



Realizing Interoperability  
with National Payment Infrastructures

# ANNUAL REPORT

FY 2078-79 (2021-22)

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

# NEPAL CLEARING HOUSE LTD.

राष्ट्रिय भुक्तानी पूर्वाधार विकासमा प्रतिबद्ध



 **ECC**  
Electronic Cheque Clearing  
चेकबाट कारोबार गरौं

 **IPS**  
Interbank Payment System  
सरल भुक्तानीको माध्यम

 **connect IPS**  
pay direct from bank

 **connect RTGS**

 **NPI**  
NATIONAL PAYMENTS INFRASTRUCTURE

 **CORPORATE PAY**  
Business Payments Platform

 **NPS**  
National Payment Switch  
Unifying Payments for Nepal

 **NEPAL PAY**

# TABLE OF CONTENTS

<b>01 OVERVIEW</b>	<b>2</b>	<b>05 GOVERNANCE &amp; RISK MANAGEMENT</b>	<b>42</b>
CORPORATE PROFILE	2	CORPORATE GOVERNANCE	42
VISION, MISSION & CORE VALUES	3	THE BOARD OF DIRECTORS	43
MAJOR MILESTONES	8	AUDIT COMMITTEE	44
FINANCIAL HIGHLIGHTS	9	HR COMMITTEE	45
OPERATIONAL HIGHLIGHTS	11	MEETING EXPENSES	46
MESSAGE FROM CHAIRMAN	12	SHAREHOLDERS COMMUNICATION	46
CEO's STATEMENT	14	INTERNAL CONTROLS	46
BOARD OF DIRECTORS	16	ISO CERTIFICATION	47
MANAGEMENT TEAM	18	RISK MANAGEMENT	48
		BUSINESS CONTINUITY PLAN ACTIVATION	49
<b>02 PRODUCTS AND SERVICES</b>	<b>20</b>	<b>06 MARKET ANALYSIS</b>	<b>50</b>
NCHL ELECTRONIC CHEQUE CLEARING (ECC)	20		
INTERBANK PAYMENT SYSTEM (IPS)	21	<b>07 HUMAN RESOURCES</b>	<b>52</b>
NATIONAL PAYMENT SWITCH (NPS)	22	ORGANIZATIONAL STRUCTURE	52
RETAIL PAYMENT SWITCH (RPS)	23	KEY HUMAN RESOURCE INDICATORS	52
NATIONAL PAYMENTS INTERFACE (NPI)	24	RECRUITMENT PROCESS	53
connectRTGS SYSTEM	25	REMUNERATION AND BENEFITS	53
CORPORATEPAY SYSTEM	25	STAFF TRAINING & DEVELOPMENT	53
NATIONAL ARCHIVE SYSTEMS	25	STAFF WELFARE COMMITTEE	54
		STAFF HEALTH AND INSURANCE	54
<b>03 FINANCIAL REVIEWS</b>	<b>26</b>	STAFF LEAVE	54
REPORTING PRONOUNCEMENTS	26		
SNAPSHOT OF LAST 5 YEARS PERFORMANCES	26	<b>08 FINANCIAL AND RELATED INFORMATION</b>	<b>58</b>
PERFORMANCE OF CURRENT YEAR	26	DIRECTOR'S REPORT AND DISCLOSURE	58
FINANCIAL RATIOS	29	AUDITED FINANCIAL STATEMENTS	64
VALUE GENERATION AND DISTRIBUTION	31	NRB APPROVAL OF THE AUDITED FINANCIALS	64
		INDEPENDENT AUDITOR'S REPORT	65
<b>04 OPERATIONAL REVIEW</b>	<b>32</b>	NOTES TO FINANCIAL STATEMENTS	73
GON FACILITATION THROUGH NCHL SYSTEMS	32	ANNUAL GENERAL MEETING NOTICE	95
NCHL MEMBERS	33	PROXY FORM	96
NCHL-ECC SYSTEM	34		
NCHL-IPS SYSTEM	36		
RPS (connectIPS)	38		
NATIONAL PAYMENTS INTERFACE (NPI)	40		
CORPORATEPAY	40		
connectRTGS	41		
NCHL-HELPDESK	41		
MEMBER TRAININGS AND ORIENTATIONS	41		

# 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

DD Plaza, Shanta Marg,  
Kamaladi, Kathmandu, Nepal  
Tel: +977-1-5970065  
Toll Free number: 16600155306 (NTC) | +977- 9801528400 (NCELL)  
Email: support@nchl.com.np

### Legal Form

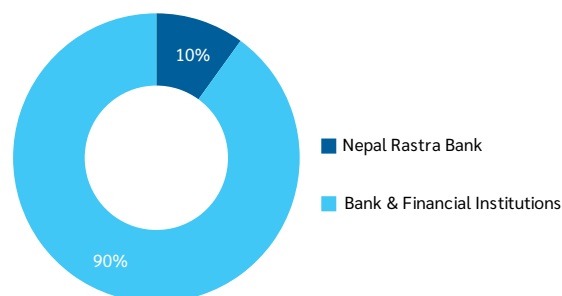
Incorporated as a Public Limited company under the sub section 1 of Section 5 of Companies Act, 2063 (First Amendment 2074) on 8<sup>th</sup> Poush 2065 (23<sup>rd</sup> December 2008).

### Licenses/Certifications

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

### IS Auditor

Bizserve IT Pvt. Ltd.  
Dillibazar, Kathmandu, Nepal  
Tel: +977-1-4413535

### 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 2078/79 (2021/22). NCHL has applied 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

Our Vision:

‘To be a leading provider of electronic payment and settlement services’



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.

NCHL's core values are:

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

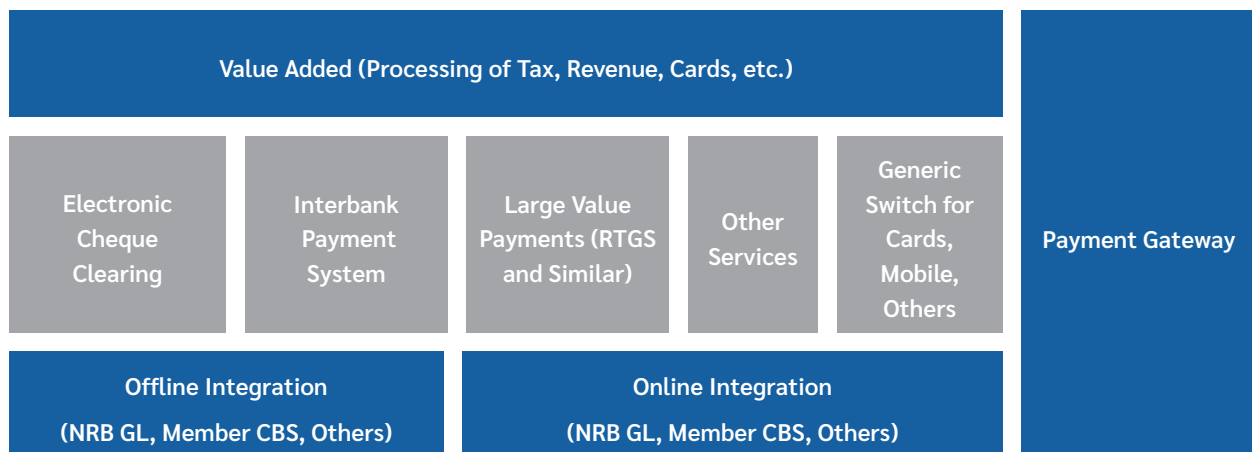
### Our Commitment and Code of Conduct Principles

