implemented as a standardized single payment platform for real-time retail payments. It provides multiple channels of web portal, mobile app, payment gateway and open APIs for initiating and processing transactions. The system has also been extended in a branch assisted model for payment initiation from bank branches through Bank Central Module, whereby the bank branches can initiate such transactions based on the instruction received from its customers.

The transactions being processed through connectIPS includes P2G, G2P, P2P fund transfers, C2B biller payments, capital market related payments, interoperability between bank account and wallet, etc. All payment transactions are processed directly from/to bank accounts.

The system allows to link multiple bank accounts for a user, for which such user needs to enroll, link its bank accounts with one-time verification (manual from bank or as self-verification) from the respective bank. It is available at www.connectips.com and also on mobile app. The transaction limit in connectIPS e-Payment is up to NPR 2,000,000 through web channel and NPR 200,000 through mobile app.

The transactions processed in connectIPS are on real-time such that the finality of the payment is on instant basis with debtor and creditor accounts are reflected on real-time. However, the Nostro banks are settled on deferred basis, corresponding to which the settlement risk is backed by Settlement Guarantee Fund (SGF).

connectIPS Integration Module

The integration module of the connectIPS System provides mechanism for the banks to integrate their core banking system 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 payment systems.

Bank Central Module

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

connectIPS e-Payment Transaction Fee (in NPR)

The transaction fee in connectIPS e-payment system is on revenue sharing basis between NCHL, ODFI and RDFI. Portion of the transaction fee is further contributed toward Settlement Guarantee Fund (SGF) by NCHL.

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

S.N.	Particulars	Transaction Amount Based Slab		
		Up to 500	>500-5,000	>5,000
1	Fund Transfer	2	4	8
2	Special Creditors/Merchants	2	4	8

The transaction fees & charges in connectIPS for Fund Transfer (including Cash-In/Out in Wallets) and service payments with charge liability on end individual customers was downward revised from NPR 2 to 15 to NPR 2 to 8 effective from 7th Mangsir 2078 (23rd November 2021).

The transaction fee for Government of Nepal tax payments for Inland Revenue Department (IRD) is NPR 2 for transaction upto NPR 10,000 and NPR 5 for transaction above NPR 10,000. For other GoN revenue payments the transaction fee is NPR 2 to 8.

Transactions fee on creditors/ services on-boarded by the member BFIs where charge liability is on such creditor/service provider is 0.75% with minimum of NPR 2 and maximum of NPR 100. For others creditors/ service providers and NPI members, the transaction fee is slab based NPR 2 to 15 or specific fixed fee, corresponding to which there are no charges for the end customer.

CREDITOR LISTING

Any service providers having businesses that require receiving payments (collection) from its customers/ agent/dealers can request through their banks and financial institutions for a creditor enrollment in *connectIPS* e-payment system and/or NCHL-IPS. Bank account of such corporate/service providers are 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 as the beneficiary's bank account details need not be provided. The creditor/service payments enlisted have been extended with the concept of global creditor. 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. The creditors are on-boarded by the respective banks and financial institutions. The annual recurring fee for such creditor listing has been completely waived off.

NATIONAL PAYMENTS INTERFACE (NPI)

National Payments Interface (NPI) is a consolidated APIs of multiple payment systems of NCHL, which is implemented in a concept of open APIs to facilitate financial message standardization, interoperability of various payment systems and to extend overlaying services. NPI supports seamless routing of transactions to NCHL's underlying payment systems. It also supports integration to the payment systems hosted by NCHL, for real-time instant payment through *connectIPS* and for deferred payments through NCHL-IPS System. It can also be extended to the alternate channels of the member BFIs (internet banking, mobile banking, remittance channels, etc.), PSPs/PSOs; and to enroll commercial & non-commercial billers as overlaying services.



The institutions are on-boarded as Indirect/ Technical Members with direct member BFIs as its settlement bank. Some of the institutions like Government institutions, large fund managers (Employee Provident Fund, Social Security Fund, Citizen Investment Trust, etc.), Nepal Stock Exchange Ltd., PSPs/PSOs, remittance companies, insurance companies, and different channels of the BFIs have been integrated through NPI.

connectRTGS SYSTEM

connectRTGS is an extension of *connectIPS* Integration system for the member BFIs to process inward and outwards transactions of Real-Time Gross Settlement (RTGS) system. 42 BFIs have entered into integration partnership agreement with NCHL for *connectRTGS* out of which 35 are live and 7 are yet to go live and is also being extended to other member BFIs. The RTGS system is hosted at Nepal Rastra Bank and supports transactions in NPR, USD, EUR, GBP and JPY. The system is live since December 2019 (Mangsir 2076).



CORPORATEPAY SYSTEM

CORPORATEPAY is a business payments platform for the business and corporate customers of the member BFIs to enable them for initiating and processing their payments to various underlying payment systems namely, *connectIPS* and NCHL-IPS. This is a multi-bank, multi-account platform for business and corporate users to manage and monitor their payment transactions. The platform is being provided to the member BFIs by NCHL on a hosted infrastructure, corresponding to which the BFIs provide the channel to their corporate customers.



The corporate customer enrollment, account linking and their control setups (including signatory) are being done by the respective member BFIs on the request of its customers. The system provides facility to transfer funds and service payments with controls for multi-authentication for system login and multi-authorizations for transaction processing.

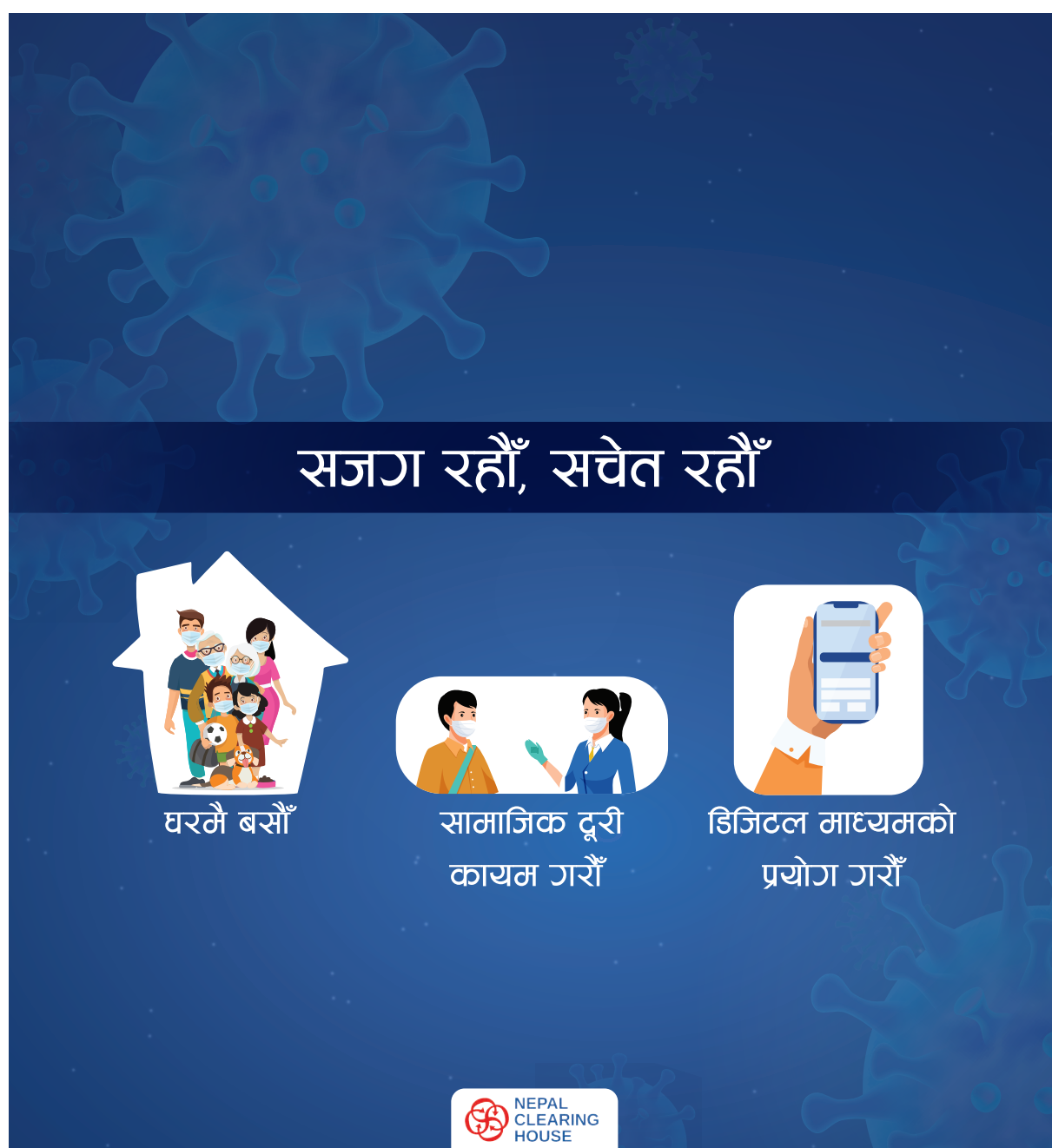
CORPORATEPAY was officially launched on 1st Magh 2077. As of Kartik end 2078, 42 BFIs have subscribed for the platform out of which, 30 BFIs are already live.

NATIONAL PAYMENT SWITCH (NPS)

National Payment Switch (NPS) is the project to implement switching and routing of the retail payments in Nepal to ensure interoperability of card transactions; rollout domestic card scheme for Nepal; and scale-up of the existing payment systems/platforms to enable non-card based interoperability. NCHL received approval from Nepal Rastra Bank on 17th Kartik 2078 (3rd November 2021) for the commencement of the Phase I (Retail Payment Switch) for which 35 members (22 commercial banks, 5 development banks, 7 finance companies and 1 indirect member) have entered into the agreement as of the mid of December 2021.

Retail Payment Switch is part of the National Payment Switch for routing, switching and processing of non-card based retail payment transactions, corresponding to which the existing connectIPS e-Payment System has been disintegrated for separating the core retail switch and the channels. It will ensure non-card based transactions interoperability between payment infrastructures, services and instruments including introduction of various digital instruments and use cases. It will also remain as an implementing infrastructure for NepalQR standards including NEPALPAY QR scheme and inter-network QR; direct debit Request-To-Pay and e-mandate instruments; wallet to wallet interoperability; biller gateway for service interoperability; and PSO settlement.

The implementation and infrastructure development under NPS Phase II (Sub-project 1 & 2 of NPS) related to national card switch and domestic card scheme are in progress.



03 FINANCIAL REVIEWS

REPORTING PRONOUNCEMENTS

NCHL has prepared its financials for fiscal year 2077/78 (2020/21) as per the Nepal Financial Reporting Standard (NFRS) for better presentation and transparency of financial reporting. NCHL had adopted NFRS since fiscal year 2076/77 (2019/20) and before which NFRS for SMEs was adopted from fiscal year 2074/75 (2017/18).

SNAPSHOT OF LAST 5 YEARS PERFORMANCES

Past five 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 2077/78 (2020/21) in comparison with last four fiscal years are presented in the following table.

Amount in NPR '000

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	FY 2073/74 (2016/17)	CAGR*
Paid up capital	411,350	298,080	216,000	180,000	150,000	29%
Reserve & Surplus	691,716	556,709	457,524	291,788	170,180	42%
Investment and Placements	842,104	637,249	444,474	346,500	255,000	35%
Non-Current Assets	340,082	342,459	259,241	163,748	82,223	43%
Current Assets	947,527	668,544	517,959	377,479	291,821	34%
Operating Income	479,616	383,074	431,317	322,963	266,793	16%
Operating Expenses	73,116	63,671	56,296	50,334	48,082	11%
Gross Profit	406,500	319,403	375,020	272,629	218,711	17%
Other Income	69,716	68,733	53,430	38,814	20,813	35%
Administrative Expenses	21,737	48,092	29,928	13,574	11,575	17%
Human Resource Expenses	39,691	32,183	24,456	19,406	16,919	24%
Operating Profit	414,789	307,861	374,065	278,463	211,031	18%
Depreciation/Amortization	37,773	33,788	21,784	12,159	17,342	21%
Net Profit /(Loss) for the year	254,463	185,001	237,736	181,609	131,945	18%

*Compounded Annual Growth Rate

PERFORMANCE 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 performances under operating lines are presented.

Equity and Shareholder's Fund

Total equity fund of NCHL has increased to NPR 1,103,066 thousands as against NPR 854,789 thousands in the previous year. The increase is mainly due to adjustment of Bonus Share Capital of 38% on Paid-up Capital approved for FY 2076/77 (2019/20) and additional profit transferred to Reserve and Surplus from attributable profit of FY 2077/78 (2020/21).

NCHL has implemented a policy to set aside 20% of the net profit of the year to Technology Enhancement Reserve from fiscal year 2071/72 (2014/15) onwards with an objective 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. Additionally, 10% of the net profit of the year is set aside to Land & Building Reserve from the fiscal year 2074/75 (2017/18) with an objective for acquiring own office premise (Land & Building) in future. A reserve for actuarial gain/loss has been created from the fiscal year 2076/77 (2019/20) due to impact of adoption of full NFRS on account of actuarial valuation of superannuation and leave benefits. Similarly, 0.5% of the net profit of the year is set aside to Cyber Risk Reserve from the current fiscal year 2077/78 to cover possible liability of cyber risks in payment systems being operated and is established as a contingent arrangement in the absence of cyber risk insurance.

The Board of Directors has proposed 38% of Bonus Shares equivalent to NPR 156,313,200 (rounding the decimal figure in share) and cash dividend of 2% equivalent to NPR 8,227,011 (for tax purpose) from the profit of fiscal year 2077/78 (2020/21), 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 925,104 thousands in FY 2077/78 (2020/21) as against NPR 704,249 thousands in the previous year. The interest income has increased to NPR 69,521 thousands as against NPR 67,159 thousands with growth of 4%. The interest income includes income from investments and call deposits.

Amount in NPR '000

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Volume	%
Fixed Deposits & Debentures	925,104	704,249	220,855	31%
Investments and Placements (Maturity above 3 months)	842,104	637,249	204,855	32%
Cash Equivalents (Maturity less than 3 months)	83,000	67,000	16,000	24%
Interest Income*	69,521	67,159	2,362	4%

*Including interest income from call deposits.

Operating Income

Total operating income for the FY 2077/78 has increased to NPR 479,616 thousands as against NPR 383,075 thousands in the previous year despite the downward revision in transaction fee with effect from 1st Shrawan 2077 mainly due to the transaction growth in *connectIPS* and NCHL-IPS. The increment in FY 2077/78 was also due to the reinstatement of the transaction fee, which was completely waived for almost 4 months in the FY 2076/77 (11th Chaitra 2076 to 31st Asadh 2077) with an objective to facilitate the general public during and post COVID-19 situation. While the operating income from NCHL-ECC has declined by 5% mainly due to decrease in the transaction fee.

Amount in NPR '000

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Volume	%
Operating Income from NCHL-ECC	276,167	290,518	(14,351)	-5%
Operating Income from NCHL-IPS/NPI	80,308	51,140	29,168	57%
Operating Income from <i>connectIPS</i>	81,886	6,533	75,353	1153%
Operating Income from <i>connectRTGS</i>	2,483	-	2,483	-
Login ID Fee	31,066	27,735	3,331	12%
Network Connectivity & Management Fee	7,706	7,149	557	8%
Total Operating Income	479,616	383,075	96,541	25%

Other Income

Total other income of NPR 195 thousands has been reported in the FY 2077/78 (2020/21) against NPR 1,574 thousands in the previous year. Other income comprises of income related to interest income on employee loan and other miscellaneous income.

Operating Expenses

Total operating expenses has increased by 15% to NPR 73,115 thousands as against NPR 63,671 thousands in the previous year. The major increment is due to the increase on number of licenses of Oracle software and it's AMC. AMC Cost on NCHL-ECC and NCHL-IPS system has increased due to increase in US\$ exchange rate. The NCHL-ECC and NCHL-IPS software are outsourced from an international vendor corresponding to which the AMC of ECC software is US\$ 210,000 for the participant's component; US\$ 52,500 for NCHL's component and; US\$ 28,350 for IPS software are payable in US Dollars on half yearly basis. Operating expenses related to new hardware and *connectIPS* e-Payment system have also contributed to increase in the operating expenses.

Amount in NPR '000

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Volume	%
ECC Software AMC - BFIs & NCHL	41,976	40,688	1,288	3%
IPS Software AMC	4,532	4,409	123	3%
Oracle Software AMC	9,367	4,769	4,598	96%
Network Connectivity	4,364	4,061	304	7%
Other AMC & expenses	12,876	9,745	3,131	32%
Total Operating Expenses	73,115	63,671	9,444	15%

Administrative Expenses

Total administrative expenses have decreased to NPR 21,737 thousands as against NPR 48,092 thousands in the previous year, equivalent to decrease of 55%. This is mainly due to decrease in business promotion expenses.

Amount in NPR '000

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Volume	%
Administrative Expenses	13,673	15,104	(1,431)	-9%
Grant Project	8,064	32,988	(24,924)	-76%
Programme Specific Expenses	13,353	65,952	(52,599)	-80%
Less: Grant Contribution	(5,289)	(32,964)	27,675	-84%
Total Administrative Expenses	21,737	48,092	(26,355)	-55%

Human Resource Expenses

Total human resource expenses have increased to NPR 47,471 thousands as against NPR 42,222 thousands in the previous year, equivalent to increase of 12%. This is mainly due to increase in number of staff and revision of staffs' benefits. The net human resource expenses presented after deductions for Grant Contribution and Capitalization is NPR 39,691, which is an increase of 23% compared to the previous year.

Amount in NPR '000

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Volume	%
Human Resource Expenses	47,471	42,222	5,249	12%
Less: Grant Contribution	-	(7,180)	7,180	-100%
Less: Capitalization - Product Development	(7,780)	(2,859)	-	-
Total Human Resource Expenses	39,691	32,183	7,508	23%

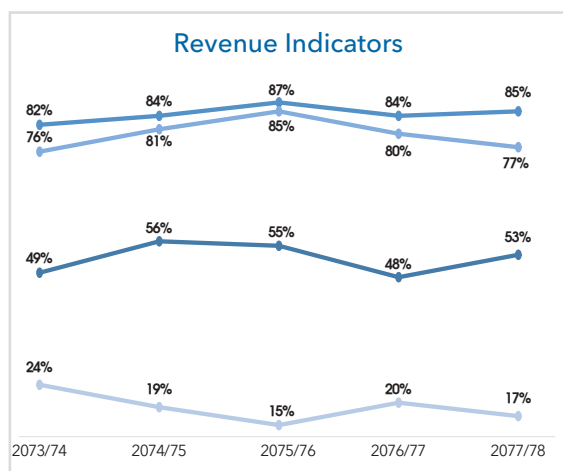
Profits and Corporate Tax

During the review period, NCHL has generated net profit of NPR 254,463 thousands as against the net profit of NPR 185,001 thousands in the previous year thereby registering increase of 38%. Increase in profit is mainly due to the increase in operating income from connectIPS e-payment system. The income tax provision has consequently increased to NPR 85,845 thousands as against NPR 62,178 thousands in the previous year.

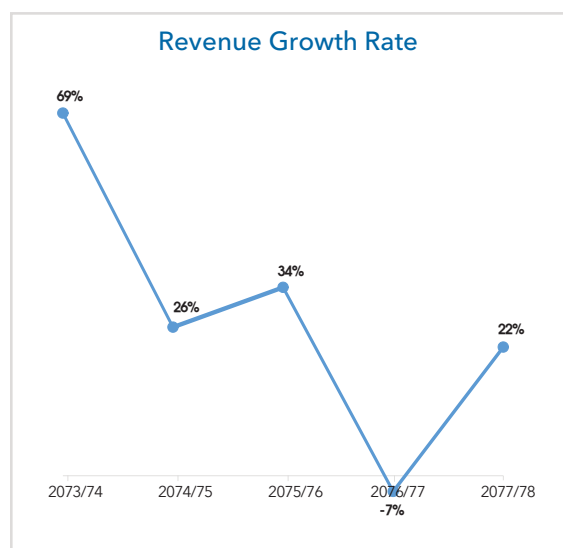
Amount in NPR '000

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Volume	%
Gross Profit	406,500	319,403	87,097	27%
Operating Profit	414,789	307,861	106,928	35%
Income Tax Provision	85,845	62,178	23,667	38%
Net Profit After Tax	254,463	185,001	69,462	38%

FINANCIAL RATIOS

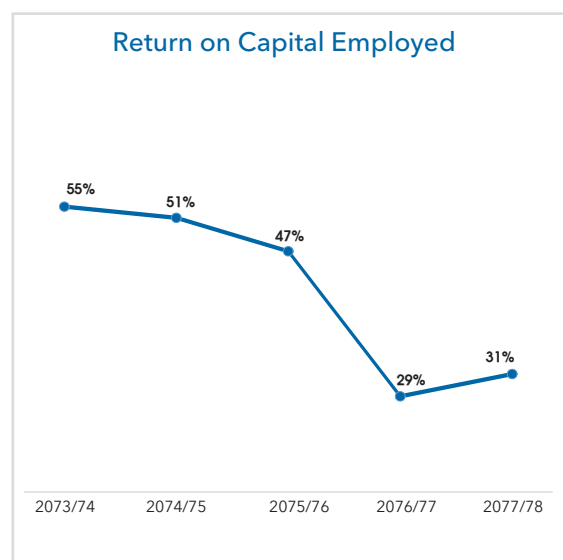


— Net Profit/ Total Operating Revenue
 — Gross Profit/ Total Operating Revenue
 — Txn Fees Income/ Total Operating Revenue
 — Annual Fees & Charges/ Total Operating Revenue



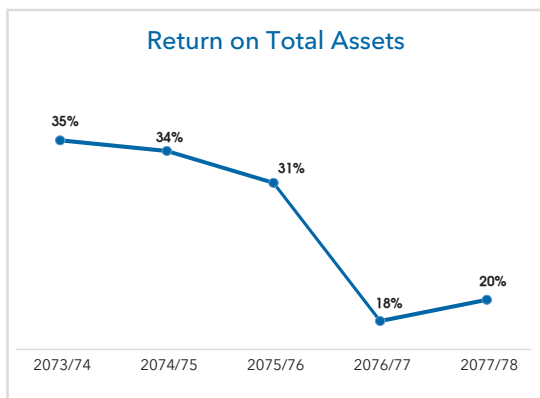
Revenue growth rate represents the percentage of increment in total revenue (operating and non-operating income) in comparison with previous year's total revenue.