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 2079

S.N.	Name of Shareholders	No. of Shares	Value in NPR
<b>Group 'A' Shareholders</b>			
1	Nepal Rastra Bank	567,663	56,766,300
<b>Group 'B' Shareholders</b>			
2	Agricultural Development Bank Ltd.	17,440	1,744,000
3	Bank of Kathmandu Ltd.	202,525	20,252,500
4	Century Commercial Bank Ltd.	80,861	8,086,100
5	Citizens Bank International Ltd.	123,291	12,329,100
6	Civil Bank Ltd.	194,154	19,415,400
7	Everest Bank Ltd.	94,610	9,461,000
8	Global IME Bank Ltd.	405,796	40,579,600
9	Himalayan Bank Ltd.	94,610	9,461,000
10	Kumari Bank Ltd.	198,809	19,880,900
11	Laxmi Bank Ltd.	98,394	9,839,400
12	Machhapuchchhre Bank Ltd.	94,610	9,461,000
13	Mega Bank Nepal Ltd.	132,330	13,233,000
14	Nabil Bank Ltd.	107,912	10,791,200
15	Nepal Bangladesh Bank Ltd.	94,610	9,461,000
16	Nepal Bank Ltd.	94,610	9,461,000
17	Nepal Credit & Commerce Bank Ltd.	156,227	15,622,700
18	Nepal Investment Bank Ltd.	202,525	20,252,500
19	Nepal SBI Bank Ltd.	94,610	9,461,000
20	NIC Asia Bank Ltd.	189,221	18,922,100
21	NMB Bank Ltd.	199,367	19,936,700
22	Prabhu Bank Ltd.	208,352	20,835,200
23	Prime Commercial Bank Ltd.	154,756	15,475,600
24	Rastriya Banijya Bank Ltd.	94,610	9,461,000
25	Sanima Bank Ltd.	87,140	8,714,000
26	Siddhartha Bank Ltd.	697,285	69,728,500
27	Standard Chartered Bank Nepal Ltd.	94,610	9,461,000
28	Sunrise Bank Ltd.	111,699	11,169,900
29	Excel Development Bank Ltd.	3,784	378,400
30	Garima Bikas Bank Ltd.	23,413	2,341,300
31	Jyoti Bikas Bank Ltd.	33,451	3,345,100
32	Kamana Sewa Bikas Bank Ltd.	23,183	2,318,300
33	Lumbini Bikas Bank Ltd.	90,128	9,012,800
34	Mahalaxmi Bikas Bank Ltd.	160,244	16,024,400
35	Miteri Development Bank Ltd.	17,836	1,783,600
36	Muktinath Bikas Bank Ltd.	11,355	1,135,500
37	Shangri-la Development Bank Ltd.	35,006	3,500,600
38	Shine Resunga Development Bank Ltd.	15,615	1,561,500
39	Best Finance Ltd.	76,638	7,663,800
40	Central Finance Ltd.	26,605	2,660,500
41	Crystal Finance Ltd.	3,784	378,400
42	Goodwill Finance Ltd.	72,854	7,285,400
43	Guheshwori Merchant Banking & Finance Ltd.	13,305	1,330,500
44	Gurkhas Finance Ltd.	3,784	378,400
45	Himalaya Finance Ltd.	3,784	378,400
46	ICFC Finance Ltd.	13,305	1,330,500
47	Janaki Finance Co. Ltd.	13,305	1,330,500
48	Multipurpose Finance Co. Ltd.	3,784	378,400
49	Nepal Finance Ltd.	56,122	5,612,200
50	Nepal Share Markets & Finance Ltd.	3,784	378,400
51	Pokhara Finance Ltd.	13,305	1,330,500
52	Progressive Finance Ltd.	3,784	378,400
53	Reliance Finance Ltd.	40,979	4,097,900
54	Samriddhi Finance Co. Ltd.	3,784	378,400
55	Shree Investment & Finance Co. Ltd.	17,088	1,708,800
<b>GRAND TOTAL</b>		<b>5,676,636</b>	<b>567,663,600</b>

## MEMBER LIST

As at Asadh End 2079

S.N.	Members	ECC	IPS	connectIPS	connectRTGS	NPI	NPS-RPS	CORPORATEPAY
<b>Direct Members</b>								
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 Bank Ltd.	✓	✓	✓	✓	✓	*	✓
17	Nepal Credit & Commerce Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
18	Nepal Investment Bank Ltd.	✓	✓	✓		✓	*	✓
19	Nepal SBI Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
20	NIC Asia Bank Ltd.	✓	✓	✓	✓	✓	*	✓
21	NMB Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
22	Prabhu Bank Ltd.	✓	✓	✓	✓	✓	*	✓
23	Prime Commercial Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
24	Rastriya Banijya Bank Ltd.	✓	✓	✓	✓	✓	*	✓
25	Sanima Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
26	Siddhartha Bank Ltd.	✓	✓	✓	✓	✓	*	✓
27	Standard Chartered Bank Nepal Ltd.	✓	✓	✓		✓	✓	
28	Sunrise Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
29	Corporate Development Bank Ltd.	✓	✓	✓				
30	Narayani Development Bank Ltd.	✓	✓	✓				
31	Excel Development Bank Ltd	✓	✓	✓	*	✓		✓
32	Green Development Bank Ltd.	✓	✓	✓		✓		*
33	Karnali Development Bank Ltd.	✓	✓	✓	*			
34	Miteri Development Bank Ltd.	✓	✓	✓	✓	✓		
35	Sindhu Bikas Bank Ltd.	✓	✓	✓	*	✓		*
36	Saptakoshi Development Bank Ltd.	✓	✓	✓	✓			*
37	Garima Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
38	Jyoti Bikash Bank Ltd.	✓	✓	✓	✓	✓	*	✓
39	Kamana Sewa Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
40	Lumbini Bikas Bank Ltd.	✓	✓	✓	✓	✓	*	✓
41	Mahalaxmi Bikas Bank Ltd.	✓	✓	✓	✓	✓	*	✓
42	Muktinath Bikas Bank Ltd.	✓	✓	✓	✓	✓	*	✓
43	Shangri-la Development Bank Ltd.	✓	✓	✓	✓	✓		✓
44	Shine Resunga Development Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
45	Best Finance Company Ltd.	✓	✓	✓	✓	✓	*	*
46	Central Finance Ltd.	✓	✓	✓	*	✓	✓	*
47	Goodwill Finance Ltd.	✓	✓	✓	✓	✓	✓	✓
48	Guheshwori Merchant Banking & Finance Ltd.	✓	✓	✓	✓	✓	*	✓

S.No.	Members	ECC	IPS	connectIPS	connectRTGS	NPI	NPS-RPS	CORPORATEPAY
49	Gurkhas Finance Ltd.	✓	✓	✓	✓	✓	*	*
50	ICFC Finance Ltd.	✓	✓	✓	✓	✓	✓	✓
51	Manjushree Finance Ltd.	✓	✓	✓	✓	✓	✓	*
52	Nepal Finance Ltd.	✓	✓	✓	✓	✓	*	✓
53	Pokhara Finance Ltd.	✓	✓	✓				*
54	Progressive Finance Ltd.	✓	✓	✓	✓	✓	*	✓
55	Reliance Finance Ltd.	✓	✓	✓	✓	✓	*	*
56	Samriddhi Finance Company Ltd.	✓	✓	✓	✓	✓	✓	*
57	Shree Investment and Finance Co. Ltd.	✓	✓	✓	✓		*	*
58	Janaki Finance Company Ltd.	✓	✓	✓		✓	✓	
59	Multipurpose Finance Company Ltd.	✓	✓	✓				
<b>DIRECT MEMBERS LIVE</b>		<b>59</b>	<b>59</b>	<b>57</b>	<b>45</b>	<b>50</b>	<b>24</b>	<b>39</b>
<b>Indirect/ Technical Members</b>								
1	Beema Samiti		*	*		*		
2	Citizen Investment Trust (CIT)		✓	✓		✓		
3	Employee Provident Fund (EPF)		✓	✓		✓		
4	Nepal Oil Corporation		*	*		*		
5	Nepal Stock Exchange Ltd. (NEPSE)		✓	✓		✓		
6	Rastriya Beema Sansthan		*	✓		✓		
7	Social Security Fund (SSF)		✓	✓		✓		
8	Global IME Capital Limited		✓					
9	Siddhartha Capital Ltd.		*	*		*		
10	Nepal Payment Solution Pvt. Ltd. (NPS)		✓	✓		✓		
11	Cellcom Pvt. Ltd. (Cellpay)		✓	✓		✓	*	
12	CG Pay Nepal Pvt. Ltd. (CG Pay)		✓	✓		*		
13	DigiPay Pvt. Ltd. (Digipay)		✓	*		*		
14	E-Net Payment Pvt. Ltd. (Enet)		✓	✓		✓		
15	Focusone Payment Solution Pvt. Ltd. (Moco)		✓	✓		✓	✓	
16	Goldmine Business Group Pvt. Ltd. (Dpaisha)		✓	✓		✓		
17	Icash Pvt Ltd (icash)		✓	✓		✓	*	
18	IME Digital Solutions Ltd. (IME Pay)		✓	✓		✓		
19	iPay Pvt. Ltd. (edheba)		✓	✓		✓		
20	Lenden Sewa Pvt. Ltd. (Lenden)		✓	✓		✓	*	
21	Nepal Digital Payments Company Ltd. (Namaste Pay)		✓	✓		✓	*	
22	Nepal E-biz Management Pvt. Ltd.(Mobalet)		✓	✓		✓	*	
23	Nepal Pay Time Pvt. Ltd. (Paytime)		✓	✓		✓		
24	PayNep Pvt. Ltd. (Moru)		✓	✓		✓	*	
25	Paywell Nepal Pvt. Ltd. (Paywell)		✓	✓		✓	*	
26	Prabhu Technology Pvt. Ltd. (Prabhu Pay)		✓	✓		✓	*	
27	Qpay Pvt. Ltd. (QPay)		✓	✓		✓		
28	Sajilo Pay Payment Services Pvt Ltd.(Sajilo Pay)		✓	✓		✓		
29	Smart Card Nepal Pvt. Ltd.(Smart Card)		✓	✓		✓		
30	Sparrow Pay Pvt. Ltd. (Khalti)		✓	✓		✓	*	
31	Sulav Pay Pvt. Ltd. (nCASH)		✓	✓		✓	*	
32	Bhatbhateni Money Transfer Pvt. Ltd.		✓	✓		✓		
33	Cashway Money Transfer Pvt. Ltd.		✓	✓		✓		
34	City Express Money Transfer Pvt. Ltd.		✓	✓		✓		
35	Easylink Remittance Pvt. Ltd.		✓	✓		✓		
36	Esewa Money Transfer Pvt. Ltd.		✓	✓		✓		
37	GME Remit Pvt. Ltd.		✓	✓		✓		