Revenue has increased by 22% in the current fiscal year compared to the last fiscal year. This is mainly due to 117% growth in transaction volume.



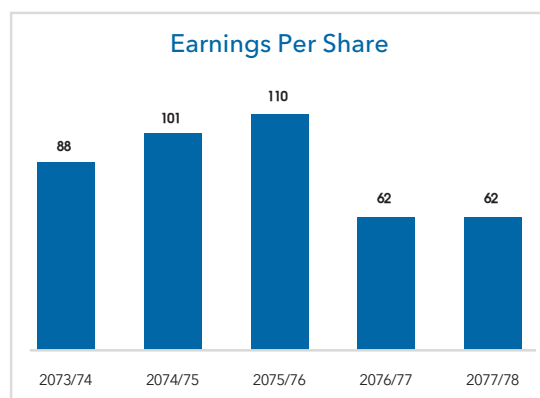
Return on Capital Employed (ROCE) measures how efficiently a company is using the capital (equity and accumulated reserves) to generate profit before tax and interests.

The ROCE has slightly improved at 31%. However, the ratio is low in comparison to the earlier fiscal years (prior to COVID-19 outbreak), which is partly due to increase in share capital and reserves.



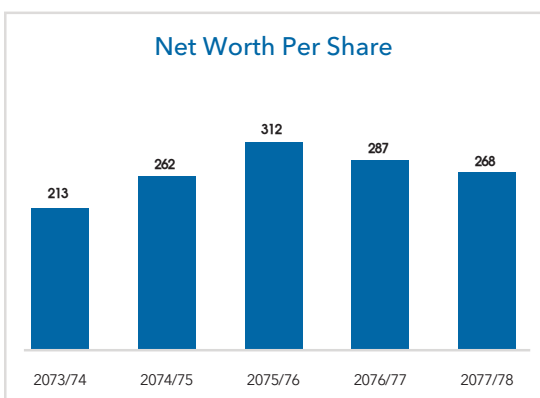
Return on Total Assets measures a company's net profit relative to its total net assets.

The Return on Total Assets has slightly improved compared to the previous year. The increase is mainly due to the improvement in the revenue of the company in the current fiscal year. However, with the increase in the total assets, the return on total assets has dropped compared to the ratios prior to FY 2075/76.



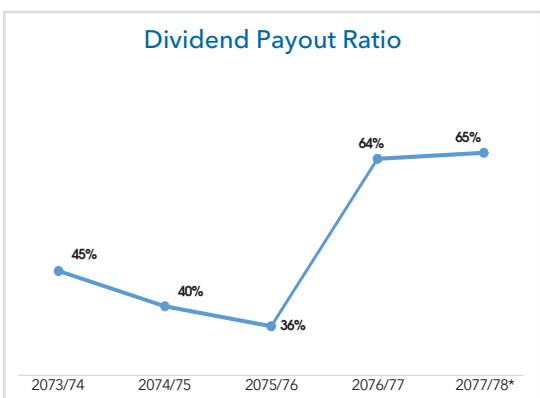
Earnings per Share represents a company's profit allocated to each unit of equity share. It also represents the net earnings available to the shareholders.

The addition of the bonus shares within the capital and increase in net profit both by 38% has maintained the EPS static at NPR 62 per share at the end of the year.



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 Net Worth per share has decreased and remains at NPR 268 per share at the end of the year. This is mainly due to the increase in paid-up capital after issuance of bonus shares.



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 has slightly increased to 65% as compared to the previous year due to the improvement in Net profit for the current fiscal year. The dividend for FY 2077/78 is subject to approval by the AGM.

VALUE GENERATION AND DISTRIBUTION

Value Generation

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 455,680 thousands as against NPR 341,246 thousands in the previous year.

Amount in NPR '000

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Volume	%
Direct income	479,616	383,074	96,542	25%
Indirect income	69,716	68,733	983	1%
Less: Operating expenses	73,116	63,671	9,445	15%
Less: Administrative Expenses (Excluding expenses incurred for stakeholders)	20,536	46,890	(26,354)	-56%
Total Value Addition	455,680	341,246	114,434	34%

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:

Amount in NPR '000

Applied to Stakeholders	FY 2077/78 (2020/21)	%	FY 2076/77 (2019/20)	%	Growth	
					Volume	%
Government	85,845	19%	62,178	18%	23,667	38%
Employee	77,392	17%	59,591	17%	17,801	30%
Directors	1,201	0%	1,201	0%	-	0%
Shareholders	164,540	36%	119,232	35%	45,308	38%
Entity:						
Reserves	89,923	20%	65,769	19%	24,154	37%
Deferred Tax	(994)	0%	(513)	0%	(481)	94%
Depreciation & Amortization	37,773	8%	33,788	10%	3,985	12%
Total Value Addition	455,680	100%	341,246	100%	114,434	34%

* Including proposed dividend and bonus share for FY 2077/78, which is subject to approval by the Annual General Meeting.



04 OPERATIONAL REVIEW

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.

The overall transaction volume and value of the various systems at NCHL during the fiscal year is as follows:

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Change	%
Total Transactions Count (in '000)	44,768	20,624	24,144	117%
Total Transaction Value (NPR in Million)	13,042,962	9,689,151	3,353,811	35%
Total Transaction Value (USD in Million)	209	321	(112)	-35%
Total Transaction Value (EUR in Million)	249	237	12	5%
Total Transaction Value (GBP in Million)	272	171	101	59%
Average Daily Transaction Count (in '000)	173	77	96	125%
Average Daily Transaction Value (Value in '000)	49,782,338	36,217,865	13,564,473	37%

NCHL has been operating multiple national clearing and settlement systems including NCHL-ECC, NCHL-IPS and *connectIPS* e-Payment system. Additionally, it has been facilitating the industry with its channel platforms including National Payments Interface (NPI), *connectRTGS* and *CORPORATEPAY*. The annualized growth in transaction value and volume from the payment systems operated by NCHL since 2067/68 (2010/11) till date has reached over 58.3% in volume and 58.9% in value, which has remained as the major contribution of NCHL in the digital payment value chain within Nepal.

It also includes Government of Nepal digital transactions (through NCHL-IPS and *connectIPS* systems) during the fiscal year, equivalent to NPR 681 Billion as payout transactions and NPR 12 Billion as revenue collection transactions, which accounts to a total of 6.4 Million GoN transactions processed through NCHL's systems.

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

1. Transactional Growth: Total of 44.77 million transactions (increase of 117%), equivalent to total settlement value of NPR 13.04 Trillion (increase of 35%) was achieved. Daily average transaction in NCHL's payment system for the fiscal year remained at 173,443 equivalent of NPR 49.78 Billion in settlement.
2. Financials: Despite decrease in the transaction fees from the beginning of the FY 2077/78 (2020/21), PAT increased approximately by 38% compared to the previous fiscal year, mainly due to increase in transaction volume in *connectIPS* e-payment system and due to the impact of reinstatement of the transaction fees that was completely waive in the previous fiscal year for almost 4 months.
3. Transparency and Governance: NCHL has been awarded with "Runner Up" for the year 2020 in the category of General Sector Entities under 'ICAN Best Presented Annual Report Awards' and "2nd Runner Up" for the year 2019 in the category Public Sector Entities under 'SAFA Best Presented Annual Report Awards'.
4. NCHL Membership and specific products:
 - Despite merger of 6 BFIs during the review period, the membership base of NCHL has increased from 99 to 121 due to addition of 1 BFI member and 27 Indirect/technical members in the last fiscal year. Total of 7 PSPs/PSOs were added as Technical Members.
 - Centralized integration of FCGO's EFT system with NCHL for automation of GoN's expense related transactions. All DTCO of GoN have access for initiating digital transactions, with over 90% of GoN's transaction in FY 2077/78 processed digitally, with direct bank account deposit. (Currently, it is being used for G2P, G2B and, G2G transactions).
 - Digital transaction growth in *connectIPS* and NCHL-IPS systems: The total transaction growth of 117% in the last fiscal year was primarily due to increase in digital transactions processed through *connectIPS* and NCHL-IPS systems with more than 50% of the transactions processed through NPI.

- Acceptance of *connectRTGS* that was rolled out at 23 commercial banks in the last fiscal year was rolled out for additional 12 BFIs making a total of 35 live BFIs out of 42 BFIs who have subscribed for the service.
 - Rollout of *CORPORATEPAY* as extended digital channel for the member BFI's corporate customers for transaction initiation. Services like fund transfer, salary payment, vendor payment, Government payment were rolled out. Total of 42 BFIs have subscribed for *CORPORATEPAY* with 30 live BFIs with more than 500 corporate customers enrolled by the BFIs.
 - 24 additional Indirect/Technical members subscribed for National Payments Interface (NPI) making a total of 60 indirect/technical members. A total of 91 alternate channels (mobile, internet, remittance) of 44 BFIs are connected through NPI.
 - PSPs, PSOs and alternate channels of BFIs were assisted to use service APIs of NPI. Achieved integration of service APIs for at least 5 such channels.
 - Implementation of National Payment Switch, with NPS Phase I being at the final stage of rollout. NPS is the national project for implementation of the switch for retail payments in Nepal.
5. Other initiatives: Member BFIs user training/orientation and joint promotion campaigns with BFIs for *connectIPS*, *CORPORATEPAY*.

GON FACILITATION THROUGH NCHL SYSTEMS

NCHL has been continuously facilitating GoN and its various Ministries and institutions for enabling digital transformation. The centralized integration of FCGO's EFT system gives them an access to both NCHL-IPS and *connectIPS* systems for automating their payout transactions such that the payouts are made directly into the bank account of the beneficiary. Integration with SUTRA system has also been completed that has enabled all 753 Local Government bodies for initiating digital payout transactions. GoN uses NCHL systems for processing their payout transactions related to salary, vendor payments, pension, G2G, etc.

For GoN revenue collection, centralized integration of FCGO's RMIS with NCHL for payment gateway and APIs (through National Payments Interface - NPI) has been enabled. FCGO has extended *connectIPS* gateway to any of the revenue collecting departments/divisions and alternatively using revenue.fcgo.gov.np for revenue collection. Estimated 8-10% of revenue collection for GoN was digitized in FY 2077/78 with transaction initiation for bank accounts and wallets (mobile app, PSPs, any bank branches, others) directly into GoN's revenue account. Various local Governments, including metropolitan/ sub-metropolitan, municipalities and rural municipalities have also integrated with NCHL's system for their revenue collections.

Some of the Government and Semi-Government entities that are enabled for digital payments include Inland Revenue Department, Office of Company Registrar, Department of Passport, Department of Customs, Public Service Commission, Employee Provident Fund (EPF), Citizens Investment Trust (CIT), Social Security Fund (SSF), Nepal Stock Exchange (NEPSE), Department of Foreign Employment, Nepal Oil Corporation, Rastriya Beema Sansthan, Metropolitan Traffic Police Office (MTPO), Survey Department, Institute of Engineering (IOE), Kathmandu Metropolitan City Office (KMCO), Lalitpur Metropolitan City Office (LMCO), Civil Aviation Authority Nepal (CAAN), Medical Education Commission, Nepal Tourism Board, etc.

NCHL MEMBERS

NCHL-ECC and NCHL-IPS members from BFIs have almost reached its maturity with members of 60 and 59 respectively by the end of the FY 2077/78 (2020/21). A total 54 BFIs have subscribed for *connectIPS* e-Payment System out of which 1 BFI is yet to go Live as of Asadh end 2078 (2020/21).

NCHL-IPS and *connectIPS* e-Payment systems have been extended to Direct and Indirect/Technical members through National Payments Interface (NPI). Out of the 61 Indirect/Technical members through NPI, 42 indirect/technical members were Live at the end of the fiscal year, where 38 members were live for both the underlying systems and 3 others were live for only one system by end of FY 2077/78 (2020/21).

Following is the summary of the Live members as of Asadh end 2078.

NCHL Members	NCHL-ECC	NCHL-IPS	connectIPS	connectRTGS	NPI	CORPORATEPAY
Total Members	60	103	92	35	86	30
Nepal Rastra Bank	1	1				
NIFRA	1	1		1		
Commercial Banks	27	27	27	24	25	20
Development Banks	17	16	14	8	12	7
Finance Companies	14	14	13	2	7	3
Indirect/Technical		44	38		42	
Subscribed*		17	23	20	18	3
BFI's			1			3
Indirect/Technical		17	7	20	18	
Partially Live			15			

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

Merger/Termination of Members

Driven by the policies of the central bank, the market has seen major mergers and acquisitions of the BFI's in the last few years. During the review period of FY 2077/78 (2020/21), 6 member BFI's (2 development banks and 4 finance companies) merged in NCHL-ECC. And the total number of member BFI's which have merged till date remains 98 for NCHL-ECC. 6 member BFI's (2 development banks and 4 finance companies) were merged during the review period making a total number of members merged/terminated as 35 in NCHL-IPS. Similarly, 4 members BFI's (2 development banks and 2 finance companies) were merged during the review period in connectIPS e-payment system making a total of 14 merged member BFI's until the end of FY 2077/78 (2020/21). With the continued merger policy, it is anticipated that the BFI's will continue to merge in the coming fiscal year too.

Following is the summary of the merged/terminated members.

Members	NCHL-ECC	NCHL-IPS	connectIPS e-Payment
Membership as of date	158	138	106
Merged/Terminated as of date	98	35	14
Merged/Terminated in FY 2077/78	6	6	4

Merger of BFI's 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. 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 2077/78 (2020/21) remained at 54,394. Total of 14,411,421 cheques were presented during the review period out of which 12,295,926 cheques were cleared/accepted.

The overall transaction volume and value in the NCHL-ECC system during the fiscal year is as follows:

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Change	%
Total Transactions Count (in '000)	14,411	11,898	2,513	21%
Total Transaction Value (NPR in Million)	9,234,341	7,346,061	1,888,280	26%
Total Transaction Value (USD in Million)	185	266	(81)	-30%
Total Transaction Value (EUR in Million)	249	220	29	13%
Total Transaction Value (GBP in Million)	271	170	101	59%
Average Daily Transaction Count (in '000)	54	44	10	22%
Average Daily Transaction Value (Value in '000)	34,846,572	27,308,779	7,537,793	28%

The transaction volume has increased considerably by 21%. The peak transaction processed in a single day in NCHL-ECC system since its inception is 193,354 transactions.


5,875 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 5,533 branches are currently providing outward clearing service, which was 5,178 at the end of the previous year. NCHL will continue to encourage and assist the member BFIs to increase outward clearing branches.

The closure of express session since the lockdown was also extended for more than 7 months in the FY (The express session operation was resumed from 11th Magh 2077) and removal of 2nd Express Session on Friday from Baisakh 2078 had impacted on the transaction count of express clearing in this fiscal year which has decreased as compared to previous years. In the last fiscal year, the express clearing constituted only 7% of total cheques being cleared against more than 10% in the previous years.

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


Sessions	2077/78	2076 /77	2075/76	2074/75	2073/74	2072/73
High Value	607	288	310	245	751	610
Express	1,004,817	1,466,094	1,572,514	937,877	437,324	137,831
Regular	13,405,996	10,431,951	10,182,248	8,748,155	9,513,194	7,184,271
Total	14,411,421	11,898,333	11,755,072	9,686,277	9,951,269	7,322,712

NRB through its Payment System Department-Unified Directives has instructed and mandated BFIs to implement full MICR code line i.e. Cheque Serial Number, Bank Code, Branch Code and Account Number fields. However, the full MICR code line has been implemented only by few BFIs as of date. Hence, NRB recently through the NRB-PSD Unified Directive 2078 has made it mandatory to implement full MICR by the end of Asadh end 2079. 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 to support implementation of alternate channels for cheque deposits/ collections. So, 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 has been continued by NCHL.




ECC
Electronic Cheque Clearing
चेकबाट कारोबार गरौं

चेकबाट कारोबार गरौं ।



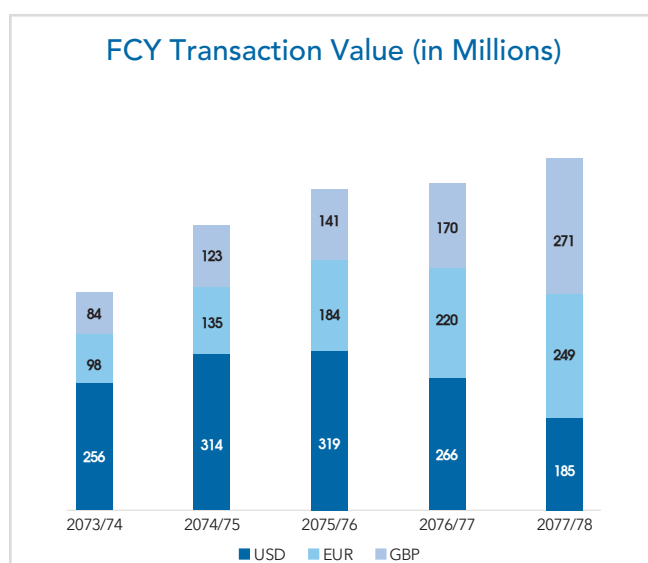
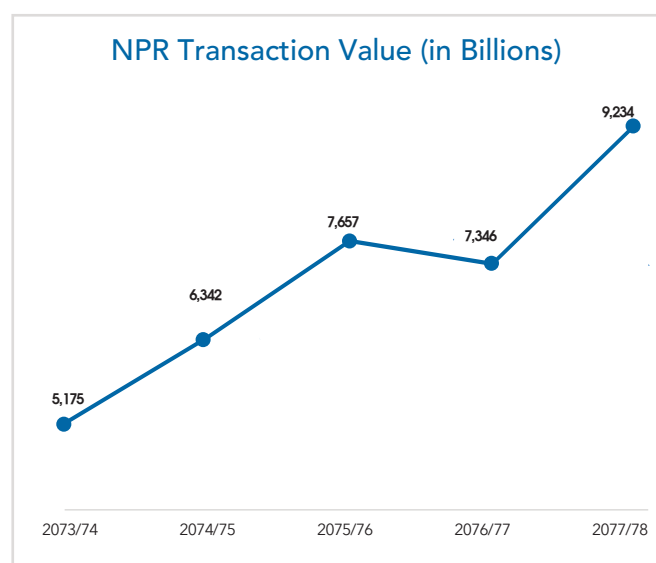
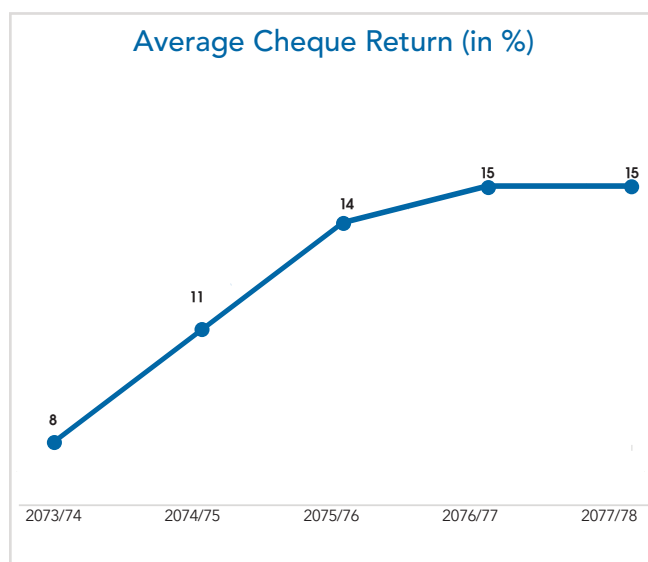
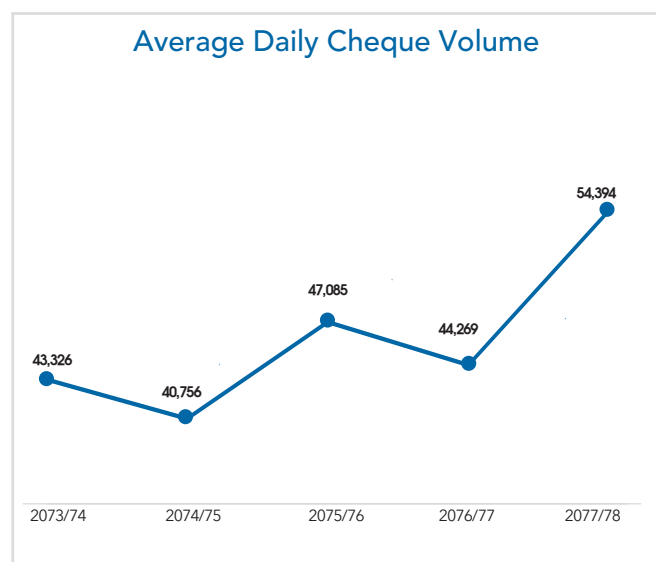
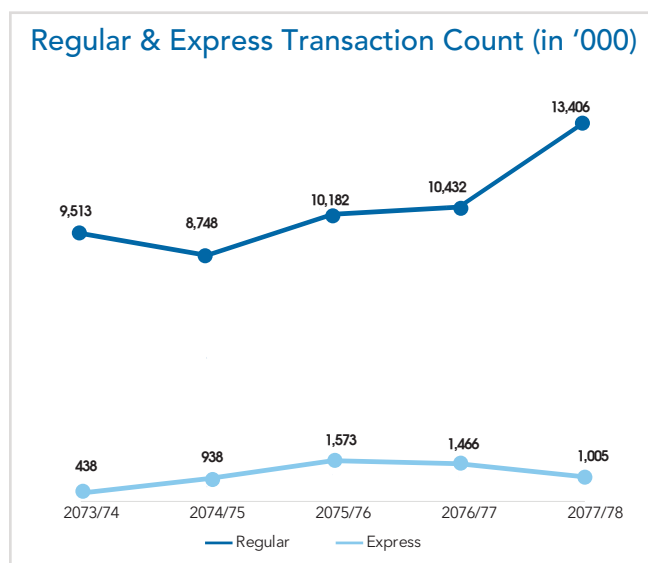
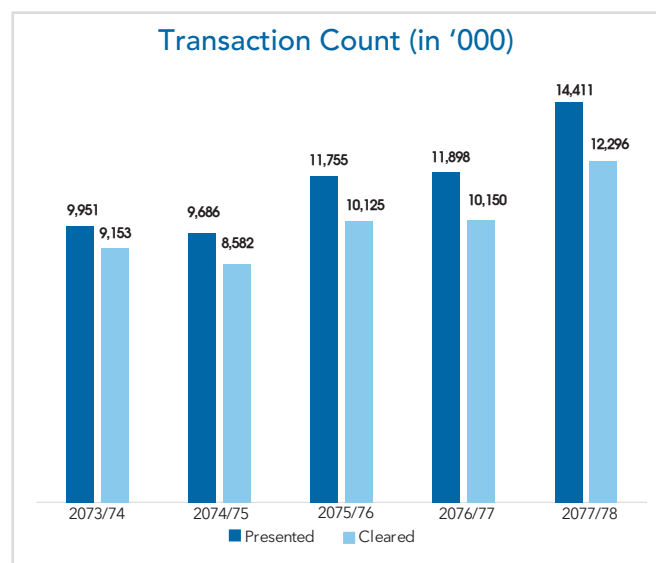
आफ्नो खातामा पर्याप्त मौज्दात रहे / नरहेको
यकिन गरी मात्र चेक काट्नुहोस् ।
सेवाको लागि बैंक/वित्तीय संस्थामा सम्पर्क गर्नुहोस् ।

System Provided By



**NEPAL
CLEARING
HOUSE**

Snapshots of NCHL-ECC Transactions



NCHL-IPS SYSTEM

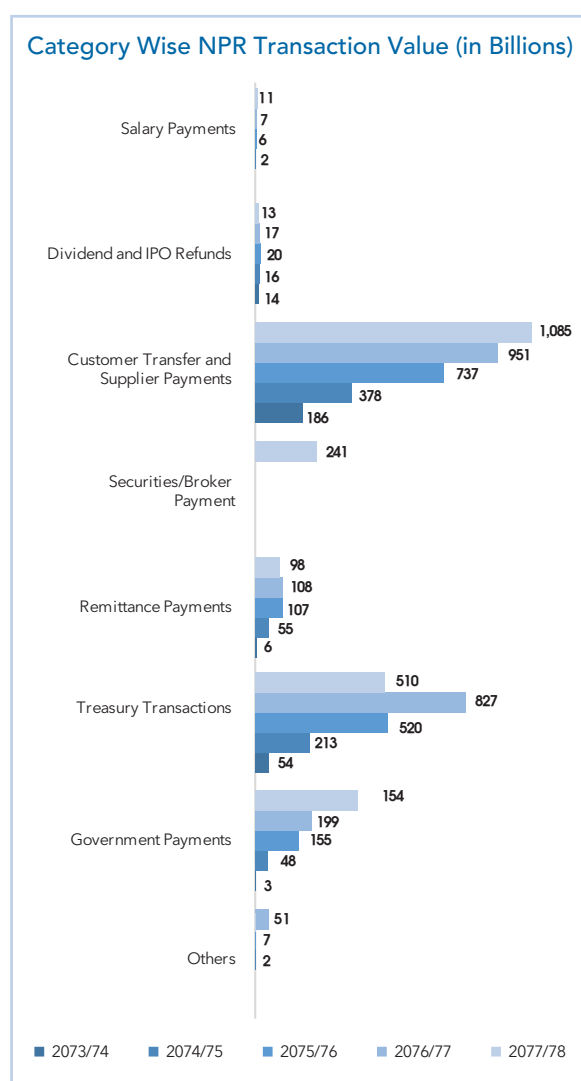
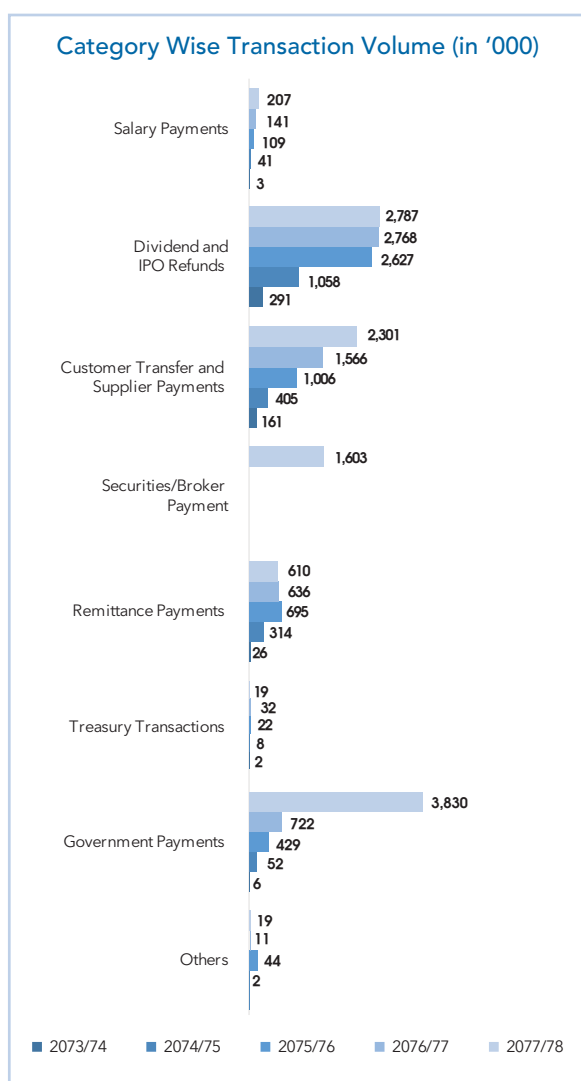
Acceptability of NCHL-IPS system is reflected with the increase in the total transaction volume, which has increased by 94% as compared to the previous year. The primary focus of NCHL during the year, for NCHL-IPS system, was to extend the service to large corporates/ institutions to facilitate their bulk transactions by means of automating their internal systems through NPI. Out of the total transactions 11,376,327, the transaction processed through NPI comprise of 49.8% during the review period which is expected to increase in the coming years with the integration of the system with the systems of NPI members.

The overall transaction volume and value in the NCHL-IPS system during the fiscal year is as follows:

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Change	%
Total Transactions Count (in '000)	11,376	5,876	5,500	94%
Total Transaction Value (NPR in Million)	2,442,999	2,138,073	304,926	14%
Total Transaction Value (USD in Million)	24	56	(32)	-57%
Total Transaction Value (EUR in Million)	0.31	18	(18)	-98%
Total Transaction Value (GBP in Million)	0.76	1.22	(0)	-38%
Average Daily Transaction Count (in '000)	45	22	23	101%
Average Daily Transaction Value (NPR in '000)	9,580,389	8,129,556	1,450,833	18%

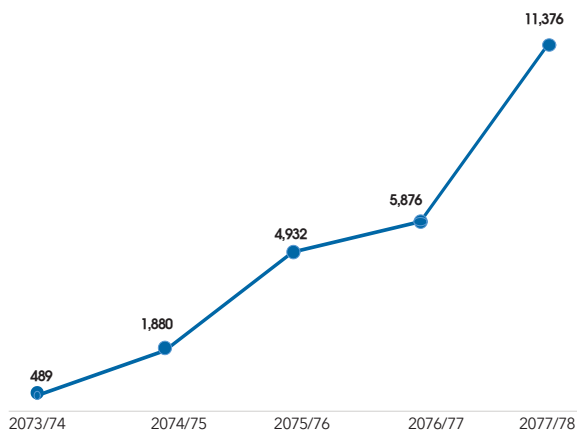
Providing necessary trainings/awareness to the members and facilitating various institutions including Government, Semi-Government institutions and other larger corporates were the primary focus for NCHL during the year. NCHL-IPS was extended to 5,429 branches across the country. The peak transaction processed in a single day in NCHL-IPS system since its inception is 154,940 transactions.

Following is the transaction volume and value of the major categories in NCHL-IPS system.

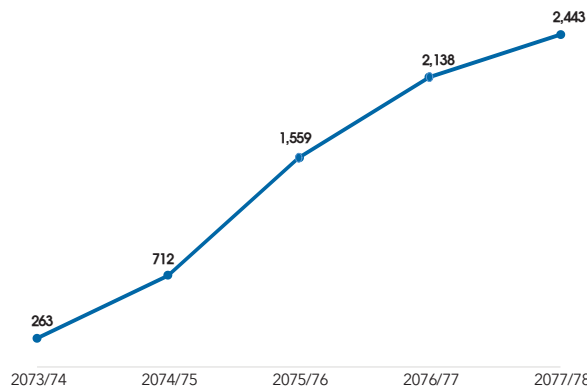


Snapshots of NCHL-IPS Transactions

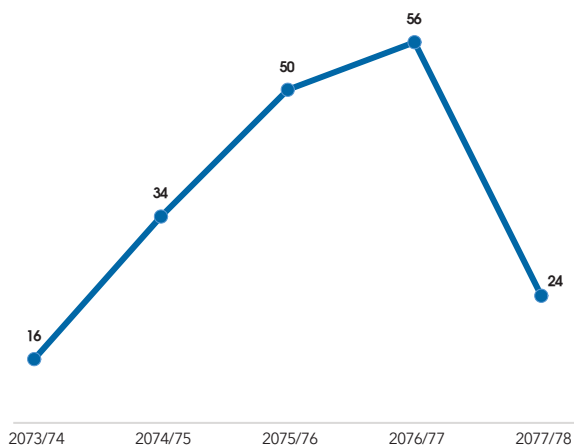
Transaction Count (in '000)



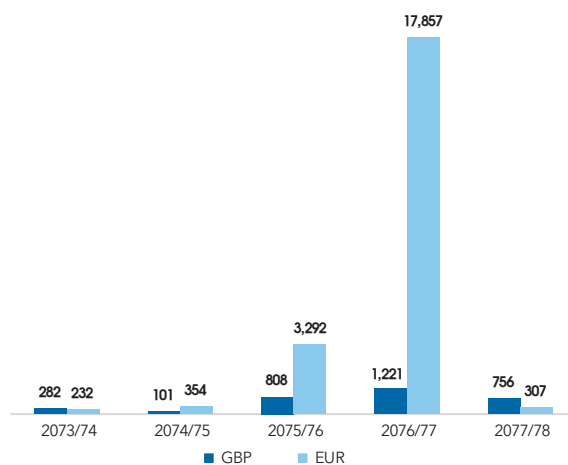
NPR Transaction Value (in Billions)



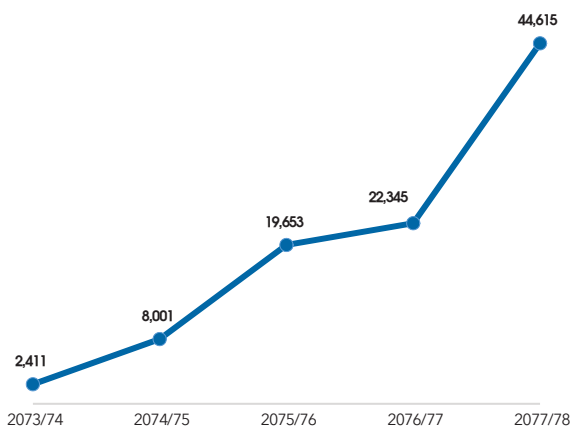
USD Transaction Value (in Millions)



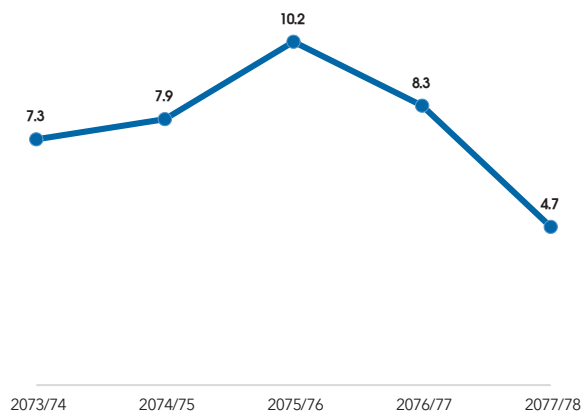
GBP & EUR Transaction Value (in '000)



Average Daily Transaction Volume



Average Transaction Return %



connectIPS SYSTEM

connectIPS system is a faster payment system established by NCHL as a single payments platform allowing real-time retail fund transfer and service payments from various channels directly from/to the bank account. It was pilot launched in Baisakh 2075 (May 2018) for e-payment of Government revenue (P2G) and the online fund transfer (P2P). The system includes channel platforms of payment gateway, mobile App, web channel and open APIs extended to NPI. It is subscribed by 54 BFIs, out of which 53 are now in operations as of Asadh end 2078. The existing transaction limit is NPR 2 million per transaction in online (web) and NPR 200,000 in mobile app.

Bank customers can access the connectIPS system through 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. Options of manual verification through bank and online self-verification by the customers are available. A total of 534,615 users were registered for the service with 785,611 linked bank accounts by the end of the review period. The services are also extended to its Bank Central Module that allows the bank branches to initiate connectIPS transactions. And the APIs of connectIPS are also available on NPI for extending connectIPS fund transfer and services in the alternate channels of the BFIs and other indirect/technical members. It is subscribed by 61 Indirect/Technical members, out of which 45 have been integrated with the system as of Asadh end 2078. In case of alternate channels of BFIs, 91 alternate channels of 44 member BFIs are integrated with the system for processing transactions through connectIPS.

The total transaction volume in connectIPS has increased to 18,980 thousand transactions (out of which 56% transactions were processed through NPI) during the review year against 2,850 thousands in the previous year.

The overall transaction volume and value in the connectIPS system during the fiscal year is as follows:

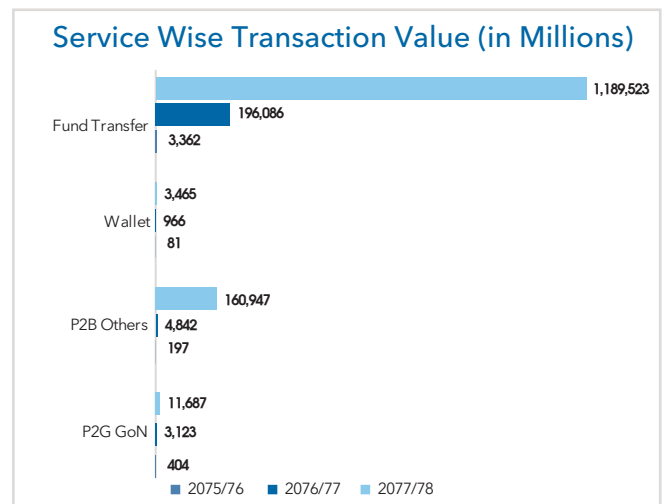
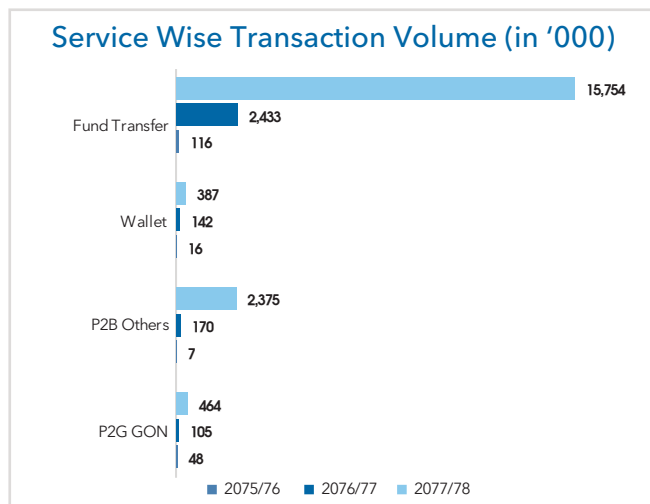
Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Change	%
Total Transactions Count (in '000)	18,980	2,850	16,130	566%
Total Transaction Value (NPR in Million)	1,365,621	205,016	1,160,605	566%
Average Daily Transaction Count (in '000)	74	11	63	573%
Average Daily Transaction Value (NPR in '000)	5,355,377	779,530	4,575,847	587%

The peak transaction processed in a single day through connectIPS system since its inception is 225,929 transactions as of the end of FY 2077/78 (2020/21). However, the peak transaction in a single day have reached 294,612 on 10th October 2021. Following is the channel wise transaction distribution within connectIPS system

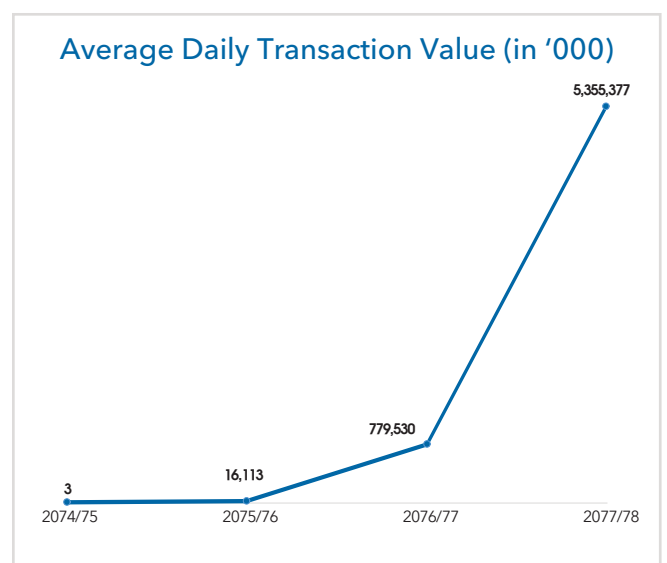
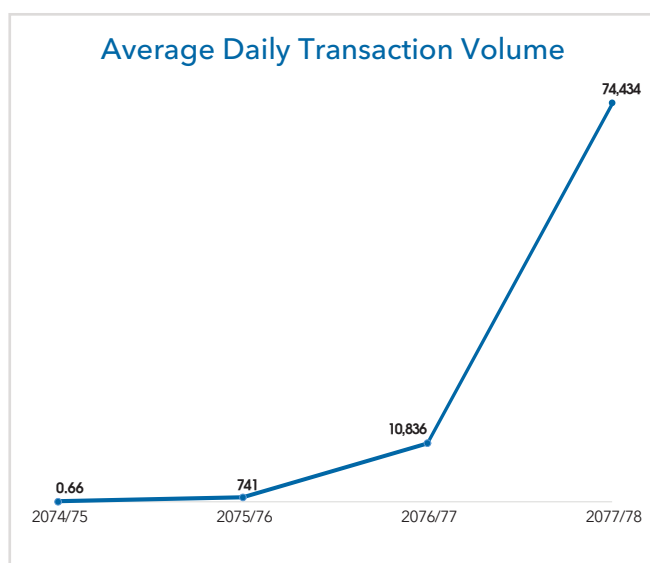
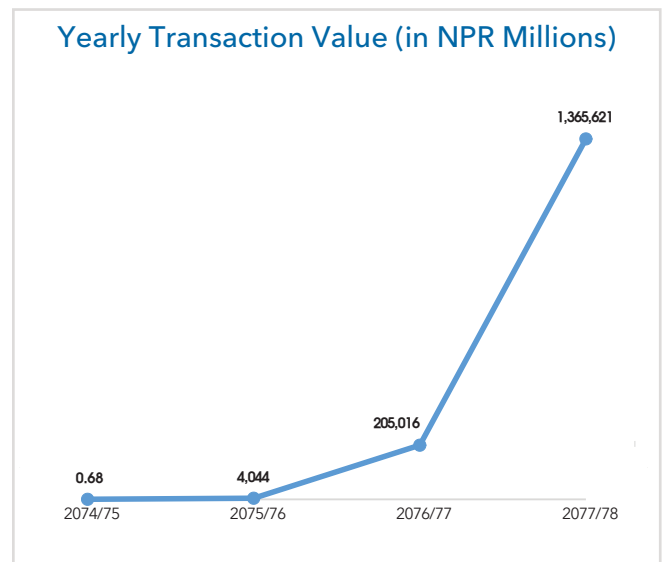
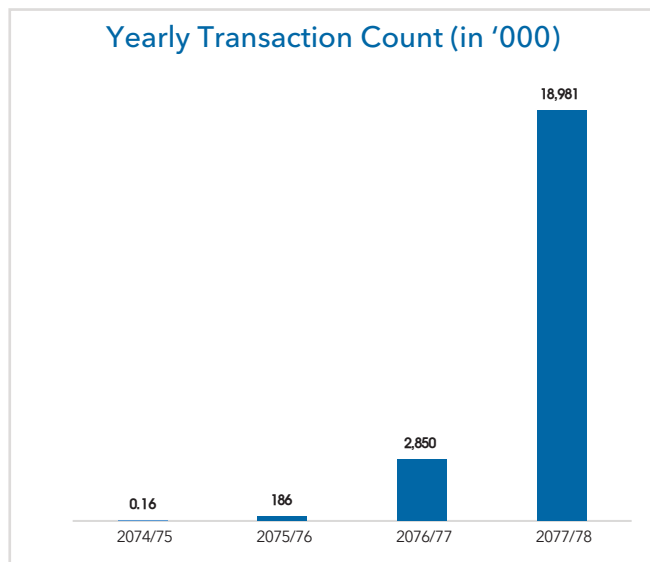
Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	Growth	
			Change	%
connectIPS Bank Module	267,865	69,181	198,684	287%
connectIPS Mobile App	1,782,628	227,588	1,555,040	683%
connectIPS Web (connectips.com)	6,326,010	1,108,490	5,217,520	471%
connectIPS through NPI	10,603,888	1,444,705	9,159,183	634%
Merchant Refund	334	-	334	-
Total Transactions Count	18,980,725	2,849,964	16,130,761	566%
connectIPS Bank Module	60,248,847,396	12,727,563,700	47,521,283,696	373%
connectIPS Mobile App	37,895,339,363	2,900,569,397	34,994,769,966	1206%
connectIPS Web (connectips.com)	547,125,752,448	72,046,651,383	475,079,101,065	659%
connectIPS through NPI	720,349,780,538	117,341,593,074	603,008,187,464	514%
Merchant Refund	1,335,934	-	1,335,934	-
Total Transactions Value	1,365,621,055,679	205,016,377,554	1,160,604,678,125	566%

Various awareness drives were executed to promote digital transactions through connectIPS using NCHL's platform, BFIs alternative channels and through gateway available at service providers' portals. Some of the major non-conventional creditor services enrolled on connectIPS by the respective member BFIs include Government and Semi-Government entities. Some of the other overlaying services are hire purchase installment payment, insurance premium payment, credit card bill payments, utility payments, cash-in/out for mobile wallets, utility payments and other commercial creditor/biller payments.

Following is the transaction volume and value of the major service categories in *connectIPS* system.