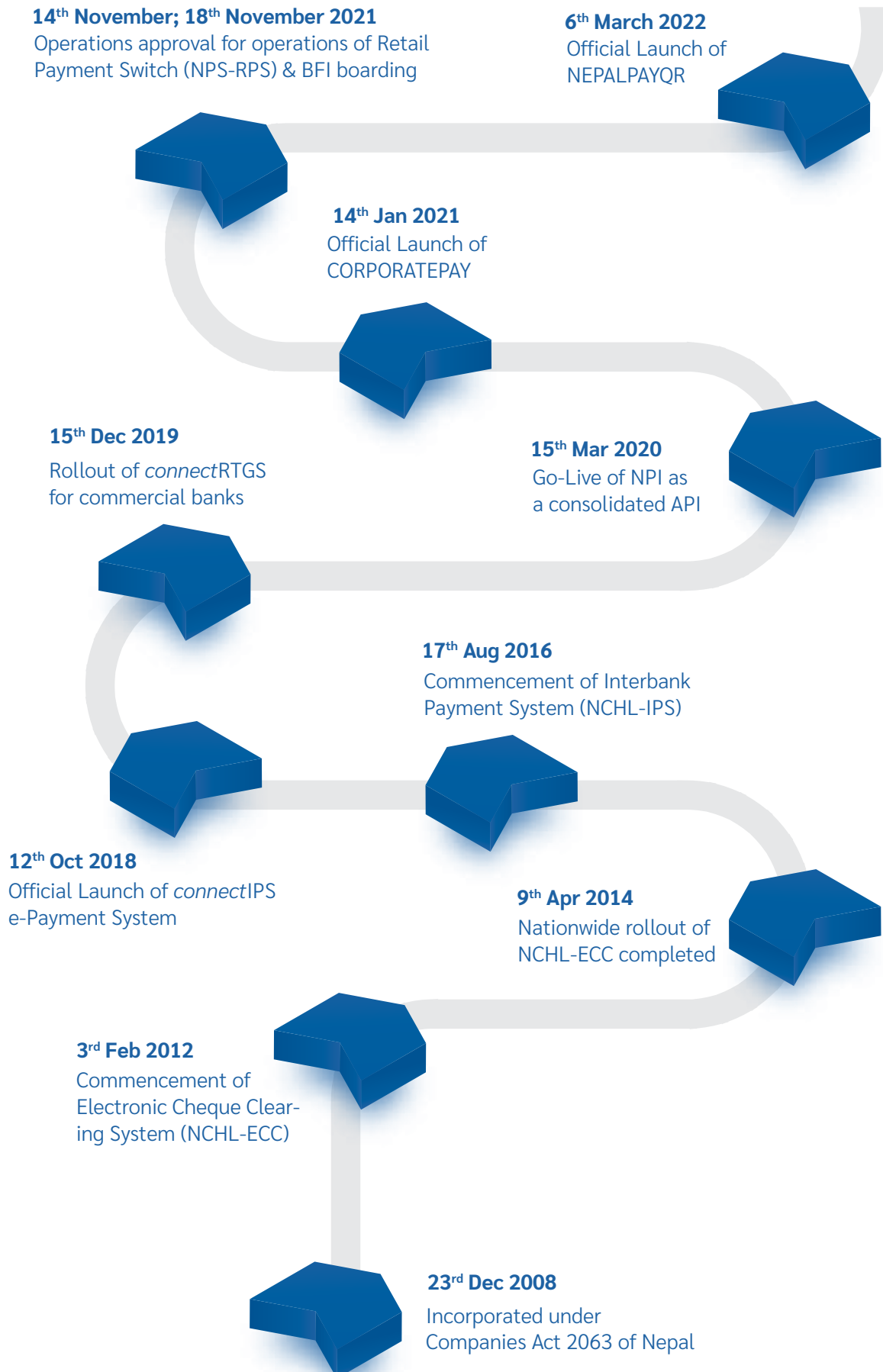


S.No.	Members	ECC	IPS	connectIPS	connectRTGS	NPI	NPS-RPS	CORPORATEPAY
38	Hamro Patro Remit		*	*		*		
39	IME Ltd.		✓	✓		✓		
40	Ipay Remit Pvt. Ltd.		✓	✓		✓		
41	JME Remit Company Pvt. Ltd.		✓	✓		✓		
42	Nepal Remit International Pvt. Ltd.		✓	✓		✓		
43	Samsara Remit Pvt. Ltd.		✓	✓		✓		
44	Thamel Remit Pvt. Ltd.		*	*		*		
45	Ajod Insurance Ltd.		✓	✓		✓		
46	Asian Life Insurance Ltd.		✓	✓		✓		
47	Citizens Life Insurance Company Ltd.		✓	✓		*		
48	General Insurance Company Nepal Ltd.		*	✓		*		
49	IME General Insurance Ltd.		✓	✓		✓		
50	IME Life Insurance		✓	✓		*		
51	Premier Insurance Company (Nepal) Ltd.		✓	✓		✓		
52	Prime Life Insurance Company Ltd.		✓	✓		✓		
53	Reliable Nepal Life Insurance Ltd.		*	✓		*		
54	Sanima Life Insurance Ltd.		*	✓		*		
55	Sun Nepal Life Insurance Company Ltd.		*	*		*		
56	Union Life Insurance Ltd.		✓	✓		*		
57	Subisu Cablenet Pvt. Ltd.		✓	✓		✓		
58	Vianet Communication Pvt. Ltd.		✓	✓		✓		
59	Websufer Nepal Communication Pvt. Ltd.		*	*		*		
60	Hamro Technology Pvt. Ltd.		*	*		*		
61	Zinob Inc. Pvt. Ltd.		*	*		*		
62	Agni Incorporated Pvt. Ltd.		✓	✓		✓		
63	Asian Paints		*	*				
64	F1Soft International Pvt. Ltd.		✓	✓		✓		
65	Flight Booking Center Pvt. Ltd.		*	*		*		
66	Gyan Enterprise		*	*				
67	Jagdamba Motors Pvt. Ltd.		*	*		*		
68	Panchakamya Plast Pvt. Ltd.		*	*				
69	Sasto Tickets Pvt. Ltd.			*		*		
70	Sipradi Trading Pvt. Ltd.		✓	✓		✓		
71	United Distributor Pvt. Ltd.		*	*		*		
72	Yeti Airlines Pvt. Ltd.		*	*		*		
73	Yeti Distillery Pvt. Ltd.		✓	✓		✓		
	<b>INDIRECT/TECHNICAL MEMBERS LIVE</b>		<b>52</b>	<b>54</b>		<b>47</b>	<b>1</b>	
	<b>TOTAL MEMBERS LIVE</b>	<b>59</b>	<b>111</b>	<b>111</b>	<b>45</b>	<b>97</b>	<b>25</b>	<b>39</b>

✓ Live

\* Subscribed

## MAJOR MILESTONES



## FINANCIAL HIGHLIGHTS

### NET WORTH PER SHARE

#### **NPR 255 PER SHARE**

A decrease by 5% in comparison to preceding fiscal year due to the increased capital from bonus shares issued.

### EARNING PER SHARE

#### **NPR 62 PER SHARE**

There is minor change in earning per share in comparison to preceding fiscal year. The share capital and net profit after tax has increased by 38% and 40% respectively during the year.

### OPERATING REVENUE

#### **NPR 662 MILLION**

An increase of 38% in comparison to preceding fiscal year primarily from NCHL-ECC and *connectIPS*.

### INDIRECT INCOME

#### **NPR 99 MILLION**

Indirect income has increased by 41% in comparison to preceding fiscal year

### OPERATING CASH FLOW

#### **NPR 398 MILLION**

A cash inflow increased by 52% as compared with preceding fiscal year.

### INVESTING CASH FLOW

#### **NPR 292 MILLION**

A cash outflow increased by 20% as compared with preceding fiscal year.