Snapshots of connectIPS e-Payment Transactions



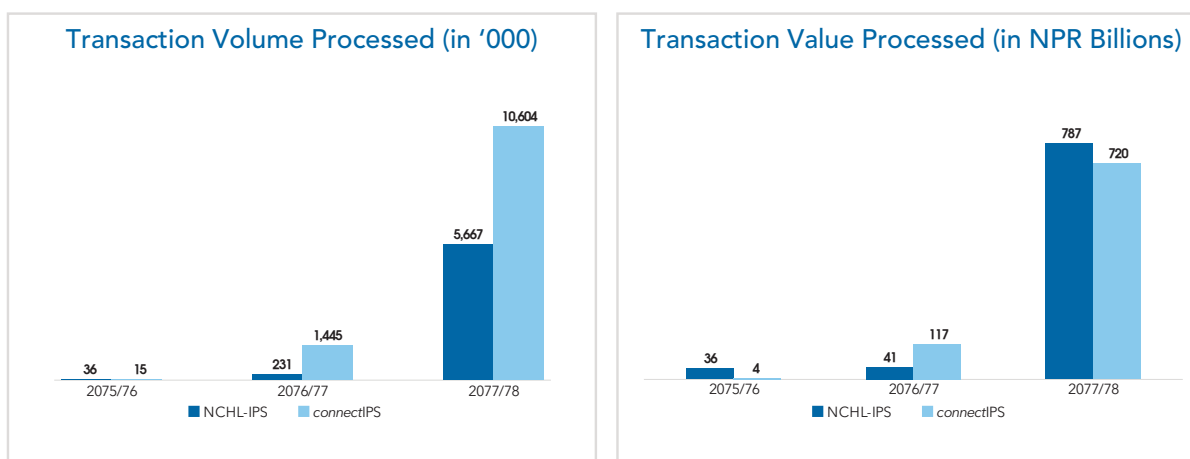
NATIONAL PAYMENTS INTERFACE (NPI)

National Payments Interface (NPI) is a set of standard open APIs for connecting multiple underlying core systems and services for routing of financial and non-financial messages and for interfacing with the participating members for transfers and service payments. The currently available underlying systems are NCHL-IPS and *connectIPS* e-Payment systems. The bulk and other transactions that can be processed on deferred credit basis are processed through NCHL-IPS, whereas the low value real-time transactions are processed through *connectIPS*. The member BFIs are using NPI to extend the NCHL-IPS and *connectIPS* services into their alternate channels, where as other indirect/ technical members including large institutions are using NPI to integrate with their back-office system to process their transactions with direct members as its settlement banks.

Transactions processed through CORPORATEPAY in both the systems are also processed through NPI. 12 remittance companies, 19 PSPs, 1 PSO, Social Security Fund (SSF), Employee Provident Fund (EPF), Citizens Investment Trust (CIT), Nepal Stock Exchange (NEPSE - TMS), Few Municipalities and Sub metropolitan city office, insurance companies, ISPs were live through NPI by the end of the review period. Similarly, mobile banking of 44 BFIs, internet banking of 21 BFIs, corporate banking of 5 BFIs and remittance of 14 BFIs were live through NPI by the end of the fiscal year. NPI as part of the National Payment Switch project will soon be extended for initiating, processing and routing of non-card payment transactions for creating interoperability of infrastructures, services and instruments including QR.

With establishment of various use cases in NPI, the transactions processed through NPI has grown to 53.6% during the review year against 19.2% in previous year. A total of 16,271 thousand transactions were processed in the underlying system through NPI. The transactions through alternate channels of the member BFIs constituted 40.9% and the transaction processed by member remittance companies constituted of 39.7% of the total transactions routed through NPI.

Snapshots of Transactions Processed Through NPI



CORPORATEPAY

CORPORATEPAY system was officially launched on 1st Magh 2077 (14th January 2021), which is a business payments platform provided to member BFIs allowing them to enroll their corporate and business customers for initiating digital payments. The real time transactions are processed through *connectIPS* and non-real time and bulk transactions are processed through NCHL-IPS system. Out of the 42 member BFIs who have subscribed for the system, 20 commercial banks, 7 development banks and 3 finance companies are live. The initial services that are made available includes fund transfer, salary payments, vendor payments and Government payments. Payments to EPF, SSF and CIT will also be made available soon.

connectIPS INTEGRATION MODULE

Growth in number of transactions in NCHL-IPS and *connectIPS* 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 to its member BFIs at no additional cost. Out of the 59 member BFIs in NCHL-IPS system, 56 member 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.

connectRTGS

connectRTGS, a customized integration between core banking system of the BFIs and RTGS system operated by Nepal Rastra Bank that came into operation from Mangsir 2076. connectRTGS has been subscribed by 42 BFIs out of which 24 commercial banks, 8 development banks and 2 finance companies and Nepal Infrastructure Bank Ltd. are live such that they can initiate and process RTGS transactions. Additional 7 BFIs (3 development banks and 4 finance companies), who have already subscribed for connectRTGS, are under testing for rollout of RTGS. NCHL has also joined RTGS system as a Special Member for processing of the Deferred Net Settlement (DNS) files of the systems operated by NCHL. The deferred net settlement positions from NCHL-ECC, NCHL-IPS and connectIPS systems of the member BFIs are processed through RTGS system as DNS files on the member BFI's settlement accounts held at NRB.

NCHL-HELPDESK

NCHL-Helpdesk is an arrangement for providing first level support for its members. They provide necessary information and handle the issues/queries of the users of such members. NCHL-Helpdesk function is backed by the resources having both technical and operational expertise. Member BFIs are provided access to NCHL's helpdesk system for logging and follow up of the support tickets. A separate section is available in NCHL's website (nchl.com.np) to handle grievances related to NCHL. The registered grievances and feedback are handled by dedicated team within the helpdesk. The Helpdesk team can also be contacted through phone, mobile, Toll Free number or an email. NCHL's helpdesk team has also been supporting the end users and creditors/merchant on-boarded by the member BFIs for any technical issues. However, support related to transactions are done by the onboarding banks with needed support and coordination from NCHL.

NCHL INTERNAL SYSTEMS

A product development team of NCHL has developed various internal and business applications including connectIPS Integration Module, connectIPS e-Payment System, NCHL-CRM & Billing System, connectRTGS and National Payments Interface (NPI). System required under Phase I of the NPS are also developed by the internal product team. NCHL-CRM & Billing System is in place for internal processes for recording information of members and their billing details, which automates the billing process of all the systems with facility to generate direct debit of the fees and charges from the member BFIs.

MEMBER TRAININGS, ORIENTATIONS AND PUBLIC AWARENESS

NCHL provides multiple trainings and orientations to the users of the members including BFIs and other institutions. The training schedules are normally published in advance to all members such that they can nominate and send their participants for the trainings. NCHL has also shared its resources with the members for conducting their in-house trainings. NCHL has provided trainings to promote account based transactions with focus on non-conventional creditors, awareness and orientations for BFI users. The orientation/trainings during the review period mainly focused on CORPORATEPAY systems, Bank Central and connectIPS.

Details of various trainings and orientations conducted during the FY 2077/78 (2020/21) are as follows:

Training/Orientation related to	Count	Participants
connectIPS	7	125
CORPORATEPAY	46	1,766
NCHL Bank Central	3	318
Total	56	2,209

With an objective to take the feedback of the relevant stakeholders in the National Payment Switch, discussions with NPS stakeholders were conducted during the review period with 47 participants from BFIs, PSPs, PSOs and NRB. As a part of an initiative to jointly promote bank account based digital transactions, joint campaigns with various member BFIs were executed during the review period.



connectIPS
pay direct from bank

Use **connectIPS** on your **mobile banking app**



Lowest transaction
fee



Fast, secure &
trusted

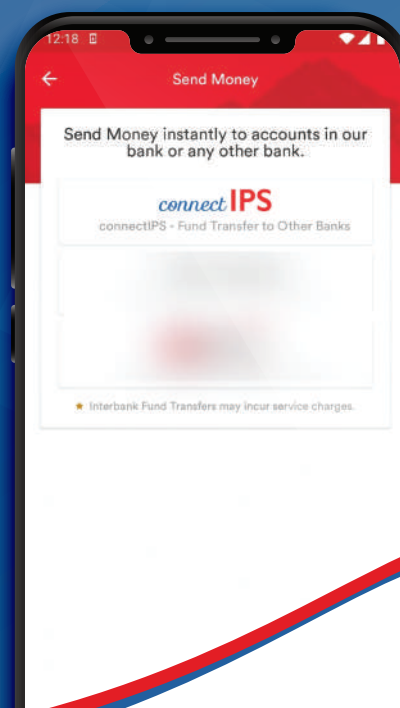


Widest network
with 50+ BFIs



No need for
separate
registration

1. Open & login to your mobile banking app.
2. Select the Fund Transfer or Send Money service.
3. Choose the *connectIPS* option and Transfer Fund.



System Provided By



Available on:

www.connectips.com

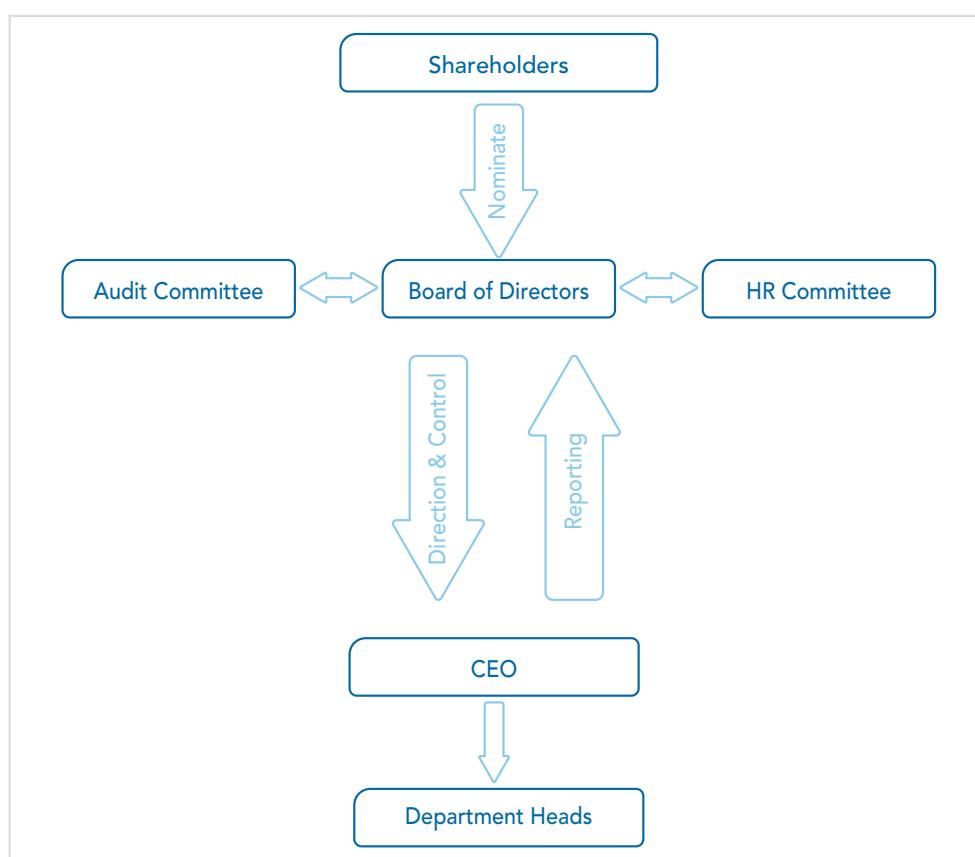


05 GOVERNANCE & RISK MANAGEMENT

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. Companies Act, 2063 (First Amendment, 2074)
2. Negotiable Instrument Act, 2034
3. Electronic Transactions Act, 2063
4. Payment and Settlement Act, 2075
5. Payment and Settlement Bylaw, 2077
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. Operating Procedure for Settlement Guarantee Fund
10. 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.

As 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	Number of Board Representation
A	Nepal Rastra Bank	10%	1
B-1	Commercial Banks		3
B-2	Development Banks	90%	1
B-3	Finance Companies		1

Following are the members of the Board of Directors as on 15th July 2021:

Name of Director	Institutions Represented
Mr. Ram Bahadur Manandhar, Chairman	Nepal Rastra Bank
Mr. Ujjal Rajbhandary, Director	Himalayan Bank Ltd.
Mr. Mahesh Sharma Dhakal, Director	Global IME Bank Ltd.
Mr. Srijan Krishna Malla, Director	Siddhartha Bank Ltd.
Mr. Madhav Prasad Upadhyay, Director	Garima Bikash Bank Ltd.
Mr. Samaj Prakash Shrestha, Director	Reliance Finance 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 have been few changes in the representations in the Board in the FY 2077/78 (2020/21).

Outgone Board Members		Current Board Members	
Name	Institutions Represented	Name	Institutions Represented
Mr. Naresh Shakya	Nepal Rastra Bank	Mr. Ram Bahadur Manandhar	Nepal Rastra Bank
Ms. Umang Sharma	Citizens Bank International Ltd.	Mr. Mahesh Sharma Dhakal	Global IME Bank Ltd.
Mr. Surendra Bhushan Shrestha	Nepal Bangladesh Bank Ltd.	Mr. Srijan Krishna Malla	Siddhartha Bank Ltd.
Ms. Kusum Lama	Smart Choice Technologies Ltd.		

Mr. Naresh Shakya as the Chairman of NCHL's Board was changed from 4th Chaitra 2077, which was replaced by Mr. Ram Bahadur Manandhar, Executive Director of Banking Department, Nepal Rastra Bank. The tenure of directors representing from the shareholder Group B-1 (commercial banks) Ms. Umang Sharma and Mr Surendra Bhushan Shrestha were replaced by Mr. Mahesh Sharma Dhakal and Mr. Srijan Krishna Malla (who were elected from the 9th AGM). Mr. Ujjal Rajbhandary was also re-elected by the 9th AGM as director for the second term. During the fiscal year, Smart Choice Technologies Ltd. had sold off its promoter share to Siddhartha Bank Ltd., as a result, Ms. Kusum Lama departed from NCHL's Board.

Board Meetings

The Board has appointed the Chief Executive Officer and given additional responsibility as Company Secretary also, who helps 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 21 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	Meeting Attended/ Meeting Held
Mr. Ram Bahadur Manandhar	7/7
Mr. Ujjal Rajbhandary	16/21
Mr. Mahesh Sharma Dhakal	3/3
Mr. Srijan Krishna Malla	3/3
Mr. Madhav Prasad Upadhyay	20/21
Mr. Samaj Prakash Shrestha	21/21
Mr. Naresh Shakya*	14/14
Ms. Umang Sharma*	17/18
Mr. Surendra Bhushan Shrestha*	18/18
Ms. Kusum Lama*	6/18

* Outgone Board Members

AUDIT COMMITTEE

Audit Committee is formed pursuant to Section 164 of Companies 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 acting 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. Mahesh Sharma Dhakal, Director	Chairperson
Mr. Srijan Krishna Malla, Director	Member
Mr. Samaj Prakash Shrestha, Director	Member
Mr. Anesh Shrestha, Fin/Admin Officer	Member Secretary

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	Meeting Attended/ Meeting Held
Mr. Mahesh Sharma Dhakal, Director	-
Mr. Srijan Krishna Malla, Director	-
Mr. Samaj Prakash Shrestha, Director	5/5
Mr. Ujjal Rajbhandary, Director**	5/5
Mr. Surendra Bhushan Shrestha, Director*	5/5
Mr. Anesh Shrestha, Fin/Admin Officer	5/5

* Outgone Board Member

**Outgoing Member from Audit Committee

Report on the Major Activities of Audit Committee

The Audit Committee conducted the functions as mandated by Section 165 of the Companies Act, 2063. Accordingly, followings were the major activities conducted by the Audit Committee in the FY 2077/78 (2020/21):

1. Reviewed financial statement of the FY 2076/77 (2019/20) and recommended to the Board for approval.
2. Discussed over matters concerning appointment of Statutory Auditor for the FY 2077/78 (2020/21) and recommended the name to be proposed in the 9th AGM through the Board.
3. Discussed over matters concerning appointment of Internal Auditor for the FY 2077/78 (2020/21) and recommended to the Board of Directors the Internal Auditor. 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 2020 reported by the management.
7. Reviewed the audit report and the Financial Statement of the grant project.

HR COMMITTEE

HR Committee of NCHL currently comprises of two 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
Mr. Ujjal Rajbhandary, Director	Chairperson
Mr. Madhav Prasad Upadhyay, Director	Member

All the policies related to employee recruitment, salary and benefits, performance appraisal and other related issues are overseen by the Committee. HR Committee provides necessary recommendations to the Board for changes in human resource policies.

A total of 4 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	Meeting Attended/ Meeting Held
Mr. Ujjal Rajbhandary, Director	-
Ms. Umang Sharma, Director*	4/4
Mr. Madhav Prasad Upadhyay, Director	4/4
Ms. Kusum Lama, Director*	2/2

Report on the Activities of HR Committee

The HR Committee conducted following functions in the FY 2077/78 (2020/21) exercising powers conferred by NCHL's Board.

1. Reviewed and approved employee performance appraisal of FY 2076/77 (2019/20) and corresponding appraisal based increments completed by Management as per NCHL Employee Service Rules and NCHL Employee Performance Objective and Appraisal Procedure. The regular promotions were also reviewed by the committee.
2. Reviewed the staffs' Other Benefits and recommended to the Board for necessary approval and considerations.
3. Reviewed and recommended for the approval of HR requirement analysis to the Board.

SPECIAL COMMITTEES

NPS Committee

A special Board level Committee was formed as per 165th Board Meeting held on 27th January 2021 for single assignment to review the implementation strategy, plan and financial projection for the NPS project. A single meeting of the NPS Committee was held during the review period.

The members of the NPS Committee and their attendance details of the during the review period are as follows:

Name of Member	Role	Meeting Attended/ Meeting Held
Mr. Ujjal Rajbhandary, Director	Chairperson	1/1
Mr. Surendra Bhushan Shrestha, Director*	Member	1/1
Mr. Madhav Prasad Upadhyay, Director	Member	1/1

* Outgone Board Member

NPS High Level Committee

Another special Board Level Committee was formed as per 170th Board Meeting held on 24th March 2021 to recommend, review and monitor the execution of the NPS project. A single meeting of the NPS High Level Committee was held during the review period.

The members of the NPS High Level Committee and their attendance details of the during the review period are as follows:

Name of Member	Role	Meeting Attended/ Meeting Held
Mr. Ujjal Rajbhandary, Director	Chairperson	1/1
Mr. Madhav Prasad Upadhyay, Director	Member	1/1
Mr. Samaj Prakash Shrestha, Director	Member	1/1

MEETING EXPENSES

The members of Board, Audit Committee, HR Committee and Special Committee are provided NPR 7,500 as the meeting allowance per sitting. In the review period, the company incurred the total meeting expenses of NPR 1,162,500. The details of the meeting expenses are disclosed in notes to the accounts.

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). As per the Nepal Rastra Bank Payment System Unified Directive (Directive No. 11/078 Clause No. 7), NCHL has been publishing its unaudited semi-annual financials on its website for its shareholders and public consumption. 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 and Appraisal Procedures
12. Travel & Daily Allowance Policy
13. NCHL Standard Operational Procedures
14. Other relevant policies and procedures as applicable

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 Prabin Joshi & Co., Chartered Accountants for the FY 2077/78 (2020/21)

Quarterly internal audits were carried out during the review period under the supervision of the Audit Committee. Prabin Joshi & Co., Chartered Accountants was paid NPR 151,250 excluding VAT with additional internal audit expenses on actual basis of NPR 2,865 for the fiscal year.

ISO CERTIFICATION

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, ISO 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 16th April 2015 from URS Certification India, which is an accredited certification body of United Kingdom Accreditation Service (UKAS). After the completion of three-year cycle, the recertification process was conducted on September 28-29, 2021 by the ISO auditors from URS India. The ISO 27001 re-certification was awarded to NCHL on 16th November, 2021 with validity till 15th April 2024, subject to annual surveillance audit.

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), Interbank Payment System (NCHL-IPS), *connectIPS* e-payment system, National Payments Interface (NPI), *connectRTGS* and CORPORATEPAY for account based payment and clearing in Nepal.

Risk Assessment

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 as Risk Assessment. 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 of Risk & Compliance and is reviewed by the Audit Committee with key items forwarded to the Board for necessary considerations. The risk management practice adopted by NCHL is detailed in the Risk Management section.

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 is 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 2077/78 (2020/21). This year's review also included NRB Payment and Settlement Act, 2075, NRB Payment and Settlement Bylaw, 2077 and unified directives issued by NRB Payment System Department and Labor Audit mandated by Rule 56 (2) of Labor Rules, 2075 for the assessment.

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 2077/78. Such VAPT were executed as multiple service assignments by external service providers, covering network, network policies, web applications, mobile applications and consolidated APIs.

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.

External Audit

The independent audit function is discharged by the External Auditor. M.B. Shrestha & Co., Chartered Accountants has been appointed as the external statutory auditor for the review period by the 9th 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 121,000.00 excluding VAT was paid to the external auditor for the fiscal year.

M.B. Shrestha & Co., Chartered Accountants is assigned with the additional responsibility for the audit of the grant project for the period covering from 16th July 2020 to 15th July 2021, under the partnership agreement with UK Aid Sakcham Access to Finance. The total fee for the assignment was NPR 55,000.00 excluding VAT.

The details of the audited financials for the fiscal year 2077/78 (2020/21) and Independent Auditor's Report are incorporated in the Financial Information Section of this report.