### NET PROFIT AFTER TAX

#### **NPR 355 MILLION**

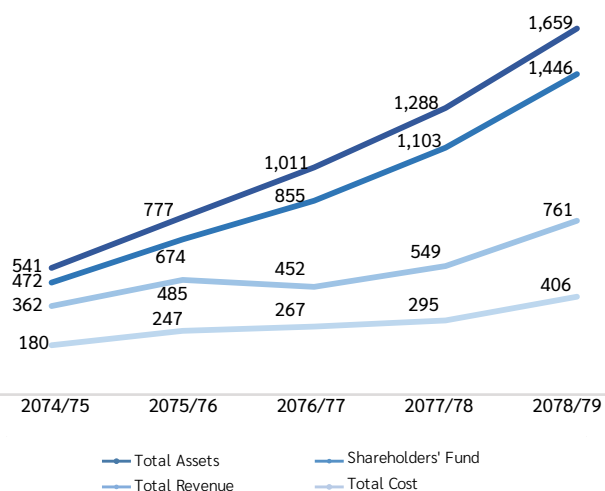
An increase of 40% in comparison to preceding fiscal year

### RESERVE & SURPLUS

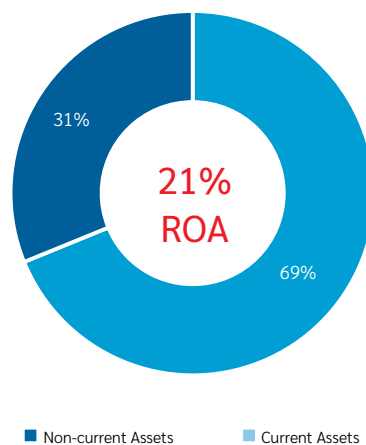
#### **NPR 879 MILLION**

An increase of 27% 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.

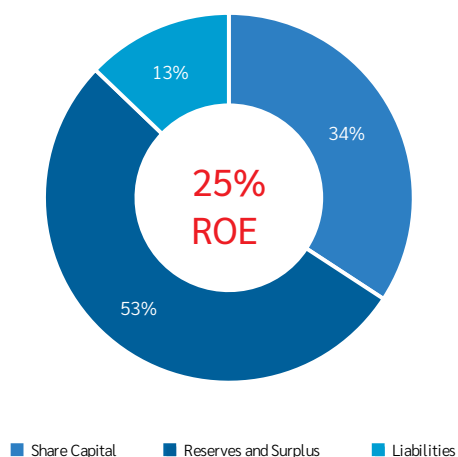
Financial Summary (in NPR Millions)



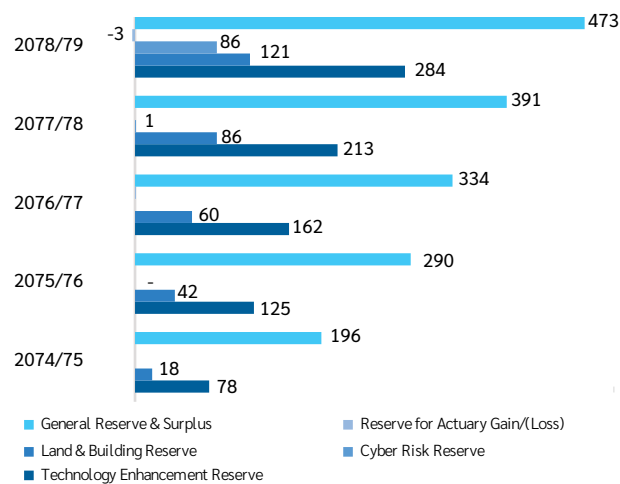
Total Assets Distribution FY 2078/79



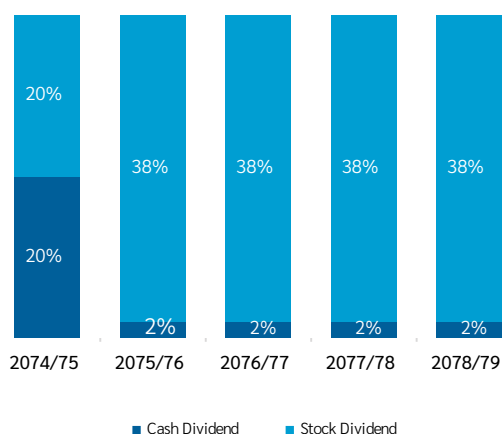
Total Equity/Liabilities Distribution FY 2078/79



Reserves (in NPR Millions)

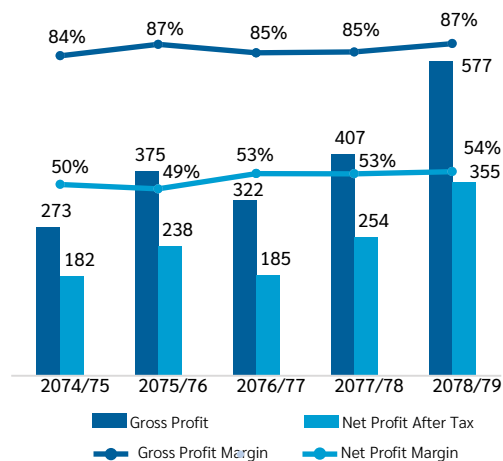


Dividend Distribution



\* Proposed dividend for FY 2078/79 is subject to approval by AGM

Profitability Analysis (in NPR Millions)

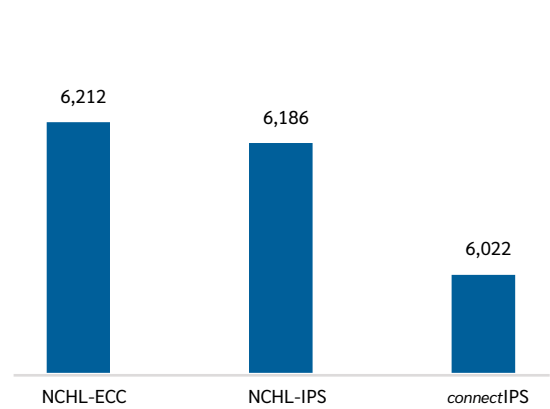


## OPERATIONAL HIGHLIGHTS

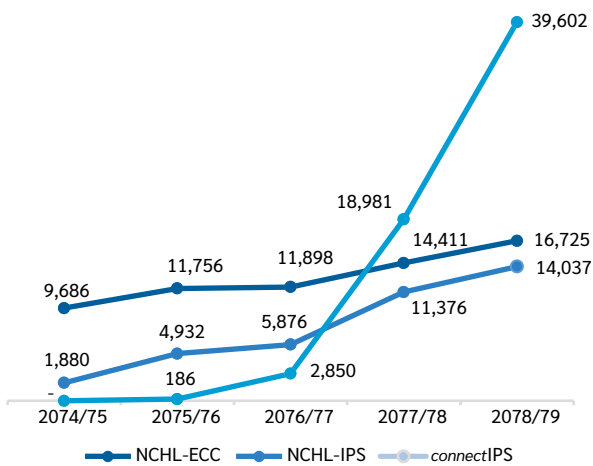
NCHL Live Members  
As at Asadh end, 2079



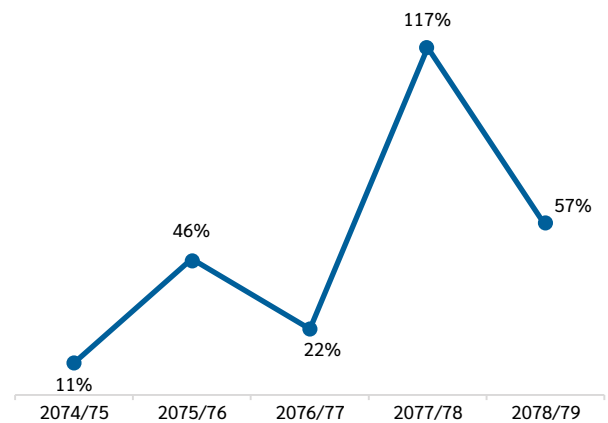
NCHL Direct Members Branches  
As at Asadh end, 2079



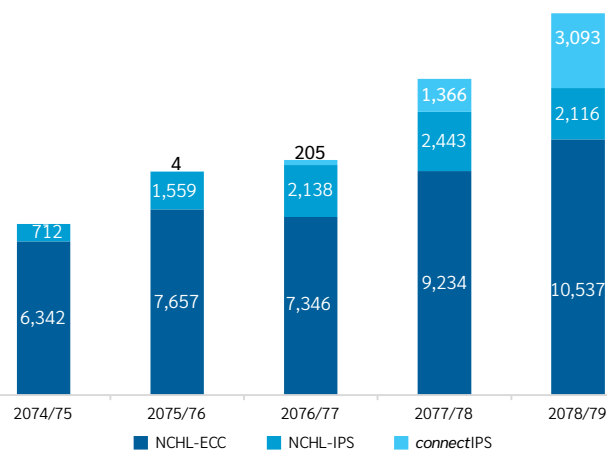
System-wise Transaction Count (in '000)



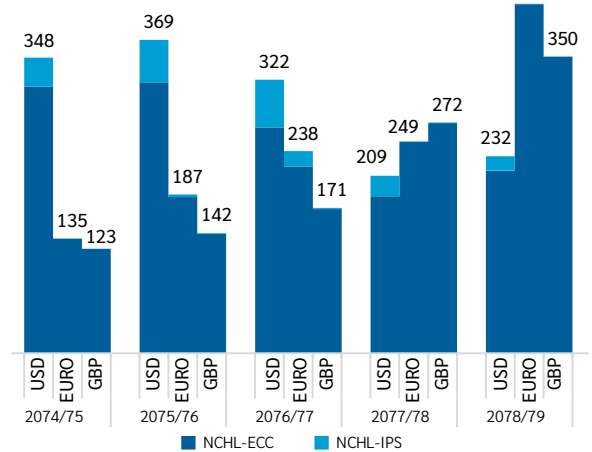
Total Transaction Count Growth in %



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 Accounts of Nepal Clearing House Ltd. (NCHL) for the fiscal year 2078/79 (2021/22).