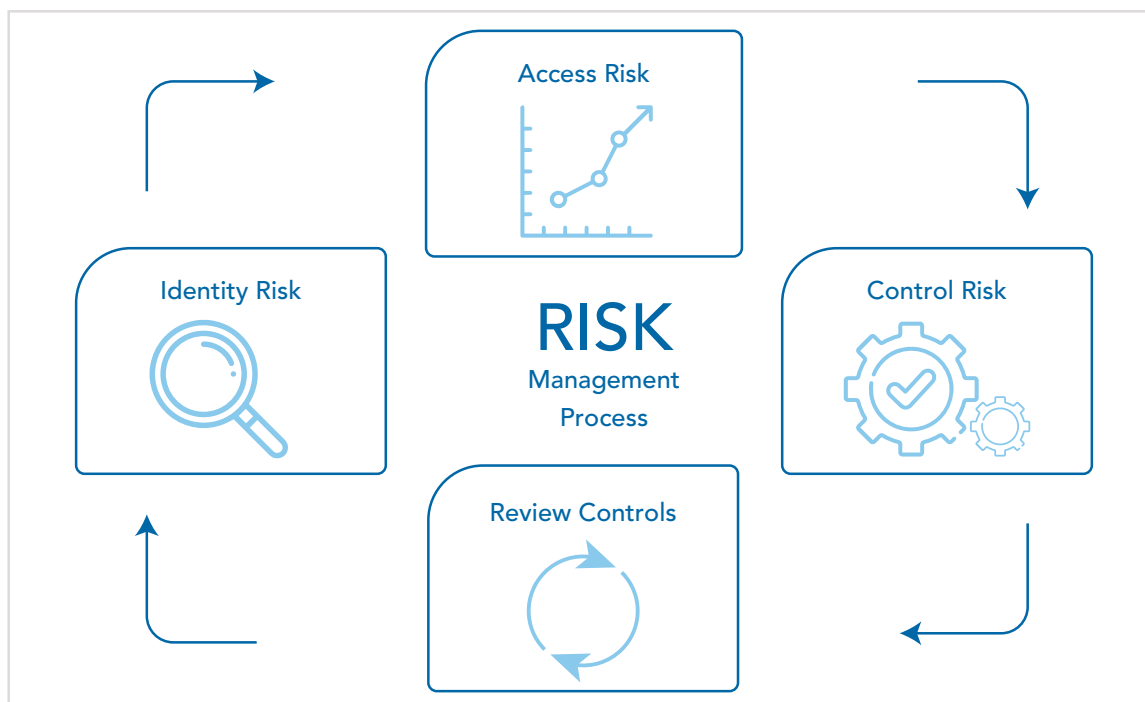
RISK MANAGEMENT

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 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.

BUSINESS CONTINUITY PLAN ACTIVATION

NCHL has in place Business Continuity Plan & Disaster Recovery Plan (DR and BCP Plan) approved by the Board. The policy has been prepared based on IT Security Policy of NCHL to ensure that business continuity plan, backup and disaster recovery procedures are documented, implemented and tested periodically. The policy is reviewed annually during Compliance Self-Assessment and Cross-Functional Audit for any changes. Periodic disaster recovery drills are conducted based to ensure readiness of the primary and secondary DR site.

During the second wave of COVID-19 pandemic and successive nationwide lockdown, the BCP was activated covering human resource management, business & operational processes and infrastructure management, such that all the payment systems were operated without any issue. NCHL-ECC and NCHL-IPS system were operated with reduced sessions in consultation with NRB and the member BFIs. However, the operation of connectIPS e-payment system was not degraded. In order to keep NCHL's services intact, the work from home and alternate days' work from office and/or home were adopted in line to the prohibitory order imposed by the Government.

06 MARKET ANALYSIS

In the absence of a detailed data for cash and non-cash payment transactions for Nepal, one of the principal 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 14.8% for Nepal against the global average of 9.6% (2018), which remains very high and hence reflect huge potential for the payments industry for realizing electronic payments in Nepal. Post-pandemic, increase in currency in circulation has been a global phenomenon due to the extreme uncertainty. However, the adoption of digitization post pandemic is also at its extreme and Nepal is not different which is also indicated with the rise of digital transactions.

The major indicators for financial access in Nepal are as follows:

1	No. of Banks & Financial Institutions (A, B & C)	62
2	No. of Branchless Banking Centers	1,752
3	No. of ATMs	4,347
4	No. of Mobile Banking Customers	15,153,463
5	No. of Internet Banking Customers	1,258,586
6	No. Payment System Operators (PSO)*	10
7	No. of Payment Service Providers (PSP)*	27
8	No. of Wallet Users	10,028,771
9	connectIPS users	688,606
10	No. of Cards (Debit/Credit/Prepaid Cards)	9,657,984

* Other than BFI.

Source: NRB website data of Ashwin end 2078

NRB has been regulating the payment and settlement systems in Nepal through various directives and circulars, after the issuance of the Payment and Settlement Bylaw 2072 by NRB. Thereafter, NRB has issued Licensing Policy and various other regulatory directives for the stakeholder of payment systems. Payment and Settlement Act 2075 and Payment and Settlement Bylaw 2077 are also in place, which provides the legal basis for the payment systems operated in Nepal.

With the adoption of QR based payments in Nepal NRB, for the objective to bring uniformity and provide equal opportunity for all players, has issued a standard for QR codes through NEPALQR Standardization Framework and Guidelines.

Real Time Gross Settlement System (RTGS) has been implemented 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 is integrated with RTGS for its net clearing position settlement. This has partly reduced the settlement risk for NCHL and also provided mechanism to increase number of settlements for it payment systems.

Following is the transaction volume and value of various retail systems as published by NRB.

Particulars	Volume**	% of Total	Value (In Millions)**	% of Total
NCHL-ECC	3,512,280	3%	2,464,363	58%
NCHL-IPS	3,165,796	3%	529,632	13%
connectIPS	9,691,368	8%	685,066	16%
Total Cards	26,842,883	22%	225,514	5%
Internet Banking	953,117	1%	42,019	1%
Mobile Banking	40,105,990	32%	234,915	6%
Wallet	39,924,051	32%	43,666	1%
Total	124,195,485	100%	4,225,175	100%

* As of Ashwin end 2078

Particulars	Volume**	Value (In Millions)**
RTGS	170,905	7,766,478
ATM-cash withdrawal	23,833,265	212,046
Branchless Banking	188,409	3,997
QR Based Payments	4,386,239	17,010
Point of Sales (POS)	2,799,233	12,171
E-commerce	210,385	1,296

*Source: Payment Systems Indicators of Shrawan to Ashwin end 2078

** Data for 1st quarter of FY 2078/79

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 competition and compliance requirements. Hence, payments industry, though has a promising outlook for Nepal, the level of competition, particularly in the low value retail segment will be very high with sizeable investment required for risk management.

In this context, NCHL has continued to work closely with all relevant stakeholders including BFIs, PSPs, PSOs, service providers in a collaborative approach. The implementation of National Payment Switch will also support NCHL and other players also to establish multiple use cases including interoperability, implementation NepalQR standard scheme, internetwork QR, direct debit instruments, wallet to wallet interoperability, etc., which are expected to support the development of the payments industry.



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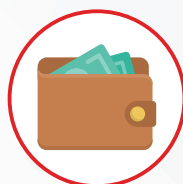
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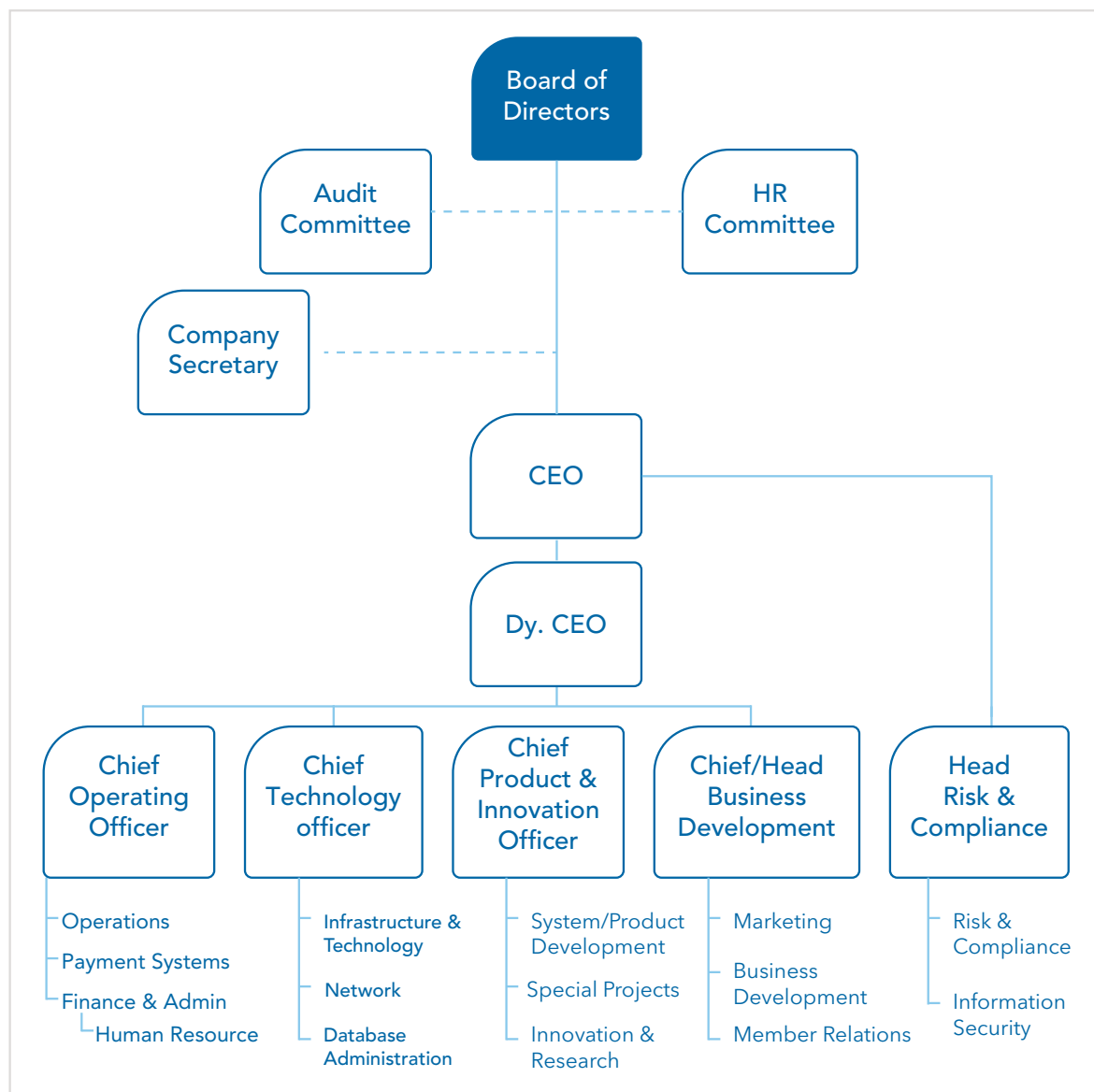
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07 HUMAN RESOURCES

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 description 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 34 employees at the end of the FY 2077/78 (2020/21), as compared to 33 in the previous year. It directly supports more than 15,000 business users of 60 member BFIs equivalent to supporting 441 average business users per employee. They also support 43 live Indirect/technical members. Integration with the core systems and alternate channels of BFIs and the members for various systems of NCHL-IPS, *connectIPS*, RTGS, NPI and others are also developed, operated and monitored by these resource. NCHL support team has also been providing 2nd line support for the member BFIs in handling their *connectIPS* users and for enrollment of their creditor.

KEY HUMAN RESOURCE INDICATORS

Employee Mix by Gender

Gender	Count	Percent
Female	7	21%
Male	27	79%
Total	34	100%

The non-core resources related to security guard, helper, reception and driver are outsourced from local personnel service providers.

Employee Productivity Indicators

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	FY 2073/74 (2016/17)
Number of Employees	34	33	28	22	15
Employee Turnover	1	3	3	1	1
HR Expenses (in NPR '000)	47,471	42,222	24,456	19,406	16,919
Average Expense per Employee (in NPR '000)	1,396	1,279	2,132	1,983	2,302
HR Expenses to Total Operating Expenses	65%	66%	42%	39%	35%
Operating Income per Employee (in NPR '000)	14,106	11,608	15,404	14,680	17,786
Net Profit After Tax per Employee (in NPR '000)	7,484	5,606	8,575	8,255	8,796
Total Staff Bonus (in NPR '000)	37,702	27,407	32,026	24,209	17,608

RECRUITMENT PROCESS

NCHL believes in recruiting 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 Finance & Admin department under necessary overseeing by the Chief Executive Officer.

The recruitment is done through public notice of vacancy announcement and the applicants go through a series of screening steps. Appropriate controls are put in place from initial screening till finalization of the candidates. In order to make new recruits accustomed with the work culture of the company, induction session is organized. The job specification for each position is clearly indicated in its Human Resource plan.

In the FY 2077/78 (2020/21), 2 new employees were appointed and 1 employee has resigned during the review period.

REMUNERATION AND BENEFITS

NCHL has defined job level for its employees from L10 - L100, with L10 being the lowest level and L100 being the highest level. This is other than CEO's position. All the regular employees 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.

The minimum and maximum salary scale is defined for each level. 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. Annual salary increment and Performance Based Variable Incentive (PBVI) is directly linked with performance of the staff, which is appraised as per the Employee Performance Objectives and Appraisal Procedure.

In case of other benefits, they are at par and in many cases above the mandates of the Labor Act 2074 and Labor Bylaw 2075. The Staff Bonus is distributed to all regular staff under statutory bonus and welfare bonus as per the Bonus Act based on the share of the profit contribution.

All salaries, benefits, allowances and payments made to the employee by the Company are made after necessary tax deductions as per prevailing Income Tax laws. Human Resource Expenses are disclosed in Notes to Account in detail.

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 as part of the annual work plan of NCHL and then they are mapped with the resources. These training and development activities are also part of the performance objectives of each employee.

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 employees;
5. To co-ordinate for various activities/functions for the welfare of the employee including team building HR activities, staff canteen, and similar.

STAFF HEALTH AND INSURANCE

The Company believes that the health of employees and support for expense coverage for any medical requirements are very critical and important for both the company and its employees. Company purchases a standard group medical insurance to cover employees and their immediate family's medical expenses up to total of NPR 500,000 per annum and group personal accidental insurance up to NPR 1,000,000 to cover risks of loss due to accident.

STAFF LEAVE

NCHL encourages its employees to take block leave as company believes that it promotes good physical and mental health in the workplace and improves people's work-life balance reducing stress and unscheduled days off. However, with limited resources, NCHL has implemented policy of planned block leave. Such block leave also helps the company to plan and evaluate contingencies of critical resources.

Glimpse of HR Activity





08 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 tenth 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 2077/78 (2020/21).

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:

The impact of COVID-19 over the past 2 years has been very challenging to the company. The NCHL-ECC, NCHL-IPS and *connectIPS* systems were continuously operated even during the lockdown period in the last fiscal year. The popularity and acceptance of the digital platforms including *connectIPS* and CORPORATEPAY have resulted in the increase of transactions and revenue in the last fiscal year. The revenue from NCHL-IPS system increased by 94% and *connectIPS* system increased by 566% in the review period compared to the previous year. However, the revenue from NCHL-ECC system dropped by 29% in the same period.

Encouragement and adoption of electronic payments by the Government and issuance of multiple licenses to Payment Service Providers (PSPs) and Payment System Operators (PSOs) by Nepal Rastra Bank, increased opportunities and competition in the market. With NCHL systems already linked with almost all BFIs and PSOs/ PSPs as Indirect/Technical members, it is expected to improve NCHL's position in the Nepal. With the increase in the number of PSPs and PSOs, significant growth and innovative development in payment industry was also observed.

As mandated by Nepal Rastra Bank, the company initiated the implementation of National Payment Switch (NPS) project in the last year, in close coordination and support of Nepal Rastra Bank, Government of Nepal, BFIs and PSPs/ PSOs. The project is expected to utilize company's reserve in its development phase.

The merger of the BFIs continued in the review year. 6 BFI members (2 development banks and 4 finance companies) merged in the last fiscal year reducing the membership base. The reduction in the annual membership fees is expected to continue due to the merger, however it is expected to be covered by enrollment of the indirect/technical members.

Fluctuations in USD/NPR exchange rate impacts the operating expense of NCHL, as the software AMCs (of NCHL-ECC, NCHL-IPS and Oracle) are 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 last year.

Human Resource:

As disclosed under section Human Resource of this report.

Industrial and professional relationships:

NCHL has maintained cordial 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/payment system operators (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.

Change in Board of Director:

There had been changes in the Board of Directors during the review period for the representative of Nepal Rastra Bank and commercial banks. The representative of Smart Choice Technologies Ltd. was also removed after the sale of its equity in the company. Details of the changes are explained in Chapter 5 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 that will ultimately reduce 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. Also the focus of NCHL has also been to increase Indirect and Technical members to compensate for the loss of direct members.
- Uncertainty and impact of COVID-19 in the overall economy has reduced the number of cheque and business transactions. However, COVID has also helped to increase the digital payments and thus improved the revenue of the company in the last fiscal year.
- New licenses for PSOs/PSPs has increased competition within the payment market share, but NCHL has taken a strategic direction to collaborate with all the stakeholders.
- Technology based inherent risks could also 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 continue to 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 factor that has been affecting NCHL operations and partly due to the delays in acquiring needed resources. This could further aggravate if the resource turnover increases due to high demand at new PSPs/PSOs and BFIs.

Remarks and observation from Independent Auditor's Report:

Auditor has not expressed major or critical observations in the Audit Report. The complete audit report is attached in the later section of this report.

Amount recommended for Dividend and Bonus:

38% of the paid-up capital amounting to NPR 156,313,200 (rounded for the decimal share) has been proposed as bonus shares and 2% on paid-up capital amounting NPR 8,227,011 has been proposed as cash dividend for tax purpose from the profit of the fiscal year 2077/78 (2020/21), 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 profit & loss, 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 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 2078/79 (2021/22) include:

- Upgrade and strengthen the existing infrastructures to support members in the operations of NCHL-ECC, NCHL-IPS and *connectIPS* e-Payment Systems.
- Increase acceptability of NCHL-IPS and *connectIPS* systems for the members and their customers to increase transactions.
- Focus on increasing Indirect/ Technical members in NCHL-IPS and *connectIPS* e-Payment, and primarily through NPI.
- Enhance and extend the features to cover various business use cases of bank branch assisted, online and mobile channel based payment services.
- Facilitate for integration with the BFIs, various GoN/ Semi-GoN and other large institutions for their onboarding into the digital payments ecosystem.
- Increase transactions in CORPORATEPAY system, as an alternate platform for the business customers of the BFIs.
- Support NRB and the remaining BFIs (development banks and finance companies) for the implementation of *connectRTGS*.
- Implement National Payment Switch (NPS). Rollout of NPS Phase I (Sub-Project 3) that includes enhancement/ scale up of the existing National Payments Interface (NPI), *connectIPS* system and interoperability of non-card retail payment systems including establishing QR scheme. Implement infrastructure setup for NPS Phase 2 (Sub-project 1 & 2) that includes establishment of interoperability card switch and rollout of domestic card scheme for Nepal.
- Improve risk management of the payment systems and their operations.
- Continue providing training and orientation programs to the members and other institutions.

Detail of management expenses incurred during the year

The details of the management expenses are as follows:

Amount in NPR

Particulars	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	FY 2073/74 (2016/17)
Staff Expenses	39,690,567	32,183,495	24,456,266	19,405,585	16,918,812
Other Admin Expenses	21,736,760	48,091,550	29,928,353	13,574,296	11,574,597
Total	61,427,327	80,275,046	54,384,619	32,979,881	28,493,409

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

Members of the Audit Committee are:

1. Mr. Mahesh Sharma Dhakal - Chairperson
2. Mr. Srijan Krishna Malla - Member
3. Mr. Samaj Prakash Shrestha - Member
4. Mr. Anesh Shrestha - Member Secretary

There was no provision for remunerations to any of the members of the Audit Committee. As a meeting allowance, NPR 7,500 for each member was provided per sitting except for the Member Secretary. Total of NPR 105,000.00 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 7,500.00 for each Director during this year. Applicable tax was deducted prior to the payment in all such payments.

Amount in NPR

Board Member	Total Meeting Allowance	Remarks **
Mr. Ram Bahadur Manandhar	1,162,500	7/7 meetings
Mr. Ujjal Rajbhandary		23/28 meetings
Mr. Mahesh Sharma Dhakal		3/3 meetings
Mr. Srijan Krishna Malla		3/3 meetings
Mr. Madhav Prasad Upadhyay		26/27 meetings
Mr. Samaj Prakash Shrestha		27/27 meetings
Mr. Naresh Shakya*		14/14 meetings
Mr. Surendra Bhushan Shrestha*		23/24 meetings
Ms. Umang Sharma*		21/22 meetings
Ms. Kusum Lama*		8/10 meetings

*Outgone Board Members

** Includes all the meetings of Board and relevant committees.

The Chief Executive Officer during the year under review was paid salary of NPR 5,760,000 as salary and allowances, NPR 921,600 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:

Bonus Share Capital of 38% amounting to NPR 156,313,200 (rounded for the decimal share) and Cash Dividend of 2% amounting NPR 8,227,011 have been proposed from the profit earned from the FY 2077/78 (2020/21), subject to the approval of the Board. There exists no any outstanding dividend payable from FY 2076/77 (2019/20).

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 NCHL. 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

Ram Bahadur Manandhar
Chairman

AUDITED FINANCIAL STATEMENTS

NRB APPROVAL OF THE AUDITED FINANCIALS



नेपाल राष्ट्र बैंक
भुक्तानी प्रणाली विभाग



पत्रसंख्या : भु.प्र.वि./ओ.सा.१/०७८/७९
चलानी नं.: १२२

श्री नेपाल क्लियरिङ हाउस लिमिटेड,
कमलादी, काठमाडौं ।

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

मिति : २०७८/०७/१७

विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०७७/७८ को वार्षिक वित्तीय विवरण, बाह्य लेखापरीक्षकको प्रतिवेदन र सो उपर व्यवस्थापनको प्रतिक्रिया तथा संस्थाको वार्षिक गैरस्थलगत निरीक्षण प्रतिवेदन, २०७७/७८ समेतका आधारमा देहाय बमोजिमका निर्देशनहरु शेरधनीको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्न साथै सोको कार्यान्वयन गर्ने गरी वार्षिक साधारणसभा प्रयोजनको लागि त्यस संस्थाको आर्थिक वर्ष २०७७/७८ को वित्तीय विवरण सार्वजनिक/प्रकाशन गर्न स्वीकृति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

(क) भुक्तानी तथा फछ्यौट विनियमावली, २०७७ को विनियम ११(३) बमोजिम संस्थामा तत्काल विज्ञ सञ्चालक नियुक्त गरी सोको जानकारी दिनुहुन ।

ख) बाह्य लेखापरीक्षकको प्रतिवेदनमा उल्लेखित कैफियतहरु सुधार गर्नुहुन ।

भवदीय,

(टेकराज भण्डारी)
उप निर्देशक

INDEPENDENT AUDITOR'S REPORT

M.B. SHRESTHA & CO.

Chartered Accountants
Sankhamul Road
New Baneshwar

Tel : 4791818
Fax No. : 977-1-4791789
E-mail : mbsshrestha@gmail.com
G.P.O. Box : 720-
Kathmandu, Nepal.

Ref. No. – 77.78-01-0010

9 Kartik 2078

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NEPAL CLEARING HOUSE LTD.