In line with Nepal Government's Digital Nepal Framework and Nepal Rastra Bank's National Payment System Development Strategy, NCHL has been playing an instrumental role in establishing national payment infrastructures, generate momentum for digital transaction and facilitate various sectors to enroll within digital eco-system. This has positively impacted the digital economy in the recent years. NCHL has been providing integrated solutions to the banks and financial institutions, non-bank financial service providers and key institutions including Nepal Government, Semi-Government entities and other large institutions. NCHL has supported NRB's initiative to expand the payment industry through banks and non-bank entities by opening up its infrastructure to such PSOs/PSPs.

NCHL is currently operating seven national payments infrastructures and is fully supporting NRB's initiative to expand payment ecosystem through BFIs and non-bank entities by opening up its infrastructure to all stakeholders. The implementation of National Payment Switch (NPS) is one of such initiatives to introduce multiple retail instruments and establishing interoperability of infrastructures, instruments and services. Retail Payment Switch (RPS), as the first phase of NPS, has already been implemented and implementation of national card switch and national domestic card scheme is in progress. I believe we have moved a step closer towards our vision of being a leading provider of electronic payment and settlement services in Nepal.

By end of the fiscal year 2078/79 (2021/22), there were 59, 111 and 111 members in NCHL-ECC, NCHL-IPS and RPS (*connectIPS*) respectively. The total members in NCHL-IPS includes 59 direct (BFIs) members and 52 indirect/ technical members. Similarly, the total members in *connectIPS* system includes 57 direct members and 54 indirect/ technical members. Besides, 6,200 and 6,100 bank branches are included within the network of NCHL-ECC and NCHL-IPS respectively, while 900,000 customers of the BFIs including 1,300,000 bank accounts were linked within *connectIPS* system until the end of FY 2078/79.

Last fiscal year has seen challenges due to the waves of COVID-19 pandemic with frequent uncertainty on business operations. NCHL's services being considered as critical service, all the payment systems and related services had to be operated during such period. However, it is also to be noted that one of the positive impact of Covid is that it has increased usage of digital payments.

Despite the challenging situation, the company still managed to achieve over 70.4 million transactions with settlement value of over 15.7 Trillion (for NPR transactions only) from its various systems, which is an increment of 57% and 21% in terms of volume and value respectively. The average daily transaction in NCHL-ECC system slightly increased from 54,394 to 61,507. Likewise, the settlement value of NCHL-ECC system increased from NPR 9.2 Trillion to NPR 10.5 Trillion. The average daily transaction of NCHL-IPS increased from 44,615 to 56,834 in number with settlement value slightly decreased from NPR 2.4 Trillion to NPR 2.1 Trillion. Similarly, the average number of daily transaction in RPS/ *connectIPS* system increased from 74,434 to 144,533 with settlement value increased from NPR 1.4 Trillion to NPR 3.1 Trillion. The company expects further growth in the digital payment transactions in coming days, partly due to the digital payment adoption by general public, digital payments being one of the priorities at the policy level and additional services of digital channels & instruments. NCHL will continue to play a positive role in driving the digital payments ecosystem in Nepal.

The continuation of the merger and acquisition policy by Nepal Rastra Bank has significantly reduced the number of direct members resulting in decrease of membership and subscription fees for NCHL. However, the company has taken alternative initiatives to increase the number of branches and indirect/technical members to compensate declining membership. It is also to be noted that along with the growth of technology-based financial transactions and gradual increase in financial literacy & awareness, it is expected to have more business opportunities for NCHL in the coming days.

In view of the growth in digital transactions, members and additional use cases, further investment in the infrastructure, operations and cyber security will be the key considerations for NCHL. The company will have to further investment for enhancing and scaling up its infrastructures. Improving cyber security, information





security management and compliance risks are expected to be the major challenge for NCHL. In order to improve trust on our digital payment systems and to mitigate possible reputational risks arising from cyber security, NCHL is committed to further invest on risk and security management.

During the fiscal year, the Operating Profit and Net Profit has increased by 35.7 percent and 39.4 percent respectively, corresponding to which the net profit of the company stood at NPR 354,623,522. In view of the requirements to re-invest on infrastructures, introduce additional systems, security controls and promotion of digital payments, the Board has proposed to raise the capital by issuing 38% of bonus share and 2 percent of cash dividend (for tax purposes). The existing provision of appropriating 20 percent, 0.5 percent and 10 percent of the profit to Technology Enhancement Reserve, Cyber Risk Reserve and Land & Building Reserve respectively has been kept unchanged.

I would like to express sincere gratitude to Nepal Government, apt leadership of Nepal Rastra Bank, other regulatory bodies, our shareholders along with other stakeholders for their continuous support and cooperation. I thank the members of the Board of Directors and the management team for their engagement that resulted into an excellent performance during the fiscal year 2078/79 (2020/21). I am confident that support and cooperation will be continued by Nepal Government, Nepal Rastra Bank, shareholders and other stakeholders in coming days to develop NCHL as more effective, reliable and credible institution.

I would like to thank you for your presence and once again welcome in the 11<sup>th</sup> Annual General Meeting of our company.

**Ram Bahadur Manandhar**  
Chairman

## CEO's STATEMENT

The last 3-5 years has seen major change in the digital payments space in Nepal. It has been able to establish payment systems for multiple instruments from wallets supporting micro-retail payments to large value RTGS systems. There are other payment systems for electronic cheque clearing, ACH, mobile banking, *connectIPS* as faster payment system, debit & credit cards as issuing instruments and POS, ATM, QR, etc. as acquiring instruments. Similarly, the adoption and acceptance of digital payments has been increasing in multi-folds. Part of the growth is due to NRB's policy direction to use both BFIs and non-bank entities to drive and achieve its digital payments related objectives. While it has ensured that the supply side infrastructures have increased, there is now a harsh requirement to establish interoperability between the players, infrastructures and instruments.

It is with great pleasure that NCHL has been trusted for the implementation and operation of National Payment Switch (NPS) for establishing additional retail instruments and interoperability of card & non-card instruments and infrastructures, corresponding to which it has already established Retail Payment Switch and national card switch & domestic scheme is under implementation. We remain committed to our principle of re-investment into national payments infrastructures and to collaborate with the BFIs, PSPs, PSOs and other stakeholders while playing a central role in the digital transformation of Nepal.

The fiscal year 2078/79 (2021/22) has been an interesting yet challenging year for NCHL. We have seen major growth in the real-time retail payment system (RPS/ *connectIPS*) and NCHL-IPS, while majority of the transactions have been received through National Payments Interface (NPI). NPI is an open API based payment service that provides the members to access multiple payment systems, services and ensures interoperability. We have positive outlook on open APIs for payments, finance and business, which is expected to drive digital economy.

Due to the merger of the BFIs, the number of participating member BFIs is decreasing but we have been able to onboard indirect/ technical members within our network. Along with the strategic stakeholders that are using NCHL's infrastructures including Government and Semi-Government, large institutions have also started to use our systems as indirect or technical members. GoN's digital transaction has reach 73.5 percent of its expenses and 12.5 percent of its revenue collection in terms of value of transactions during the FY 2078/79, almost all have been processed through NCHL's infrastructures. It has already reached 79.2 percent & 28.5 percent during FY 2079/80 (until end of Mangsir 2079). While retail B2C segment will continue to grow in terms of volume of digital transaction, B2B segment supported by large institutions is expected to provide much needed impetus for digital transaction value.