Report on the Audit of Financial Statements

A. Opinion

1. We have audited the accompanying financial statements of Nepal Clearing House Limited (hereinafter "NCHL" or "Company") comprising of the Statement of Financial Position as at 15 July 2021 (Corresponding to 31 Ashad 2078), Statement of Profit or Loss, Statement of Other Comprehensive Income, 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.
2. In our opinion and to the best of our information and according to the explanations given to us, the financial statements referred to above, present fairly, in all material respects, the financial position of Nepal Clearing House Limited as at 15 July 2021 (i.e. 31 Ashad 2078) and its financial performance for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs) with allowed carve-outs.

B. Basis for Opinion

3. We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). 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 Company in accordance with the Handbook of The Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Nepal (ICAN) and we have fulfilled our ethical responsibilities in accordance with the ICAN's Handbook of The Code of Ethics for Professional Accountants.
4. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

C. Responsibilities of Management and Those Charged with Governance for the Financial Statements

1. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
2. In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.
3. Those charged with governance are responsible for overseeing the Company's financial reporting process.



1 / 3

D. Auditor's Responsibilities for the Audit of Financial Statements

4. 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.
5. As part of an audit in accordance with NSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
 - 5.1 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
 - 5.2 Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the organization's internal control.
 - 5.3 Evaluate appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the management.
 - 5.4 Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up-to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - 5.5 Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
7. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear our independence and where applicable, related safeguards.

M.B. Shrestha & Co.
Chartered Accountants



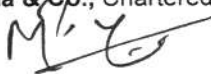
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E. Report on Other Legal and Regulatory Requirements

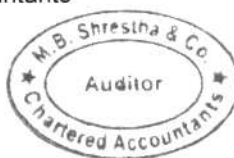
8. As per Companies Act, 2063, based on our audit carried out on sapling basis, we report that:

- 8.1 We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit as per NSA.
- 8.2 The statement of Financial Position as at 31 Ashad 2078 (i.e. 15 July 2021), the Statement of Profit or Loss, Other Comprehensive Income, Statement of Changes in Equity and statement of Cash flow for the year then ended on that date and the attached summary of significant accounting policies and notes to accounts dealt and other explanatory information (thereafter referred to as "the financial statements") dealt with by this report are prepared as per the provisions of the Companies Act, 2063.
- 8.3 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books of account and the financial statements dealt with by this report, are in agreement with the books of accounts.
- 8.4 In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the Company, necessary for the purpose of our audit, we have not come across the cases where the Board of Directors or the representative or any employee of the Company has acted deliberately contrary to the provisions of the law relating to accounts or caused loss or damage to the Company nor have we been informed of any such case by the management.

For and on behalf of
M.B. Shrestha & Co., Chartered Accountants



Maheswarendra Bdr. Shrestha, FCA
Proprietor



Place: **Kathmandu**

UDIN: 211026CA00117LzEvn

FINANCIAL STATEMENTS

Statement of Financial Position As at Asadh 31, 2078 (15 July 2021)

Particulars	Notes	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
ASSETS			
Cash and Bank Balances	8.1	18,858,143	22,929,437
Cash Equivalents	8.2	83,000,000	67,000,000
Inventories	8.3	106,960	63,350
Other Assets	8.4	81,472,072	26,175,810
Investments	8.5	842,104,000	637,249,000
Current Tax Assets	8.6	3,589,448	3,875,441
Settlement Guarantee Fund Deposits	8.7	143,576,349	140,523,852
Property, Plant and Equipment	8.8	71,990,723	66,557,540
WIP Projects	8.8	5,213,419	3,928,007
Intangible Assets	8.8	37,293,442	42,700,449
Deferred Tax Assets	8.9	403,884	-
Total Assets		1,287,608,442	1,011,002,885
Liabilities			
Current Tax Liabilities	8.6	-	-
Provisions	8.10	45,964,036	32,906,898
Other Liabilities	8.11	78,577,683	62,641,783
Settlement Guarantee Fund Liabilities	8.7.1	60,000,000	60,000,000
Deferred Tax Liabilities	8.9	-	665,060
Total Liabilities		184,541,719	156,213,742
Equity			
Share Capital	8.12	411,350,400	298,080,000
Reserves & Surplus	8.13	691,716,323	556,709,144
Total Equity		1,103,066,723	854,789,144
Total Liabilities and Equity		1,287,608,442	1,011,002,885

Notes 1-9 form integral part of Financial Statement

Neelesh Man Singh Pradhan
Chief Executive Officer

Ram Bahadur Manandhar
Chairman

CA. Maheswarendra Bdr. Shrestha
M.B Shrestha & Co.
Chartered Accountants

Ujjal Rajbhandary
Director

Mahesh Sharma Dhakal
Director

Srijan Krishna Malla
Director

Madhav Prasad Upadhyay
Director

Samaj Prakash Shrestha
Director

Date: 26-Oct-2021

Place: Kamaladi, Kathmandu, Nepal

Statement of Profit or Loss
For the Period Ending Asadh 31, 2078
(Corresponding to 16 July 2020 to 15 July 2021)

Particulars	Notes	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Operating Income			
Operating Income	8.14	479,482,832	382,509,416
Software License - Members		133,000	565,000
Operating Expenses			
Operating Expenses	8.15	73,115,810	63,670,968
Cost of Software License - Members		-	-
Gross Profit		406,500,022	319,403,448
Add: Interest Income		69,520,669	67,158,686
Add: Other Income		195,297	1,574,226
Less: Administrative Expenses	8.16	21,736,760	48,091,550
Less: Human Resources Expenses	8.17	39,690,567	32,183,495
Operating Profit		414,788,662	307,861,315
Depreciation Expenses	8.8	21,115,364	17,904,930
Amortization Expenses	8.8	16,657,910	15,883,210
Staff Bonus Provision		37,701,539	27,407,317
Profit before Tax		339,313,849	246,665,857
Provision for Income Tax		85,844,570	62,177,761
Deferred Tax Expenses (Income)	8.9	(994,183)	(512,844)
Profit for the Period		254,463,463	185,000,941
Basic/Diluted Earnings Per Share		61.86	62.06

Neelesh Man Singh Pradhan
Chief Executive Officer

Ram Bahadur Manandhar
Chairman

CA. Maheswarendra Bdr. Shrestha
M.B Shrestha & Co.
Chartered Accountants

Ujjal Rajbhandary
Director

Mahesh Sharma Dhakal
Director

Srijan Krishna Malla
Director

Madhav Prasad Upadhyay
Director

Samaj Prakash Shrestha
Director

Date: 26-Oct-2021

Place: Kamaladi, Kathmandu, Nepal

Statement of Comprehensive Income
For the Period Ending Asadh 31, 2078
(Corresponding to 16 July 2020 to 15 July 2021)

Particulars	Notes	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Profit for the period		254,463,463	185,000,941
Other Comprehensive Income (net of income tax)			
a) Items that will not be reclassified to profit or loss			
Actuarial Gain/(loss) on Defined Benefit Plan		(299,044)	778,850
Deferred Tax Income/(Expenses)	8.9	74,761	(194,713)
Net Other Comprehensive Income that will not be reclassified to profit or loss		(224,283)	584,138
b) Items that are or may be reclassified to profit or loss		-	-
c) Share of other comprehensive income of associate accounted as per equity method		-	-
Other Comprehensive Income for the year (net of income tax)		-	-
Total Comprehensive Income		254,239,180	185,585,079

Neelesh Man Singh Pradhan
Chief Executive Officer

Ram Bahadur Manandhar
Chairman

CA. Maheswarendra Bdr. Shrestha
M.B Shrestha & Co.
Chartered Accountants

Ujjal Rajbhandary
Director

Mahesh Sharma Dhakal
Director

Srijan Krishna Malla
Director

Madhav Prasad Upadhyay
Director

Samaj Prakash Shrestha
Director

Date: 26-Oct-2021

Place: Kamaladi, Kathmandu, Nepal

**Statement of Changes in Equity
As at Asadh 31, 2078 (15 July 2021)**

Particulars	Share Capital	Share Premium	Revaluation Reserve	Technology Enhancement Reserve	Land and Building Reserve	Cyber Risk Reserve	Reserve for Actuary Gain/(Loss)	Accumulated Profit/(Loss)	Total
Balance at 16 July 2019 (Asadh 31, 2076)	216,000,000	-	-	125,110,287	41,934,449	-	-	290,479,329	673,524,065
Adjustment/Restatement	-	-	-	-	-	-	-	-	-
Restated Balance	216,000,000	-	-	125,110,287	41,934,449	-	-	290,479,329	673,524,065
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-	-	-	-
Net Profit for Period	-	-	-	-	-	-	-	185,585,078	185,585,078
Bonus Share Capital FY 2075/76	82,080,000	-	-	-	-	-	-	(82,080,000)	-
Cash Dividend FY 2075/76	-	-	-	-	-	-	-	(4,320,000)	(4,320,000)
Transfer to Technology Enhancement Reserve	-	-	-	37,000,188	-	-	-	(37,000,188)	-
Transfer to Land & Building Reserve	-	-	-	-	18,500,094	-	-	(18,500,094)	-
Reserve for Actuary Gain/(Loss)	-	-	-	-	-	-	584,138	(584,138)	-
Issue of Share Capital	-	-	-	-	-	-	-	-	-
Balance at 15 July 2020 (Asadh 31, 2077)	298,080,000	-	-	162,110,475	60,434,544	-	584,138	333,579,988	854,789,144
Adjustment/Restatement	-	-	-	-	-	-	-	-	-
Restated Balance	298,080,000	-	-	162,110,475	60,434,544	-	584,138	333,579,988	854,789,144
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-	-	-	-
Net Profit for Period	-	-	-	-	-	-	-	-	-
Bonus Share Capital FY 2076/77	113,270,400	-	-	-	-	-	-	(113,270,400)	-
Cash Dividend FY 2076/77	-	-	-	-	-	-	-	(5,961,600)	(5,961,600)
Transfer to Technology Enhancement Reserve	-	-	-	50,892,693	-	-	-	(50,892,693)	-
Transfer to Land & Building Reserve	-	-	-	-	25,446,346	-	-	(25,446,346)	-
Transfer to Cyber Risk Reserve	-	-	-	-	-	1,272,317	-	(1,272,317)	-
Reserve for Actuarial Gain/(Loss)	-	-	-	-	-	-	(224,283)	-	(224,283)
Issue of Share Capital	-	-	-	-	-	-	-	-	-
Balance at 15 July 2021 (Asadh 31, 2078)	411,350,400	-	-	213,003,167	85,880,890	1,272,317	359,855	391,200,094	1,103,066,723

Statement of Cash Flows
For the Period Ending Asadh 31, 2078

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Net Profit/(Loss) Before Tax	339,313,849	246,665,857
Preliminary & Pre-operating (Expenses)/Surplus		
Add/(Less) : Adjustment		
Depreciation Expenses	21,115,364	17,904,930
Amortization Expenses	16,657,910	15,883,210
Superannuation/Gratuity Provision (incl. Actuarial Gain/Loss)	3,908,219	5,222,402
Leave Provision	1,620,992	1,982,074
Staff Bonus Provision	37,701,539	27,407,317
Provision Write Back	-	(674,900)
Profit on Sale of Fixed Assets	(20,453)	-
Loss on Disposal of Fixed Assets	-	1,321
Bonus Paid	(27,407,317)	(35,228,137)
Cash Flow from Operating Activities before Working Capital	392,890,102	279,164,074
Increase (Decrease) in Current Tax Liabilities & Other Liabilities	15,935,899	(2,459,219)
Decrease (Increase) in Inventories, Current Tax Assets & Other Assets	(58,119,218)	28,121,977
Decrease (Increase) in Settlement Guarantee Fund Deposit	(3,052,498)	(90,473,823)
Less: Tax Provision	(85,844,570)	(62,177,761)
Cash Flow From Operating Activities	261,809,716	152,175,249
Purchase of Fixed Assets	(33,874,911)	(27,838,518)
Sale or disposal of Fixed Assets	23,920	8,000
WIP Projects	(5,213,419)	(3,928,007)
Investment in Fixed Deposit/Debenture	(204,855,000)	(192,775,000)
Cash Flow From Investing Activities	(243,919,410)	(224,533,525)
Interest on Loan	-	-
Increase (Decrease) in Loans	-	-
Increase (Decrease) in Settlement Guarantee Fund Grant SCF	-	60,000,000
Issue of Share Capital	-	-
Dividend Paid	(5,961,600)	(4,320,000)
Cash Flow From Financing Activities	(5,961,600)	55,680,000
Net Increase (Decrease) in Cash & Cash Equivalents	11,928,707	(16,678,276)
Cash & Cash Equivalents at the Beginning of the Year	89,929,437	106,607,712
Cash & Cash Equivalents at the End of the Year	101,858,143	89,929,437

NOTES ATTACHED TO AND FORMING PART OF FINANCIAL STATEMENTS

For the Period Ended 31st Asadh 2078

Significant Accounting Policies and Notes to Accounts

1. Background Information

Nepal Clearing House Ltd. (hereinafter referred to as "NCHL" or "company") is a public limited company registered with Company Registrar Office on 8th Poush 2065 (corresponding to 23rd December 2008) with registered address at Kamaladi, Kathmandu. The principal 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 31st Jestha 2068. NCHL obtained approval from Nepal Rastra Bank (NRB) for operation of Electronic Cheque Clearing (NCHL-ECC) system for foreign currency cheques clearance effective from 7th Poush 2068 and obtained approval for conducting the cheque clearance in Nepalese currency effective from 16th Chaitra 2068. NCHL obtained approval from NRB for operation of Interbank Payment System (NCHL-IPS) from 4th Mangsir 2071 and effectively commenced NCHL-IPS transaction from 1st Bhadra 2073. NCHL obtained approval from NRB on 19th Chaitra 2074 for operation of *connectIPS* e-Payment System for processing of payments through alternate channels and was commenced from 12th Baisakh 2075. NCHL rolled out *connectRTGS* on 29th Mangsir 2076 and launched National Payments Interface (NPI) on 2nd Chaitra 2076 previous year. *connectRTGS* system is a customized extension of *connectIPS* Integration System for member banks and financial institutions to process inward and outwards transactions in the Real-Time Gross Settlement (RTGS) system. Whereas, NPI is a consolidated Application Programming Interfaces (APIs) of multiple payment systems hosted by NCHL or any other institutions built in Open API platform concept.

During the year, NCHL obtained approval from NRB on 29th Bhadra 2077 for the operation of CORPORATEPAY system and effectively commenced the transaction from 11th Mangsir 2077. The system was officially launched on 1st Magh 2077. NCHL also obtained principle approval from NRB on 12th Mangsir 2077 for implementation and operation of National Payment Switch (NPS) for interoperability of card and non-card retail payments including QR.

NCHL entered into agreement for NCHL-ECC with 158 members, out of which, 60 members (Nepal Rastra Bank, Nepal Infrastructure Bank Ltd., 27 commercial banks, 17 development banks and 14 finance companies) are now in operation till Asadh end 2078. 1 new member (development bank) was added into the system whereas 6 members (2 development banks and 4 finance companies) were reduced due to merger during the fiscal year 2077/78.

Similarly, for NCHL-IPS System, NCHL entered into agreement with 128 members, out of which, only 103 members (Nepal Rastra Bank, Nepal Infrastructure Bank Ltd., 27 commercial banks, 16 development banks, 14 finance companies and 44 Indirect/Technical members) are in operation till Asadh end 2078. 6 members of NCHL-IPS including 2 development banks and 4 finance companies merged during the fiscal year 2077/78 while 18 indirect/technical members who have subscribed for the service are yet to come into operation.

For *connectIPS* e-Payment System, 92 members are live (27 commercial banks, 14 development banks, 12 finance companies and 39 Indirect/Technical members) till Asadh end 2078. 2 development banks and 2 finance companies merged during the fiscal year 2077/78. 2 BFI and 7 Indirect/Technical members who have subscribed for the service are yet to come into operation. NCHL has also facilitated its 56 member BFIs for needed integrations of their core banking system (CBS) with various payment systems as *connectIPS* Integration.

NCHL has entered into agreement for NPI with 105 members, out of which, 25 commercial banks, 12 development banks, 7 finance companies and 43 indirect/technical members are live till Asadh end 2078. 18 Indirect/Technical members have subscribed but are yet to go live. 42 BFIs have entered into integration partnership agreement with NCHL for *connectRTGS*, out of which, Nepal Infrastructure Bank Ltd., 24 commercial banks, 8 development banks and 2 finance companies have gone live. Similarly, 7 BFIs who have entered into agreement for *connectRTGS* but are yet to go live. NCHL has entered into agreement for CORPORATEPAY with 42 BFIs, out of which, 20 commercial banks, 7 development banks and 3 finance companies have gone live. Similarly, 12 BFIs who have also entered into agreement for CORPORATEPAY but are yet to go live.

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 26th October 2021 with necessary recommendation for approval by the shareholders in the upcoming Annual General Meeting.

3. Basis of Financial Statements Preparation

- 3.1. Financial statements are prepared and/or presented based on the following considerations:
- 3.2. Financial statements are prepared on a going concern basis.
- 3.3. Financial statements are presented in Nepalese Rupees (NRs.) which is the functional and presentation currency.
- 3.4. Financial statements are prepared by applying accrual basis of accounting (except as otherwise stated therein).
- 3.5. Assets and liabilities are presented in the order of liquidity in the Statement of Financial Position. Income and expenses are classified 'by nature' in the Statement of Profit or Loss. Cash Flow from Operating Activities are derived using indirect method in the Statement of Cash Flows.
- 3.6. Fair values of assets and/or liabilities are either 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 Nepal Financial Reporting Standards 2013 (NFRS) issued by Accounting Standards Board (ASB) of Nepal. Carve-outs in NFRS with Alternative Treatments as issued by ASB have been disclosed where applied.

5. Use of Accounting Estimates

The preparation of financial statements in conformity with NFRS, requires the management to make accounting estimates and assumptions that affect the reported amount in the financial statements. The management believes that the use of accounting estimates in preparation of the financial statement are prudent and reasonable. Apart from use of accounting estimates, the management has made various judgments in the process of applying 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) and the Companies Act, 2063.

7. Significant Accounting Policies

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. The effect and nature of the changes in accounting policy, if any, are also disclosed.

Index of significant accounting policies is presented below for easy reference.

Principal Note	Particulars	Explanatory Notes
7.1	Cash & Bank Balances	8.1
7.2	Cash Equivalents	8.2
7.3	Inventories	8.3
7.4	Other Assets	8.4
7.5	Investments	8.5
7.6	Settlement Guarantee Fund Deposits	8.7
7.7	Property Plant & Equipment, Intangible Assets & WIP Projects	8.8
7.8	Impairment of Financial Assets	
7.9	Income Tax	8.6, 8.9
7.10	Provisions	8.10
7.11	Other Liabilities	8.11
7.12	Share Capital	8.12
7.13	Reserves & Surplus	8.13
7.14	Operating Income	8.14
7.15	Contingent Assets & Contingent Liabilities	
7.16	Operating Expenses	8.15
7.17	Administrative Expenses	8.16
7.18	Human Resource Expenses	8.17
7.19	Grant Project	8.18
7.20	Subsequent Events	

7.1 Cash & Bank Balances

Cash & Bank Balances are short term and liquid placements in banks and financial institutions that are readily available and which are subject to no risk of changes in value.

7.2 Cash Equivalents

Placements or investments having short term maturity that will realize within 3 months or less from the reporting date are categorized as Cash Equivalents and recognized at cost as per Paragraph 7 (Cash and Cash Equivalents) of NAS 7 – Statement of Cash Flows.

7.3 Inventories

Inventories are valued at cost, being weighted average cost, or net realizable value whichever is lower. Inventory in the form of fuel stock for operating generator is only maintained. Other recurring inventory having minor purchase value are expensed off as and when purchased.

7.4 Other Assets

Receivables from the Members, Interest Receivables, Prepaid Expenses, Deposits, Staff Advances, Deferred Other Benefits, SCF Grant Receivable and Other Advances that are of asset nature to the company and are classified as Other Assets.

1. Trade and other receivables are initially recognized at fair value and subsequently carried at amortized cost. Their carrying amount is considered as approximate fair value due to their short-term maturity.
2. Receivables from the Members (Direct and Indirect/Technical) relate to the due amount from regular operations and the Interest Receivables are interest already earned from investments but not credited in the bank. Prepaid Expenses, Loans/ Staff Advances & Deposits are initially recognized at fair value and subsequently carried at amortized cost. Their carrying amount is considered as approximate fair value for instrument with short term maturity.
3. Deposits include refundable deposits, however, the tenure of deposit is neither fixed nor cancellable, hence fair value is considered to be carrying amount.
4. Staff Advances (loan to employee) are provided as per NCHL 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.

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 expense under Staff- Other Benefits whereas remaining expense is deferred to remaining advance period and are recognized as expense in subsequent periods proportionately.
6. Amount that is expensed under SCF Grant Project and is yet to be reimbursed as per the terms of the project has been categorized under 'Other Assets' as SCF Grant Receivable. Its carrying amount is considered as approximate fair value due to its short term maturity.
7. Advance payment disbursed to the vendors as per the contractual obligations has been categorized under 'Other Assets' as Other Advances. Their carrying amount is considered as approximate fair value due to their short term maturity.

7.5 Investments

Investments are managed as per NCHL-Investment Policy (December 2015) and an amendment dated 17th December 2019. Extract of the prevailing Investment Policy is as follows:

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%

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 Banks: 10-20%
 - Finance Companies: 10-20%

3. Single counterparty (other than Government/NRB) exposure shall not exceed 15% 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.

4. The investments of the company are related to the investments in Fixed Deposits & Debentures, which are meant for held till maturity, are valued at amortized cost. The effective interest rate for the fixed interest-bearing time deposits is the same interest rate of each investment. The Fixed Deposits & Debentures bear no transaction fee in between and the rates provided are also the market rates. Hence, their carrying values are considered to be their amortized amount.

7.6. Settlement Guarantee Fund Deposits

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.
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 made by NCHL, other sources and contribution from the participating members. The contribution from the transaction fees is 5% for the first 2 years and 2.5% for next 3 years (net of corporate tax). NRB has approved the Operating Procedure for Settlement Guarantee Fund on 21st

Falgun 2076. In reference to the Operating Procedure for SGF, the member BFIs are allowed to make additional contribution in SGF as per the member bank's business requirement.