The average daily cheques transaction volume in NCHL-ECC has increased to 61,507 as against 54,394 in the previous year. The daily transaction settlement value has increased to NPR 38.7 Billion from NPR 35.4 Billion in the previous year. The daily average transaction volume and average daily settlement value in NCHL-IPS was 56,834 and NPR 8.7 Billion as against 44,615 and NPR 9.6 Billion in the previous year. And the daily average transaction volume and settlement value in RPS (*connectIPS*) was 144,533 and NPR 11.3 Billion as against 74,434 and NPR 5.4 Billion in the previous year. The digital transactions in RPS is expected to grow further, whereby, transactions in NCHL-IPS seems to have been moved towards RPS, due to excessive expectation towards real-time payments.

Product and service development at NCHL has been the highest priority so that we are able to research, innovate and operationalize various instruments and services. We have increased our product development team and working together with the BFIs on new use cases. While we remain agile on product and service development, we have continued to further strengthen and invest in the risk management framework.

In order to drive national infrastructures and the requirement for major investments, business and financial stability is equally important. In this regards, the operating profit of the company remained at NPR 563,019,173 as against NPR 414,788,662 in the previous year. The net profit for the year stood at NPR 354,623,522 as against NPR 254,463,463 in the previous year. The shareholders fund has increased to NPR 1,446,195,191 with book value per share at NPR 254.76. Although there is extreme pressure on pricing of our products and services, we are optimistic to maintain the financials position of the company in the next fiscal year.

As part of our strategy to support Nepal Rastra Bank's policy to support and improve digital payment ecosystem, we will continue to play necessary role within the payments industry and to work together with the licensed PSPs/ PSOs and other key entities in a collaborative model. We look forward to realizing our principle of re-investment in the planned implementation of National Payment Switch (NPS) in the coming fiscal years. Given the Covid-19 situation, there are uncertainty on how the economy will move, but we see silver lining for increased acceptance of digital payments that gives a positive outlook for payments industry in the current and coming years. We will remain focus on improving the resilience and security of our core infrastructure.

Lastly, I would like to thank our NCHL team, and our Board for their guidance and the members for their continued support. I would also like to thank and acknowledge Nepal Rastra Bank for their trust on NCHL.

**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 4<sup>th</sup> Chaitra 2077.



### **Mr. Ujjal Rajbhandary, Director**

Mr. Rajbhandary is the General Manager at Himalayan Bank Ltd. He has over 29 years of experience in banking sector. He holds Bachelor of Business Administration in Finance and Master of Business Administration. He is a member of the Board of NCHL representing commercial bank shareholders since 6<sup>th</sup> Ashwin, 2074 (elected for 2<sup>nd</sup> term on 5<sup>th</sup> Jestha, 2078).



### **Mahesh Sharma Dhakal, Director**

Mr. Dhakal is the Senior Deputy Chief Executive Officer at Global IME Bank Ltd. He has over 21 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 5<sup>th</sup> Jestha, 2078.





**Srijan Krishna Malla,  
Director**

Mr. Malla is the Head Information Technology at Siddhartha Bank Ltd. He has over 19 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 5<sup>th</sup> Jestha, 2078.



**Til Bahadur Gurung, Director,  
Director**

Mr. Gurung is the Assistant Deputy Chief Executive Officer of Muktinath Bikas Bank Ltd. He has over 20 years of professional experience in the field of Banking. He holds Master's Degree from Tribhuvan University. He is a member of the Board of NCHL representing development bank shareholders since 28<sup>th</sup> Poush, 2078.



**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 16 years with over 28 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 14<sup>th</sup> Mangsir 2075 and was re-elected on 28<sup>th</sup> Poush, 2078.

## MANAGEMENT TEAM



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

Mr. Pradhan has experience of over 21 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 18 years in the field of banking, operations and management and is associated with NCHL since February 13, 2014. She was earlier working with Citizens Bank International Ltd. in the capacity of Executive Operating Officer heading various departments under operations 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 19 years in the field of IT infrastructure operations and is associated with NCHL since March 28, 2011. He was earlier working with Social Development Bank 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 Development Officer**

Mr. Saran has experience of over 16 years in the field of IT Management & Operations and is associated with NCHL since October 23, 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,  
Chief Business Officer**

Mr. Giri has experience of over 13 years in the field of sales/marketing and is associated with NCHL since June 15, 2016. He was working with Ncell Pvt. Ltd. as Senior Specialist prior to joining NCHL. He has also worked with Chaudhary Group, Fuji Films India P. Ltd and HCL Infosystem Ltd. India. He holds MBA in International Business from Banaras Hindu University.



**Chhabi Lal Sapkota,  
Head Payment Systems**

Mr. Sapkota has experience of over 14 years in information & financial technology industry and is associated with NCHL since September 18, 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 8 years of experience in the field of Auditing and Accounting. She is associated with NCHL since April 15, 2018. Prior to joining NCHL, she was associated with Rigo Technologies (P) Ltd. as System Analyst & Software Implementation Officer. During her articleship, she was associated with RajMS & Co., Chartered Accountants. She also holds a MBS degree from Tribhuvan University, Nepal.



**Kshitiz Adhikari,  
Head Finance & Accounts**

Mr. Adhikari is a Qualified Chartered Accountant from the Institute of Chartered Accountants of Nepal (ICAN) with over 7 years of experience in the field of Auditing and Accounting. He is associated with NCHL since November 17, 2022. Prior to Joining NCHL, he was associated with Lumbini General Insurance Company Limited (LGIC) as Head of Compliance Department and Internal controller. Previously, he has worked with Gurkhas Finance Limited as Head of Compliance & Risk Department. During his articleship, he was associated with Gopal Shrestha & Co., Chartered Accountants. He also holds Bachelor degree in Management from Tribhuwan 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 processing of the cheque transactions.



NCHL-ECC currently supports cheques clearing of four currencies NPR, USD, GBP and EUR with presentment cut-off time at 15:00, paying bank response cut-off time at 17:00 and final settlement at 17:15 for standard (MICR encoded) cheques. The response cut-off time for Winter is 16:00. Express Clearings and High Value Clearing are also available, which are of shorter durations.

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

#### Regular Cheque Clearing

This is an electronic cheque clearing service for NPR, USD, GBP and EUR denominated cheques. Participating members need to have settlement account in respective 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 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 four express clearing sessions for four currencies NPR, USD, GBP and EUR. 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> express sessions are available from Sunday to Friday for NPR and from Monday to Friday for FCY (USD, GBP and EUR). 4<sup>th</sup> express session is earmarked from Sunday to Thursday for NPR and from Monday to Thursday for FCY (USD, GBP and EUR). However, the 4<sup>th</sup> express clearing session is currently not in operations.

#### 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. Currently, there are two high value cheque clearing sessions. 1<sup>st</sup> high value session is available from Sunday to Friday and 2<sup>nd</sup> high value session is available from Sunday to Thursday. High value sessions for NPR are available in from Sunday and for FCY (USD, GBP and EUR) from Monday.

#### Cheque Clearing Cut-off Times

	Regular	Regular	1 <sup>st</sup> Express	2 <sup>nd</sup> Express	3 <sup>rd</sup> Express	1 <sup>st</sup> High Value	2 <sup>nd</sup> High Value	3 <sup>rd</sup> High Value
	(Sun-Thu)	(Fri)	(Sun-Fri)	(Sun-Fri)	(Sun-Fri)	(Sun-Fri)	(Sun-Thu)	(Sun-Thu)
Presentment Start	15:00 (T-1)	15:00 (T-1)	10:00 (T)	11:00 (T)	12:00 (T)	10:00 (T)	12:00 (T)	15:00 (T)
Presentment End	15:00 (T)	12:00 (T)	11:00 (T)	12:00 (T)	13:00 (T)	12:00 (T)	15:00 (T)	16:00 (T)
Reply End	17:00 (T) *	13:30 (T)	11:30 (T)	12:30 (T)	13:30 (T)	13:00 (T)	16:00 (T)	16:30 (T)
Settlement Starts	17:15 (T) *	13:45 (T)	11:45 (T)	12:45 (T)	13:45 (T)	13:15 (T)	16:15 (T)	16:45 (T)

\* will be reduced by 15 minutes in Winter Season (16<sup>th</sup> Kartik till 15<sup>th</sup> Magh).