3. Settlement Guarantee Fund Liabilities represents the SGF contribution funded by Sakchyam Challenge Fund through Grant project. As per the terms of the project agreement, the contribution from the project is subject to refund if the SGF is defunct. Hence, it has been presented as a Liability in the Statement of Financial Position. (Details of the project presented in the explanatory notes 8.18 and 9.2.).

7.7. Property, Plant & Equipment, Intangible Assets and WIP Projects

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. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. Asset value of NRs. 5,000 or less are expensed off in the same year of purchase during the fiscal year.
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.
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	Effective useful life	Depreciation Rate
Tangible Assets:		
Building	20 years	5%
Data Center Assets	5 years	20%
Office Equipment	5 years	20%
Vehicle	6.67 years	15%
Other Fixed Assets	6.67 years	15%
Intangible Assets:		
Software	5 years	20%

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 per the written down value.
5. Depreciation is calculated as per the rate and procedures defined in Income Tax Act, 2058 (Amended) for income tax purpose.
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.
7. The expenses 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 WIP Project. They will be capitalized from the month they are brought into commercial use.
8. The *connectIPS*, National Payments Interface (NPI), *connectRTGS* and *CORPORATEPAY* systems are developed internally at NCHL by the system and product development team and hence are classified as intangible assets with capitalization of the employee cost incurred for the staff directly involved in development activities and directly attributable costs for its development (e.g. outsourced development and third-party testing, etc.). Such capitalized expense is kept under WIP Projects, until they are brought into commercial use.
9. NCHL has trademark for company logo "NCHL" and system logos of "ECC" and "connectIPS" which are registered under Department of Industry. These carry intangible brand value but have not been accounted and presented under financials.

10. Expenses directly related to the development and implementation of National Payment Switch (NPS) project are accounted under product development phase and are capitalized under the WIP Projects.

7.8. Impairment of Financial Assets

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

7.9. Income Tax

Tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current and deferred taxes.

7.9.1. Current Tax

1. Current Tax comprises the amount of income taxes payable (or recoverable) in respect of the taxable profit (or tax loss) for the reporting period, and any amount adjusted to the tax payable (for receivable) in respect of previous years. It is measured using tax rates enacted, or substantively enacted, at the reporting date.
2. The company has provided for income tax provision considering inadmissible expenses as per Income Tax Act, 2058 which is presented under 'Provisions' after adjusting Advance Income Tax of the current year in the Statement of Financial Position. The Net Current Tax Assets is taken as Advance Income Tax for the upcoming fiscal year.

7.9.2. Deferred Tax

1. Deferred Tax is recognized at the reporting date in respect of temporary differences between the carrying amounts of assets or liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes (i.e. tax base).
2. Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and carried forward unused tax losses (if any), to the extent that it is probable that future taxable profits will be available against which they can be claimed. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.
3. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they will be reversed, using tax rates enacted, or substantively enacted, at the reporting date.
4. Deferred tax income or expense relating to items recognized directly in equity or items not classified in the Statement of Profit or Loss is recognized in the Statement of Comprehensive Income.

7.10. Provisions

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.
2. Provision for Superannuation Benefit, Gratuity and Leave are the employee benefit schemes as per the NCHL Employee's Service Rules and as per the prevailing Labor Act 2074. These are post-employment benefits and have been accounted as per the NAS 19 Employee Benefits.
3. The provision for gratuity at 8.33% of basic salary is provided to all the staff in accordance to Labor Act 2074 since FY 2075/76. They are accounted as the Defined Contribution Plans i.e. they are the post-employment benefit plans under which an entity pays fixed contributions into a separate entity (or a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
4. The provision for Superannuation Benefit is provided as per NCHL Employee's Service Rules. Eligibility requires at least three years of continuous service in NCHL from the date of confirmation of employment. The provision for leave accumulation is provided for the accumulated paid leaves as per the Labor Act 2074. Both the superannuation benefit and leave accumulation are accounted as the Defined Benefit Plans i.e. all other post-employment benefit plans other than defined contribution plans. The liability of the future costs to the benefit schemes have been measured through the third-party actuary valuation as recommended by the NAS 19.
5. The eligible fund of superannuation benefit is deposited in Approved Retirement Fund (ARF).
6. Staff Bonus is computed as per Bonus Act, 2030, at 10% of the profit before staff bonus.

7.11. Other Liabilities

Other Liabilities include Payables and Advance Incomes which are initially recognized at fair value and subsequently carried at amortized cost. Their carrying amount is considered as approximate fair value due to their short-term maturity.

7.12. Share Capital

Share Capital in the company is recognized at the par value of NRs. 100 per share. The holders of shares are entitled to one vote per share at the general meeting and are entitled to receive the annual dividend payments, if any. The company does not have any other forms of share capital other than ordinary shares.

7.13. Reserve & Surplus

There are different reserves as explained below.

7.13.1. Technology Enhancement Reserve

The company has set aside 20% of the Profit After Tax of the period for each fiscal year before dividend and other reserves 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. A commitment has been made to utilize part or all of this reserve for the on-going National Payment Switch (NPS) project. The reserve has not been ear-marked in the assets and has been invested as per the prevailing NCHL Investment Policy.

7.13.2. Land & Building Reserve

The company sets aside 10 % of the Profit After Tax of the period for each fiscal year before dividend and General Reserve & Surplus 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. The reserve has not been ear-marked in the assets and has been invested as per the prevailing NCHL Investment Policy.

7.13.3. Cyber Risk Reserve

The company has set aside 0.5% of the Profit After Tax of the period for each fiscal year before dividend, Land & Building Reserve and General Reserve & Surplus as Cyber Risk Reserve. The objective of this reserve is to set out separate fund to cover possible liability of cyber risks in payment systems operated by the company and has been established as a contingent arrangement in the absence of cyber risk insurance from FY 2077/78. The reserve has not been ear-marked in the assets and has been invested as per the prevailing NCHL Investment Policy.

7.13.4. Reserve for Actuarial Gain/(Loss)

The Reserve for Actuarial Gain/ (Loss) has been created due to the application of accounting policy for employee benefits as per NAS 19 for the presentation of actuarial gain or loss resulting from the change in actuarial assumptions used to value defined benefit obligations. Any change in this reserve is recognized through Statement of Comprehensive Income and is not a distributable profit.

7.13.5. General Reserve & Surplus

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

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

7.14. Operating Income

1. The revenues, including NCHL-ECC Transaction Fees and Charges; NCHL-IPS Transaction Fees and Charges; *connectIPS* Transaction Fees; Other Annual Charges; Network Connectivity and Management Fees are accounted under accrual basis.
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. The revenue of *connectIPS* e-Payment after revenue sharing with the members includes 2.5 % contribution towards SGF which is deposited in SGF account maintained at NRB.
3. The transaction fees and annual membership/subscription fees in NCHL-ECC and NCHL-IPS are waived for Nepal Rastra Bank (NRB) as per the renewal of the membership agreement, since 14th 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.

4. National Payments Interface (NPI) and other integration systems/ services have been provided to the member BFIs as facilitation to such members for digital payment ecosystem development. Hence, subscription to such systems/services are provided for free to the members with all cost of their development and operations have been absorbed by NCHL. Similarly, membership on all the systems for specific Government and Semi-Government institutions (including Government of Nepal, Employee Provident Fund, Social Security Fund, Citizen Investment Trust, Nepal Stock Exchange Ltd. and similar institutions) have also been provided without any initial and annual fees & charges. For the case of GON, the transaction fees in NCHL-IPS and *connectIPS* have also been subsidized for specific cases with On-Us payout transactions through NPI being fully waived and tax revenue collection for Inland Revenue Department set at NRs. 2 to 5 (plus additional commitment of full waiver for presumptive tax up to NRs. 10,000).
5. *connectRTGS* integration component have been subsidized to the member BFIs who have subscribed for *connectIPS* Integration and *connectIPS* e-Payment systems. The annual support fee for the *connectRTGS* integration component has been levied from the 2nd year of go-live to the member BFIs at uniform rate.

7.15. Contingent Assets & Contingent Liabilities

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

7.16. Operating Expenses

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

7.17. Administrative Expenses

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

7.17.1. 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 and as allowed by the carve-out in NFRS with alternative treatments issued by the ASB on 20th November, 2019.

7.18. Human Resources Expenses

Human Resources Expenses are the remuneration and benefits availed to staff as per NCHL Employee's Service Rules (September 2018), NCHL Human Resource Plan (September 2018) and prevailing Labor Act/Bylaw.

7.18.1. Remuneration and Benefits

Remuneration and Benefits for the employee are guided by NCHL Employee's Service Rules and NCHL Human Resource Plan.

7.18.2. Provident Fund

Provident Fund contributory scheme are accounted on monthly basis to the approved retirement fund equal to 10% of the basic salary of eligible employee. Such expenses are charged directly to the Statement of Profit or Loss. 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. Provident Fund is the defined contribution plan. Hence, the company does not hold any future obligations once the contributions have been made.

7.18.3. Gratuity/ Superannuation Benefit and Leave

Gratuity Expenses are accounted for 8.33% of basic salary of all the employee. The scheme is a defined contribution plan. Therefore, the company does not hold any future obligations once the contributions have been paid. Whereas, expenses recognized for Superannuation Benefit and accumulated leave are due to the defined benefit plans, where the future obligations of the company are not certain. The superannuation benefit and leave expenses are accounted as per the actuarial valuation of the benefits.

7.18.4. Other Benefits

Other Benefits and facilities, including mobile expense reimbursement, fuel expense reimbursement, late shift allowance, vehicle facility option (VFO) and festive (Dashain) allowance, are recognized in the books of accounts as per NCHL Employee's Service Rules, NCHL Human Resource Plan and employment contract. Other Benefits also includes the current period cost of fair value loss computed for Staff Advances (loan to employee) 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.

Festive Allowance is one month's basic salary provided to the eligible employee.

7.19. Grant Project

NCHL has entered into an agreement with UKaid, Sakchyam Access to Finance under Sakchyam Challenge Fund (SCF) with effect from 3rd May 2019 for the implementation of the project titled "Promoting e-payments, establishing National Payments Interface (NPI) and extending Settlement Guarantee Fund (SGF)". The accounting of the SCF project is done as per NAS 20 - Government Grants following the income approach, where the assets are reflected in the Statement of Financial Position and expenses are reflected in the Statement of Profit or Loss in their deducted values.

7.20. 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.

8. Schedules of Explanatory Information to Financial Statements

Following explanatory information relating to figures presented in the Statement of Financial Position and Statement of Profit or Loss are presented in this section.

8.1. Cash & Bank Balances

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Civil Bank Ltd.	9,193	8,024
Global IME Bank Ltd.	248,673	798,792
Goodwill Finance Ltd.	8,214	132,089
Guheshwori Merchant Banking & Finance Ltd.	1,326,581	1,356,343
Himalayan Bank Ltd.	6,584	6,584
ICFC Finance Ltd.	608,632	1,077,401
Jyoti Bikash Bank Ltd.	827,865	604,591
Kumari Bank Ltd.	14,027	4,458,442
Laxmi Bank Ltd.	9,770	10,227
Machhapuchhre Bank Ltd.	156,596	302,903
Mega Bank Nepal Ltd.	1,270,391	949,856
Muktinath Bikas Bank Ltd.	530,795	275,833
Nabil Bank Ltd.*	66,900	66,101
NCC Bank Ltd.	15,565	15,565
Nepal Rastra Bank	5,000	5,000
NIC Asia Bank Ltd.	3,560,983	4,361,411
NMB Bank Ltd.	1,169,300	827,208
Prabhu Bank Ltd.	3,362,280	44,376
Prime Commercial Bank Ltd.	673,442	365,353
Sanima Bank Ltd.	2,540,171	4,174,403
Shangri-la Development Bank Ltd.	1,564,866	334,833
Siddhartha Bank Ltd.	274,346	2,754,103
Sunrise Bank Ltd.	607,969	-
Total	18,858,143	22,929,437

*Cash & Bank Balances at United Finance Ltd. is shown as Nabil Bank Ltd. after its merger.

8.2. Cash Equivalents

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
FD - Goodwill Finance Ltd.	18,000,000	11,000,000
FD - ICFC Finance Ltd.	5,000,000	5,000,000
FD - Jyoti Bikash Bank Ltd.	5,000,000	5,000,000
FD - Kumari Bank Ltd.	-	10,000,000
FD - Mega Bank Nepal Ltd.	-	15,000,000
FD - Muktinath Bikas Bank Ltd.	10,000,000	-
FD - NIC Asia Bank Ltd.	25,000,000	-
FD - NMB Bank Ltd.	15,000,000	5,000,000
FD - Prime Commercial Bank Ltd.	5,000,000	-
FD - Sanima Bank Ltd.	-	10,000,000
FD - Shangri-la Development Bank Ltd.	-	6,000,000
Total	83,000,000	67,000,000

8.3. Inventories

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Fuel Storage	106,960	63,350
Total	106,960	63,350

8.4. Other Assets

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Member Receivables (Direct and Indirect)	52,595,332	1,740,159
Interest Receivable	3,502,991	2,599,065
Prepaid Expenses	14,066,485	13,614,686
Deposits	940,633	745,101
Staff Advances	314,689	891,539
Deferred Other Benefits	22,067	105,161
SCF Grant Receivable	8,531,560	4,445,532
Other Advances	1,498,316	2,034,566
Total	81,472,072	26,175,810

8.5. Investments

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Investments measured at amortized cost		
Opening Balance	637,249,000	444,474,000
Addition/disposal during the year	204,855,000	192,775,000
Net amortization changes during the year	-	-
Adjustment/transfer	-	-
Total	842,104,000	637,249,000

8.5.1 Investment Concentration as per Investment Policy

Concentration exposure towards counterparties and maturity profile is as follows:

Particulars	Cash & Bank Balances	Cash Equivalents (≤ 3 Mths)	Short Term Investment (3-12 Mths)	Long Term Investment (> 12 Mths)	Total	%
Nepal Rastra Bank	5,000	-	-	-	5,000	0%
Commercial Banks	13,986,191	45,000,000	462,500,000	81,604,000	603,090,191	64%
Development Banks	2,923,526	15,000,000	153,000,000	-	170,923,526	18%
Finance Companies	1,943,427	23,000,000	145,000,000	-	169,943,427	18%
Total	18,858,143	83,000,000	760,500,000	81,604,000	943,962,143	100%

8.5.2. Details of Investments

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Details of Investments in Debentures	61,604,000	25,249,000
Debenture-Agricultural Development Bank Ltd.	6,275,000	6,275,000
Debenture-Global IME Bank Ltd.	8,974,000	8,974,000
Debenture-Nepal Investment Bank Ltd.	19,316,000	-
Debenture-NIC Asia Bank Ltd.	10,000,000	10,000,000
Debenture-Rastriya Banijya Bank Ltd.	7,285,000	-
Debenture-Siddhartha Bank Ltd.	9,754,000	-
Details of Investments in Fixed Deposits	780,500,000	667,000,000
FD - Global IME Bank Ltd.	10,000,000	40,000,000
FD - Goodwill Finance Ltd.	35,000,000	5,000,000
FD - Guheshwori Merchant Banking & Finance Ltd.	78,000,000	54,500,000
FD - ICFC Finance Ltd.	32,000,000	42,000,000
FD - Jyoti Bikash Bank Ltd.	44,000,000	49,500,000
FD - Kumari Bank Ltd.	-	45,000,000
FD - Laxmi Bank Ltd.	20,000,000	40,000,000
FD - Machhapuchchhre Bank Ltd.	21,500,000	46,000,000
FD - Mega Bank Nepal Ltd.	113,000,000	29,000,000
FD - Muktinath Bikas Bank Ltd.	23,000,000	37,000,000
FD - NIC Asia Bank Ltd.	66,000,000	23,500,000
FD - NMB Bank Ltd.	60,000,000	40,500,000
FD - Prime Commercial Bank Ltd.	50,000,000	40,000,000
FD - Sanima Bank Ltd.	110,000,000	30,000,000
FD - Shangri-la Development Bank Ltd.	86,000,000	35,000,000
FD - Siddhartha Bank Ltd.	10,000,000	55,000,000
FD - Sunrise Bank Ltd.	22,000,000	55,000,000
Total	842,104,000	692,249,000

8.6. Current Tax Assets

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Advance Income Tax	89,434,017	66,014,873
Provision for Income Tax	(85,844,570)	(62,139,433)
Current Tax Assets/(Liabilities)	3,589,448	3,875,441

8.7. Settlement Guarantee Fund Deposits

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Settlement Guarantee Fund Deposits (NCHL)	143,576,349	140,523,852
Settlement Guarantee Fund Account		
Opening Balance	450,523,852	50,050,029
Add: Contribution during the period (NCHL)	3,052,498	90,473,823
Add: Contribution during the period (Members)	420,000,000	420,000,000
Less: Deduction during the period (NCHL)	-	-
Less: Deduction during the period (Members)	(120,000,000)	(110,000,000)
Closing Balance	753,576,349	450,523,852
Less: Settlement Guarantee Fund Liability (NCHL)	(143,576,349)	(140,523,852)
Less: Settlement Guarantee Fund Liability (Members)	(610,000,000)	(310,000,000)
Total	143,576,349	140,523,852

8.7.1 Settlement Guarantee Fund Liabilities

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Settlement Guarantee Fund - Grant SCF	60,000,000	60,000,000
Total	60,000,000	60,000,000

8.8 Property, Plant & Equipment, Intangible Assets and WIP Projects

Particulars	Data Centre Assets	Office Equipment	Vehicle	Other Fixed Assets	Total Tangible Assets	Intangible Assets	Total Assets	WIP Project
Cost Price				-	-			
Opening Balance	129,171,311	13,671,411	8,067,426	50,912	150,961,061	116,466,528	267,427,588	3,928,007
Addition during the Period	21,746,724	4,805,290	-	-	26,552,014	11,250,903	37,802,917	9,955,104
Deletion during the Period/ Early Period	(244,239)	(196,711)	-	-	(440,950)	-	(440,950)	(8,669,691)
Total	150,673,797	18,279,990	8,067,426	50,912	177,072,125	127,717,430	304,789,556	5,213,419
Accumulated Depreciation								
Opening Balance	72,988,093	8,115,227	3,258,053	42,147	84,403,521	73,766,079	158,169,599	-
For the Period	17,967,488	1,959,257	1,185,889	2,730	21,115,364	16,657,910	37,773,274	-
Deletion during the Period	(240,772)	(196,711)	-	-	(437,483)	-	(437,483)	-
Total Accumulated Depreciation	90,714,809	9,877,774	4,443,942	44,877	105,081,402	90,423,988	195,505,390	-
WDV as on 31 Asadh 2078	59,958,987	8,402,217	3,623,484	6,035	71,990,723	37,293,442	109,284,165	5,213,419
WDV as on 31 Asadh 2077	56,238,588	5,500,815	4,809,373	8,765	66,557,540	42,700,449	109,257,989	3,928,007

8.9 Deferred Tax

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Deferred Tax Assets	403,884	-
Deferred Tax Liabilities	-	(665,060)
Deferred Tax Assets/(Liabilities)	403,884	(665,060)

8.9.1 Details of Deferred Tax

Particulars	Accounting Base	Tax Base	Temporary Difference	Deferred Tax Assets/(Liabilities)
Deferred Tax through SOPL items				-
Fixed Assets	109,284,165	103,117,013	6,167,153	(1,541,788)
Provision for Superannuation Benefits	3,229,525	-	3,229,525	807,381
Provision for Leave	5,032,973	-	5,032,973	1,258,243
Closing Deferred Tax Assets/(Liabilities)				523,836
Opening Deferred Tax Assets/(Liabilities)				(470,347)
Deferred Tax expense/(income) through Statement of Profit or Loss				(994,183)
Deferred Tax through SOCI items				
Actuarial Gain/(Loss)	(299,044)	-	(299,044)	(74,761)
Opening Deferred Tax Assets/(Liabilities)				(194,713)
Closing Deferred Tax Assets/(Liabilities)				(119,952)
Deferred Tax expense/(income) through Statement of Other Comprehensive Income				(74,761)
Total Deferred Tax Assets/(Liabilities) for this year				403,884

8.10. Provisions

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Provision for Superannuation Benefits	8,414,631	5,985,804
Less: Superannuation Investment Fund	(5,185,106)	(3,898,204)
	3,229,525	2,087,600
Provision for Gratuity	4,358,680	2,580,244
Less: Gratuity Investment Fund	(4,358,680)	(2,580,244)
	-	-
Provision for Leave Accumulation	5,032,973	3,411,981
Provision for Staff Bonus	37,701,539	27,407,317
Total	45,964,036	32,906,898

8.11. Other Liabilities

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Accounts Payable	9,457,295	9,294,366
TDS Payable	1,410,118	1,409,515
Sundry Creditors	17,394,662	7,597,973
Advance Incomes	50,315,608	44,339,929
Total	78,577,683	62,641,783

8.11.1 Details of the Advance Incomes

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Login Id Fee	22,448,071	19,920,906
Network and Connectivity Management	3,944,155	3,587,560
Membership Renewal Fee	4,283,854	4,612,215
Software AMC Fee	5,863,021	6,125,150
NCHL-IPS/NPI Subscription Fee	11,175,904	9,717,379
NCHL-IPS/connectIPS Creditor Listing	300,603	376,720
connectRTGS Annual Fee	2,300,000	-
Total	50,315,608	44,339,929

8.12. Share Capital

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Authorized Capital		
5,000,000 Ordinary Shares of NRs. 100/- each	500,000,000	500,000,000
Issued Capital		
4,113,504 Ordinary Shares of NRs. 100/- each	411,350,400	298,080,000
Subscribed Capital		
4,113,504 Ordinary Shares of NRs. 100/- each	411,350,400	298,080,000
Paid up Capital		
4,113,504 Ordinary Shares of NRs. 100/- each	411,350,400	298,080,000
Less: Calls in Arrears	-	-
Deposit for Share	-	-
Bonus Share	-	-
Total	411,350,400	298,080,000

The changes in the Share Capital are due to the bonus shares distributed during the last fiscal year 2077/78.

8.13 Reserve & Surplus

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Technology Enhancement Reserve	213,003,167	162,110,475
Opening Balance	162,110,475	125,110,287
Transfer during the Period	50,892,693	37,000,188
Land & Building Reserve	85,880,890	60,434,544
Opening Balance	60,434,544	41,934,449
Transfer during the Period	25,446,346	18,500,094
Cyber Risk Reserve	1,272,317	-
Opening Balance	-	-
Transfer during the Period	1,272,317	-
Reserve for Actuary Gain/(Loss)	359,855	584,138
Opening Balance	584,138	-
Transfer during the Period	(224,283)	584,138
General Reserve & Surplus	391,200,094	333,579,988
Opening Balance	333,579,988	290,479,329
Less: Bonus Share Capital	(113,270,400)	(82,080,000)
Less: Cash Dividend	(5,961,600)	(4,320,000)
Transfer during the Period	176,852,106	129,500,659
Total	691,716,323	556,709,144

8.14 Operating Income

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
ECC Transaction Fees - NPR	479,482,832	106,676,475
ECC Transaction Fees - USD	99,480	584,625
ECC Transaction Fees - EUR	16,575	20,075
ECC Transaction Fees - GBP	20,805	17,725
ECC Transaction Fees - Express	100,481,700	142,155,000
ECC Transaction Fees - Archive	1,244,600	1,047,529
ECC Transaction Fees - High Value	60,800	22,400
ECC Other Fees & Charges	25,643,128	19,304,278
IPS Transaction Fees - NPR	58,819,764	32,059,159
IPS Transaction Fees - USD	17,910	41,100
IPS Transaction Fees - EUR	180	285
IPS Transaction Fees - GBP	500	390
IPS Other Fees & Charges	105,298	15,323
connectIPS Income	162,799,875	12,508,095
Less: connectIPS Revenue Sharing	(81,399,939)	(6,317,641)
Net connectIPS Income	81,399,936	6,190,454
connectRTGS Annual Fee	2,482,740	-
Membership Fee	93,750	50,000
Membership Renewal Fee	8,484,610	9,125,186
Software AMC Fee	10,555,879	10,949,332
NCHL-IPS/NPI Subscription Fee	21,364,295	19,024,038
NCHL-IPS/connectIPS Creditor Listing	486,117	342,904
Login ID Fee	31,066,085	27,734,570
Network Connectivity & Management Fee	7,706,446	7,148,568
Total	479,482,832	382,509,416

8.15 Operating Expenses

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
AMC for ECC Software - NCHL	8,395,185	8,137,542
AMC for ECC Software - BFIs	33,580,742	32,550,170
AMC for IPS Software	4,532,458	4,408,704
AMC for Oracle	9,367,156	4,769,070
AMC & Renewal - Network/Firewall	1,839,795	2,270,170
Network & Data Connectivity Charges	4,364,452	4,060,708
AMC Expenses - Hardware	3,670,024	2,220,315
AMC Expenses - Internal S/w & H/w	1,770,407	1,435,940
Direct Expenses (SMS+Bulk Email)	6,631,579	2,372,886
Less: SCF Project Contribution	(2,779,981)	(1,124,318)
DR Site Expenses	1,736,120	1,814,090
Member Training/Orientation Expenses	7,873	1,403,488
Less: SCF Project Contribution	-	(647,796)
Total	73,115,810	63,670,968

Note: 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.

8.16 Administrative Expenses

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Advertisement & Public Notice	163,981	370,406
AGM Expenses	365,754	683,478
Audit Expenses (Internal/External/ISO)	598,657	516,545
Bank Commission	43,791	38,781
Books and Subscription Expenses	35,554	36,713
Business Promotion Expenses	13,353,205	65,951,523
Less: SCF Project Contribution	(5,289,179)	(32,963,727)
Common Area & Parking Expenses	820,235	598,583
Consultancy Fee	77,150	147,890
Courier Expenses	55,961	52,989
Donation	-	1,700,000
Electricity Expenses	1,835,613	1,752,416
Fine & Penalties	1,375	-
Fuel Expenses	234,775	264,445
Insurance Expenses	583,108	555,813
Legal Fee	79,100	50,850
Local Conveyance	10,853	34,949
Loss on Disposal of Fixed Assets	-	1,321
Meeting Allowance & Expenses	1,200,744	1,201,480
Office Expenses	813,034	754,525
Other Expenses	159,843	121,604
Outsource Staff Expenses	1,889,421	1,938,762
Printing & Stationery	101,363	212,237
Registration & Renewal	81,950	83,907
Rent - Building	3,853,045	3,150,392
Repair & Maintenance	247,095	394,123
Telephone Expenses	321,896	201,323
Travelling Expenses	96,743	238,530
Website Development / Hosting Expenses	1,693	1,693
Total	21,736,760	48,091,550

8.16.1 Lease Expenses

Lease Category	Lease Rental Expenses	Lease Period (in B.S.)	Inflationary Incremental Rate
Rent - Head Office	1,207,650	2077/09/01 to 2087/08/30	5% p.a
Rent - Operations Office	2,645,395	2074/06/17 to 2084/06/16	8% p.a
DR Rental Charges	650,000	2073/01/01 to 2077/12/30	10% (every two years)
Total	4,503,045		

Note: All lease agreements are cancellable with 90 days' notice period.

8.17 Human Resources Expenses

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Staff - Salary & Allowance Expenses	31,635,137	28,205,822
Staff - Provident Fund Contribution	2,261,599	1,978,859
Staff - Performance Based Variable Incentives	1,833,034	-
Staff - Festive Allowance	1,837,862	1,365,942
Staff - Gratuity/Superannuation Benefit	4,014,177	5,366,151
Staff - Leave	1,828,963	2,084,019
Staff - Leave Fare Allowance	288,000	288,000
Staff - Other Benefits	3,084,050	2,053,133
Staff - Training Expenses	201,035	416,263
Staff - HR Activity	486,760	464,108
Less: SCF Project Contribution	-	(7,180,282)
Less: Capitalization - Product Development	(7,780,049)	(2,858,520)
Total	39,690,567	32,183,495

8.18 Grant Project

Particulars	Asadh 31, 2078 (15 July 2021)	Asadh 31, 2077 (15 July 2020)
Opening SCF Project Grant Balance	(4,445,532)	24,544,248
Fund Received in the period	8,657,210	80,547,575
SCF Project		
8.18.1. Administrative Expenses	10,454,606	34,735,840
Other Project Expenses	-	-
Less: Grant Contribution	-	-
Programme Specific Expenses	18,523,766	70,328,168
Less: Grant Contribution	(8,069,160)	(35,592,328)
8.18.2. Human Resource Expenses	8,003,090	4,684,431
Human Resource Expenses	8,003,090	11,864,713
Less: Grant Contribution	-	(7,180,282)
8.18.3. Assets	4,674,077	6,764,745
Investment in Assets	9,348,154	13,529,490
Less: Grant Contribution	(4,674,077)	(6,764,745)
8.18.4. Settlement Guarantee Fund	3,052,498	60,473,823
Settlement Guarantee Fund	3,052,498	120,473,823
Less: Grant Contribution	-	(60,000,000)
Total Grant Contribution (B)	12,743,237	109,537,354
SCF Grant - Advance	(8,531,560)	(4,445,532)
NIC Asia Bank Ltd. - SCF Fund	-	-
Payable/(Receivable)	(8,531,560)	(4,445,532)

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

9. Disclosure and Additional Information

9.1. Related Party Disclosure

Following are the related party transactions.

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

1. 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 Asadh 2078 are NRs. 753,576,349 and NRs. 5,000 respectively.
2. The company has current account with Siddhartha Bank Ltd. (having 12.28% of equity) which was opened for NCHL's normal business operations. The current account balance as of the end of Asadh 2078 is NRs. 274,346. The company has fixed deposit investment amounting NRs. 10,000,000 and debenture amounting NRs. 9,754,000 in the bank. The fixed deposit and debenture are maturing on 11th Kartik 2078 (28th October 2021) and 26th Ashwin 2084 (12th October 2027) respectively.
3. The company has current account with Global IME Bank Ltd. (having 7.15% of equity), which was opened for NCHL's normal business operations. The current account balance as of the end of Asadh 2078 is NRs. 248,673. The company has fixed deposit investment amounting NRs. 10,000,000 and debenture amounting NRs. 8,974,000 in the bank. The fixed deposit and debenture are maturing on 10th Kartik 2078 (27th October 2021) and 28th Chaitra 2080 (10th April 2024) respectively.

9.1.2. Transaction with the banks represented on the Board

1. No transaction was entered with the banks represented on NCHL's Board except for fee and charges related to the normal business.
2. However, the investment in the form of fixed deposit and debenture in the banks having representation on the Board (i.e. Global IME Bank Ltd. and Siddhartha Bank Ltd.) were made prior to their representation in the Board.

9.1.3. Transaction with Board Members and Key Employee

1. Following are the members of the Board of Directors as on 31st Asadh 2078:
 - 1) Mr. Ram Bahadur Manandhar, Chairman Nepal Rastra Bank
 - 2) Mr. Ujjal Rajbhandary, Director Himalayan Bank Ltd.
 - 3) Mr. Mahesh Sharma Dhakal, Director Global IME Bank Ltd.
 - 4) Mr. Srijan Malla, Director Siddhartha Bank Ltd.
 - 5) Mr. Madhav Prasad Upadhyay, Director Garima Bikash Bank Ltd.
 - 6) Mr. Samaj Prakash Shrestha, Director Reliance Finance Ltd.
2. The members of Board, Audit Committee, HR Committee and other special Committee are provided NRs. 7,500 as the meeting allowance per sitting. In the fiscal year, the company incurred meeting allowances of NRs. 1,162,500 in total. The details of the Meeting allowances are given below:

S. No.	Meeting	Meeting Allowance
1.	Board Meeting	937,500
2.	Audit Committee Meeting	105,000
3.	HR Committee Meeting	75,000
4.	Other Special Committee Meeting*	45,000
Total		1,162,500

*Meeting expenses related to NPS project is transferred to WIP Projects.

3. The Chief Executive Officer during the fiscal year has been paid NRs. 5,760,000 as salary and allowances, NRs. 921,600 as other benefits including provident fund contribution, leave fare allowance and festive allowance. 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. 69,700 and mobile expenses of NRs. 20,081 during the fiscal year.
4. There were no transactions with the employees except as allowed by the NCHL Employee's Service Rules and NCHL Human Resource Plan.

9.2. Management Committee and Staff Welfare Committee

1. Following are the members of Management Committee as on 31st Asadh 2078:

- 1) Mr. Neelesh Man Singh Pradhan, Chief Executive Officer
- 2) Ms. Munni Rajbhandari, Chief Operating Officer, Member Secretary
- 3) Mr. Dilliman Singh Shakya, Chief Technology Officer
- 4) Mr. Bikash Saran, Chief Product & Innovation Officer
- 5) Mr. Vivek Giri, Head - Business Development
- 6) Mr. Chhabi Sapkota, Head - Payment Systems
- 7) Ms. Prajana Kayastha, Head - Risk & Compliance
- 8) Mr. Anesh Shrestha, Finance & Admin Officer

2. A Staff Welfare Committee was constituted in FY 2071/72 (2014/15) as per the Clause No. 47 of NCHL Employee Service Rules and is active during the current fiscal year that has the responsibility to improve working environment, handle grievances, address employee's health & safety, utilization & operation of staff welfare fund and to coordinate various HR related activities & functions. The Committee comprises of the following members:

- 1) Ms. Munni Rajbhandari, Chief Operating Officer, Chairman
- 2) Mr. Anesh Shrestha, Finance & Admin Officer, Member Secretary
- 3) Ms. Swosti Ranabhat, Helpdesk Support Incharge, Member

9.3. Grant Project

This relates to Sakchyam Challenge Fund (SCF) Grant Project that aims to extend market infrastructure for an integrated mobile and web-based payment services to 300,000 bank customers and 150 SME/Corporates with addition of 26 Government/Semi-Government/Large Institutions within interoperable National Payments Interface (NPI) and 700 service providers (creditors) within digital payment ecosystem of *connectIPS* e-Payment, by the end of the project.

1. 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.
2. 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.
3. 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).

The project is extended till 31st July 2021 however, all the expenses related to the grant project has been recorded in the financial i.e. 15th July 2021 and there will not be further expenses in the project. The final utilization of the grant project as of the end of the fiscal year is presented as follows:

Particulars	Project Commitment		Project Utilization	
	NCHL	SCF Grant	NCHL	SCF Contribution
Sub Project 1-Marketing - Promotion/Orientation	48,423,435	47,278,086	48,470,233	47,278,086
Sub Project 2-Development and rollout of National Payments Interface (NPI)	31,418,969	22,487,729	31,238,243	22,041,853
Sub Project 3-Contribution in Settlement Guarantee Fund (SGF)	60,887,652	60,000,000	63,553,634	60,000,000
Total	140,730,056	129,765,815	143,262,110	129,319,939

9.4. 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 a 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:

9.4.1. 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 casualty 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.
3. *connectIPS* e-Payment, *connectIPS* Integration components, National Payments Interface (NPI) *connectRTGS* and *CORPORATEPAY* system are in-house developed by NCHL, which may carry additional software development related risks. Hence, vulnerability assessment and penetration testing (VAPT) are usually performed from 3rd party service providers for major developments and/or changes thereon as a part of the information security (IS) assessments.

9.4.2. 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. One full drill was conducted during the FY 2077/78.
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.
4. NCHL Business Continuity Plan & Disaster Recovery Plan during the COVID-19 lockdown was activated in the FY 2077/78 that covered human resource management, business & operational processes and infrastructure operations in order to prevent the risk of NCHL's premise becoming node of transmission and keep NCHL's services intact.

9.4.3. General Business Risk

1. General business risk refers to any potential impairment of 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, Government or regulatory policy changes, 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 of the 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 high business risk. Pressure on pricing on various systems of NCHL still exist, in spite of it being the lowest amongst other PSPs/PSOs. It is one of the major business risks for its sustainability in long run.
4. NCHL has been taking a policy to establish multiple payment systems by reinvesting into national payment infrastructures with the revenue or cash flow generated from already implemented systems and in anticipation of business growth of the existing systems. However, the existing COVID-19 situation with extended lockdowns may largely impact NCHL's business risk. With the transaction fee revision implemented from the beginning of this fiscal year, and it being the main source of revenue for NCHL, any further impact may largely increase the risk of NCHL causing inability to upgrade infrastructure, risk management and to support other new payment systems.

5. NCHL has obtained a principle approval from NRB to establish and operate National Payment Switch (NPS), which is expected to be one of the major projects for NCHL, requiring sizable investments from its reserves. The project is currently under implementation with target to rollout one of the sub-projects in the initial phase. Possibility of not being able to realize cost benefit from the NPS project, whatsoever the reason may be, it may heavily increase NCHL's business and financial risk. So, NPS project is being planned and executed closely with NRB, BFI and other stakeholders.

9.4.4. 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 and *connectIPS* e-payment systems, 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. And the members are provided with facility to monitor their settlement positions in the system.
2. As a last resort to cover the liquidity and settlement risk in 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 shortfall for a particular member. The finality of payments in NCHL-ECC and NCHL-IPS are defined after the settlement.
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 Nostro settlement. So, 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 for *connectIPS* e-Payment system. The contribution for the SGF made by NCHL and the participating banks are held at NCHL SGF Account at Nepal Rastra Bank.
4. A potential liquidity risk that NCHL may face is insufficiency of liquid funds to meet its financial obligations for its normal business operations and enhancements. 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.

9.4.5. 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(s), whereas annual fees are recovered from such members, which may partly increase the credit cycle.

9.4.6. 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 in addition to quarterly internal audits and statutory audits.

9.4.7. 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. It may also arise from the possibility of any undue event occurring at NCHL. NCHL, being an operator of systemically important payment systems (SIPS) in Nepal, any short-term decisions imposed or indecisiveness thereof may trigger systemic risk with severe repercussion on the payments eco-system. NCHL has been working closely with Nepal Rastra Bank and with the participating member BFIs to avoid likelihood of any events that may result into systemic risk.

9.4.8. 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, internal 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.

9.5. Impact due to COVID-19

1. NCHL's payment system related services being the essential services, they were in operations during the COVID-19 lockdown period also. However, due to the lockdown, the transactions for NCHL-ECC and NCHL-IPS were reduced. NCHL-ECC Express sessions were non-operational from 1st Shrawan 2077 (16th July 2020) till 10th Magh 2077 (23rd January 2021), due to the limited mobility and service hours during the lockdown period.
2. The impact of COVID-19 is expected to continue for the FY 2078/79 due to possible reduction in the economic activities. The major impact of COVID-19 in FY 2077/78 was reduction of NCHL's ECC Express revenue by 29% compared to last fiscal year. However, considering the company's current position and in absence of the material uncertainties for the next 12 months, the financial statement has been prepared on a going concern basis.
3. Other COVID-19 impact on the asset's impairment, provisions & contingencies and payment & receipt of the financial instruments are highly unlikely. Hence, adjustments due to COVID-19 have not been considered in the preparation of the financial statement.

9.6. Legal Case

A court case dated 12th Magh 2076 was filed at Supreme Court of Nepal against Nepal Rastra Bank, Government of Nepal, Office of the Prime Minister and Council of Ministers, Ministry of Finance with NCHL as one of the defendants, related to the licensing to payment service providers, payment system operators and also NRB's investment in one of the licensed entity. The case is still active and under consideration of the court.

9.7. Profit Appropriation

9.7.1. Appropriation of Profit

Appropriation of Profit for Technology Enhancement Reserve, Land & Building Reserve, Cyber Risk Reserve and General Reserve & Surplus are defined under 8.13 Reserve & Surplus.

9.7.2. Proposed Dividend and Bonus Share

1. The Board of Directors has proposed 38% of Bonus Shares (equivalent to 1,563,132 units of shares rounded for the decimal figure) and 2% of Cash Dividend for tax purpose (amounting to NRs. 8,227,011) from the Profit of the FY 2077/78, subject to final approval in the forthcoming Annual General Meeting. Proposed Bonus shares equivalent are not adjusted in the financial statements.

The increase in paid-up capital is intended to support investments in the infrastructures and risk managements of existing payment & settlement systems and for establishment of additional national payment systems.

ANNUAL GENERAL MEETING NOTICE

दशौं वार्षिक साधारण सभा सम्बन्धी सूचना

श्री शेयरधनी महानुभावहरू,
यस कम्पनीको सञ्चालक समितिको मिति २०७८/०९/०५ मा बसेको १८५ औं बैठकको निर्णय बमोजिम यस कम्पनीको दशौं वार्षिक साधारण सभा देहाय बमोजिमका 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 : २०७८ साल पुष महिना २८ गते बुधबार (तदनुसार 12th January 2022, Wednesday)

स्थान : होटल न्याडिसन, लाजिम्पाट, काठमाडौं।

समय : दिउँसो १२:१५ बजे

छलफल गर्ने विषयहरू :-

क. साधारण प्रस्ताव:

१. सञ्चालक समितिको आ.व. २०७७/७८ को प्रतिवेदन पारित गर्ने।
२. लेखा परीक्षण प्रतिवेदन सहितको २०७८ आषाढ मसान्त सम्मको वासलात तथा सोही मितिमा समाप्त आ.व. २०७७/७८ को नाफा नोक्सान हिसाब तथा नगद प्रवाह विवरण स्वीकृत गर्ने।
३. सञ्चालक समितिले प्रस्ताव गरे बमोजिम २ प्रतिशत नगद लाभांश (रु. ८२,२७,०११) बोनस शेयरको कर प्रयोजनका लागि स्वीकृत गर्ने।
४. आ.व. २०७८/७९ को लागि लेखा परीक्षकको नियुक्ति तथा निजको पारिश्रमिक निर्धारण गर्ने। (वर्तमान लेखा परीक्षक श्री एम. बि. श्रेष्ठ एण्ड कम्पनी पुनः नियुक्त हुन योग्य रहनु भएकोले लेखा परीक्षण समितिबाट पुनः नियुक्तिको निमित्त सिफारिस भएको।)
५. कम्पनीको नियमावली अनुसार समूह “ख-२” र “ख-३” का शेयरधनीको तर्फबाट सञ्चालक समितिमा प्रतिनिधित्व गर्ने एक एक जना सञ्चालकको निर्वाचन गर्ने।

ख. विशेष प्रस्ताव:

१. सञ्चालक समितिले प्रस्ताव गरे बमोजिम ३८ प्रतिशत बोनस शेयर (दशमलबलाई राउन्ड गर्दा हुन आउने १५,६३,१३२ कित्ता) स्वीकृत गर्ने तथा सोही बमोजिम चुक्ता पूँजी बृद्धि गर्न प्रबन्धपत्रको संशोधन स्वीकृत गर्ने।
२. कम्पनीको अधिकृत पूँजी बृद्धि गरि रु. १ अरब पुर्‍याउन स्वीकृत गर्ने। अधिकृत पूँजी बृद्धि गर्न र बोनस शेयर बराबर चुक्ता पूँजी बृद्धि गर्न प्रबन्धपत्रको संशोधन स्वीकृत गर्ने।
३. 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 सम्बन्धी अन्य जानकारी

- (१) शेयरधनीज्यूहरूको ठेगानामा हुलाक/कुरियरबाट पठाइने वार्षिक साधारण सभाको प्रतिवेदन यस कम्पनीको वेबसाइट 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 मिलाइएको छ।
- (३) सभामा उपस्थित हुने शेयरधनी कम्पनीको प्रतिनिधित्व गर्ने आधिकारिक पत्र साथमा लिई आउनुहुन अनुरोध छ। कथम कदाचित् सो सम्भव नभए शेयरधनी 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 मुकदर गर्ने भएमा सोको लिखित सूचना सोही अवधिभित्र कम्पनीको केन्द्रीय कार्यालयमा दर्ता गरिसक्नुपर्नेछ।
- (५) शेयरधनीज्यूहरूको सुविधाको लागि हाजिरी पुस्तिका सभास्थलमा सभा हुने दिन दिउँसो १२:०० 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. ०१-५९७००६५

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प्रोक्सी फाराम

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

विषय : प्रतिनिधि नियुक्ति गरेको बारे ।

महाशय,

.....जिल्ला.....न.पा./गा.वि.स. वडा नं.....बस्ने म/हामीले त्यस कम्पनीको शेयरधनीको हैसियतले २०७८ साल पुष महिना २८ गते बुधबारका दिन हुने दशौं वार्षिक साधारणसभामा स्वयंम उपस्थित भई छलफल तथा निर्णयमा सहभागी हुन नसक्ने भएको ले उक्त सभामा भाग लिन तथा मतदान गर्नका लागि न.पा./गा.वि.स. वडा न.
बस्ने त्यस कम्पनीका शेयरधनी श्रीशेयर प्रमाणपत्र 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:-

द्रष्टव्यः यो निवेदन साधारणसभा हुनुभन्दा कम्तीमा ४८ घण्टा अगावै कम्पनीको रजिस्टर्ड कार्यालयमा पेश गरिसक्नु पर्नेछ ।