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			

15% discount on transaction fee has been provided to the BFIs who have fully implemented MICR cheques 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 17:00, reply cut-off time of 17:30 are 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:

NCHL-IPS Exchange Type	Exchange Period		Cancellation Period		Rejection Period		NCP Settlement	Business Day
	Start	End	Start	End	Start	End		
Exchange 0	16:00 (T-1)	10:00 (T)	10:00 (T)	10:30 (T)	10:30 (T)	11:00 (T)	11:30	Sun- Fri (NPR)
								Mon -Fri (FCY)
Exchange 1_0	10:00 (T)	13:00 (T)	13:00 (T)	13:30 (T)	13:30 (T)	14:00 (T)	14:30	Sun - Thu (NPR)
								Mon - Thu (FCY)
Exchange 1_1	13:00 (T)	16:00 (T)	16:00 (T)	16:30 (T)	16:30 (T)	17:00 (T)	17:30	Sun - Thu (NPR)
								Mon - Thu (FCY)
Exchange 1 Friday	10:00 (T)	13:00 (T)	13:00 (T)	13:15 (T)	13:15 (T)	13:30 (T)	14:00	Fri (NPR/FCY)
Exchange 2	09:00 (T)	10:00 (T)	10:00 (T)	10:15 (T)	10:15 (T)	10:30 (T)	10:45	Sun - Fri (NPR)
Exchange 3	10:00 (T)	11:00 (T)	11:00 (T)	11:15 (T)	11:15 (T)	11:30 (T)	12:00	Sun - Fri (NPR)
Exchange 4	11:00 (T)	12:00 (T)	12:00 (T)	12:15 (T)	12:15 (T)	12:30 (T)	13:00	Sun - Fri (NPR)
Exchange 5	12:00 (T)	13:00 (T)	13:00 (T)	13:15 (T)	13:15 (T)	13:30 (T)	14:00	Sun - Fri (NPR)
Exchange 6	13:00 (T)	14:00 (T)	14:00 (T)	14:15 (T)	14:15 (T)	14:30 (T)	15:00	Sun - Thu (NPR)
Exchange 7	14:00 (T)	15:00 (T)	15:00 (T)	15:15 (T)	15:15 (T)	15:30 (T)	16:00	Sun - Thu (NPR)
Exchange 8	15:00 (T)	16:00 (T)	16:00 (T)	16:15 (T)	16:15 (T)	16:30 (T)	17:00	Sun - Thu (NPR)
Exchange 9 *	16:00 (T)	17:00 (T)	17:00 (T)	17:15 (T)	17:15 (T)	17:30 (T)	18:00	Sun - Thu (NPR)
								Sun - Thu (NPR)
Exchange 10 (Funding) **	17:00 (T)	17:30 (T)	-	-	17:30 (T)	17:45 (T)	18:00	Mon-Thu (FCY)
								Mon-Thu (FCY)

Note:

\* Exchange 9 will be disabled in winter season (16<sup>th</sup> Kartik till 15<sup>th</sup> Magh).

\*\*Session timings for Exchange 10 will be shifted by 1 hour earlier during winter season.

NPR Exchange Sessions are available from Sunday to Thursday and FCY Exchange Sessions are available from Monday to Thursday with presentment up to 17:00 and last settlement on 18:00. However, foreign currency sessions are not available on Sunday. Similarly, Exchange Sessions 10 (funding) are available from Sunday to Thursday for both NPR and FCY except that FCY sessions are not available on Sunday. Exchange Session for both NPR and FCY for Friday are available with presentment up to 13:00 and last settlement at 14:00. The transaction sessions of shorter durations are also available for specific products (purposes) that provides near-real time settlements of the transactions. 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.No.	Price Scheme	Transaction Amount Based Slab		
		Up to 500	>500-50,000	>50,000
1	NPR Transactions	2	5	10
2	NPR Transactions (Fee in NPR) PFDS and PFSA		10	
3	FCY Transactions (Fee in NPR)		10	

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

\*\*Liability of transaction fees is either on sender or receiver side depending on type of the product.

## NATIONAL PAYMENT SWITCH (NPS)



**National Payment Switch**  
Unifying Payments for Nepal

National Payment Switch (NPS) is the core switch to support routing and settlement of transactions ensuring interoperability of all card and non-card based payment transaction within Nepal. The objectives of NPS are for 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, corresponding to which the Phase I related to Retail Payment Switch (RPS) for non-card based interoperability and instruments have already been implemented. Card switch infrastructure and domestic card scheme project activities are currently under implementation.

## RETAIL PAYMENT SWITCH (RPS) - PART OF NPS

Retail Payment Switch (RPS) is part of the National Payment Switch (NPS) which is a core retail switch to process non-card based retail transactions initiated from any channels and any acquiring instruments. All the instruments and services of RPS are provided to the members and/or related stakeholders through National Payment Interface (NPI). The payments infrastructure primarily establishes the interoperability for retail transactions, which includes account based or stored value transactions and QR transactions. NEPALPAY QR within RPS has been rolled out as the implementing infrastructure of NepalQR standard for internetwork QR transactions and as a domestic scheme. RPS has also established additional retail instruments and use cases which includes, Virtual Payment address (VPA) based payments; PSP interoperability; PSO & Related entity net settlements; Request to Pay (R2P) as a debit instrument and Service payment interoperability. The *connectIPS* e-payment system that was provided to the BFIs as faster payment system has also been scaled-up and disintegrated to create it as *connectIPS* retail platform and integrated with RPS for transaction processing settlement.

The transactions processed in RPS are on real-time basis such that the finality of payment is on instant basis with debtor and creditor accounts 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* 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 real-time transactions by the customers of the BFIs. 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 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 banks. It is available at [www.connectips.com](http://www.connectips.com) and also on mobile app for both Android and iOS. 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 platform is used for fund transfers and service payments. The payment gateway of *connectIPS* is integrated with majority of the e-commerce portal and the APIs are integrated with alternative delivery channels of BFIs and wallets for fund transfer and cash-in/out. A total of 896,341 customers of the BFIs were registered with 1,322,330 linked bank accounts with *connectIPS* by the end of the FY 2078/79.

### RPS/*connectIPS* e-Payment Transaction Fee (in NPR)

The transaction fee in RPS/*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 for retail customers corresponding to which charge liability is on end customer. For other service payments there are no charge to the customers.

S. No.	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

### NEPALPAY Instant

NEPALPAY Instant is a Direct Credit instruments (Push Transactions) where sender initiates a fund transfer transaction based on a unique identifier or any other applicable identifier (currently Mobile Number being used) such that the account details are not required. The current arrangement allows the customers to initiate fund transfer based on such identifier and to bank account, wallet users and to any *connectIPS* users.

## NEPALPAY QR

NEPALPAY QR is implemented as the central infrastructure for implementation as per the NepalQR standard of NRB. It facilitates QR interoperability at merchant level and Inter-network level for processing and settlement of QR transactions. It has also established a domestic QR scheme for its participating members where members can issue and acquire the static, dynamic, and gateway-based QR for its merchants as applicable. BFIs and PSPs are the issuer and acquirer for NEPALPAYQR scheme.

## NEPALPAY Request

NEPALPAY Request is a Direct Debit Instrument (Pull Transactions) whereby a receiver requests for payment and upon confirmation by the Payer, the transaction is processed for credit to the receivers account. NEPALPAY Request can be event-based Request-to-Pay (R2P) for Person-To-Person transfer where an individual can initiate a request from any of its digital payment platform (Mobile Banking, Internet Banking, Digital Wallets, *connectIPS*). The service is currently available for requesting the payment from *connectIPS* to *connectIPS* user, which is being extended to other instruments also. It can also facilitate the recurring payments using e-Mandate R2P that allows to pull a payment by specified service provider and can also be used for Account Tokenization.

## PSO & Net Settlement

Different PSOs and other entities, requiring multi-lateral settlement at the BFIs, can avail PSO settlement through NCHL. It allows the PSO to push its settlement transactions of its member BFIs to NCHL for necessary settlement, such that a separate funding is not required for the BFIs for each PSOs.

## PSP Interoperability

PSP Interoperability enables interoperability between the Wallets (PSPs) where fund from one wallet can be transferred to another. Additionally, all PSP services can be accessed from any of platforms without requirement of multiple integrations. This feature also allows to transfer the remittance, social security or any other receivable directly into beneficiary's wallet.

## Service Interoperability (Biller Gateway)

This is an aggregated service, where a single integration on digital channels will provide access to all the services. Such services are bundled in APIs to integrate in different platforms and channels as Biller Gateway. BFIs and PSPs have integrated it with their alternate delivery channels and wallets to extend the services to its customers. Such services could include payment to Government, Semi-Government institutions, broker payment, credit card bill payments, etc.

## Bank Central Module

The services of NCHL 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. The transactions can be processed for real time and non-real time transactions using the underlying system of RPS and NCHL-IPS respectively. Banks can also process transaction of RTGS through this module.

## 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 standards, 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 RPS/ *connectIPS* and for deferred payments through NCHL-IPS System. It has been extended to the alternate channels of the member BFIs (internet banking, mobile banking, remittance channels, etc.), PSPs/PSOs; and enrolled commercial & non-commercial billers as overlaying services.





The non-bank institutions are on-boarded within NPI 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, multinational and large companies and different channels of the BFIs have been integrated through NPI.

## connectRTGS SYSTEM

connectRTGS is a bank's module for transaction initiation, processing and integration with its core banking system for RTGS transactions. The RTGS system is hosted and operated by NRB, whereas connectRTGS provides a means to the BFIs to initiate outgoing transactions and to process incoming transactions from RTGS system. The RTGS system supports transactions in NPR, USD, EUR, GBP and JPY.



## CORPORATEPAY SYSTEM

CORPORATEPAY is a business payments platform for the business and corporate customers of the member BFIs for initiating and processing their payments to various underlying payment systems namely, RPS/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 to be 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.

## 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.

## 03 FINANCIAL REVIEWS

### REPORTING PRONOUNCEMENTS

NCHL has prepared its financials for fiscal year 2078/79 (2021/22) as per the Nepal Financial Reporting Standard (NFRS) for better presentation and transparency of financial reporting.

### 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 2078/79 (2021/22) in comparison with last four fiscal years are presented in the following table.

Amount in NPR '000

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)	Growth Rate CAGR*
Paid up capital	567,664	411,350	298,080	216,000	180,000	33%
Reserve & Surplus	878,532	691,716	556,709	457,524	291,788	32%
Investment and Placements	1,073,104	842,104	637,249	444,474	346,500	33%
Non-Current Assets	517,109	340,082	342,459	259,241	163,748	33%
Current Assets	1,142,077	947,527	668,544	517,959	377,479	32%
Operating Income	661,873	479,616	383,074	431,317	322,963	20%
Operating Expenses	84,896	73,116	63,671	56,296	50,334	14%
Gross Profit	576,977	406,500	319,403	375,020	272,629	21%
Interest/ Other Income	98,764	69,716	68,733	53,430	38,814	26%
Administrative Expenses	51,742	21,737	48,092	29,928	13,574	40%
Human Resource Expenses	60,980	39,691	32,183	24,456	19,406	33%
Operating Profit	563,019	414,789	307,861	374,065	278,463	19%
Depreciation/Amortization	39,581	37,773	33,788	21,784	12,159	34%
<b>Net Profit /(Loss) for the year</b>	<b>354,624</b>	<b>254,463</b>	<b>185,001</b>	<b>237,736</b>	<b>181,609</b>	<b>18%</b>

\*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 1,446,195, thousand as against NPR 1,103,066 thousand in the previous year. The increase is mainly due to adjustment of Bonus Share Capital of 38% on Paid-up Capital approved for FY 2077/78 (2020/21) and additional profit transferred to Reserve and Surplus from attributable profit of FY 2078/79 (2021/22).

NCHL has implemented a policy to set aside 20% of the net profit of the year to Technology Enhancement Reserve 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 with an objective for acquiring own office premise (Land & Building). A reserve for actuarial gain/loss has been created 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 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 215,712,200 (rounding the decimal figure in share) and cash dividend of 2% equivalent to NPR 11,353,272 (for tax purpose) from the profit of fiscal year 2078/79 (2021/22), 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 1,248,604 thousand in FY 2078/79 (2021/22) as against NPR 925,104 thousand in the previous year. The interest income has increased to NPR 97,253 thousand as against NPR 69,521 thousand with growth of 40%. The interest income includes income from investments and call deposits.

Amount in NPR '000

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
Fixed Deposits & Debentures	1,248,604	925,104	323,500	35%
Investments and Placements (Maturity above 3 months)	1,073,104	842,104	231,000	27%
Cash Equivalents (Maturity less than 3 months)	175,500	83,000	92,500	111%
Interest Income*	97,253	69,521	27,732	40%

\*Including interest income from call deposits.

## Operating Income

Total operating income for the FY 2078/79 (2021/22) has increased to NPR 661,873 thousand as against NPR 479,616 thousand in the previous year.

Amount in NPR '000

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
NCHL-ECC transaction Fee	371,728	256,899	114,829	45%
NCHL-ECC transaction Fee	64,987	58,944	6,043	10%
connectIPS / RPS transaction fee	137,109	81,400	55,709	68%
connectRTGS	4,384	2,483	1,901	77%
Membership & Annual Fee	75,445	72,184	3,261	5%
Network Connectivity & Management Fee	8,220	7,706	514	7%
<b>Total Operating Income</b>	<b>661,873</b>	<b>479,616</b>	<b>182,257</b>	<b>38%</b>

## Other Income

Total other income of NPR 1512 thousands has been reported in the FY 2078/79 (2021/22) against NPR 195 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 have increased by 16% to NPR 84,897 thousand as against NPR 73,115 thousand in the previous year. The major increment is due to the increase in direct expenses in SMS and bulk email; and Data Center & Disaster Recovery Site expenses. 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\$ 220,000 for the participant's component; US\$ 55,125 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 network/firewall have also contributed to increase in the operating expenses.

Amount in NPR '000

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
ECC Software AMC - BFIs & NCHL	43,294	41,976	1,318	3%
IPS Software AMC	4,593	4,532	61	1%
Oracle Software AMC	9,622	9,367	255	3%
Network Connectivity	5,208	4,364	844	19%
Other AMC & expenses	22,180	12,876	9,304	72%
<b>Total Operating Expenses</b>	<b>84,897</b>	<b>73,115</b>	<b>11,782</b>	<b>16%</b>

### Administrative Expenses

Total administrative expenses have increased to NPR 51,742 thousand as against NPR 21,737 thousand in the previous year, equivalent to increase of 138%. This is mainly due to increase in business promotion expenses, rent-office space and support staff expenses.

### Human Resource Expenses

Total human resource expenses have increased to NPR 74,343 thousand as against NPR 47,471 thousand in the previous year, equivalent to increase of 57%. This is mainly due to increase in number of staff and revision of staffs' benefits. The net human resource expenses presented after deductions Capitalization is NPR 60,980, which is an increase of 54% compared to the previous year.

Amount in NPR '000

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
Human Resource Expenses	74,343	47,471	26,872	57%
Less: Capitalization Product Development	(13,363)	(7,780)	(5,582)	
<b>Total Human Resource Expenses</b>	<b>60,980</b>	<b>39,691</b>	<b>21,290</b>	<b>54%</b>

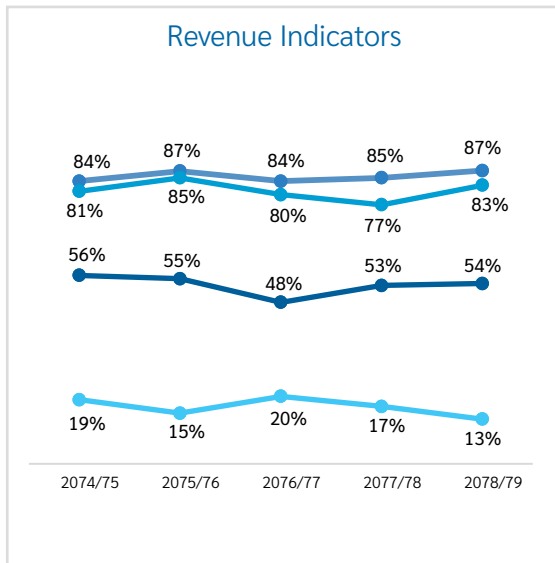
### Profits and Corporate Tax

During the period, NCHL has generated net profit of NPR 354,624 thousand as against the net profit of NPR 254,463 thousand in the previous year thereby registering increase of 39%. Increase in profit is mainly due to the increase in operating income from NCHL-ECC system and *connectIPS* e-payment system. The income tax provision has consequently increased to NPR 119,269 thousand as against NPR 85,845 thousand in the previous year.

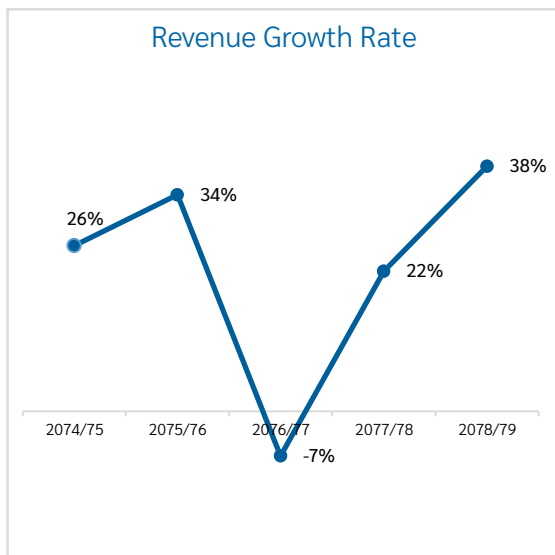
Amount in NPR '000

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
Gross Profit	576,977	406,500	170,477	42%
Operating Profit	563,019	414,789	48,230	36%
Income Tax Provision	119,269	85,845	33,424	39%
<b>Net Profit After Tax</b>	<b>354,624</b>	<b>254,463</b>	<b>100,161</b>	<b>39%</b>

## FINANCIAL RATIOS

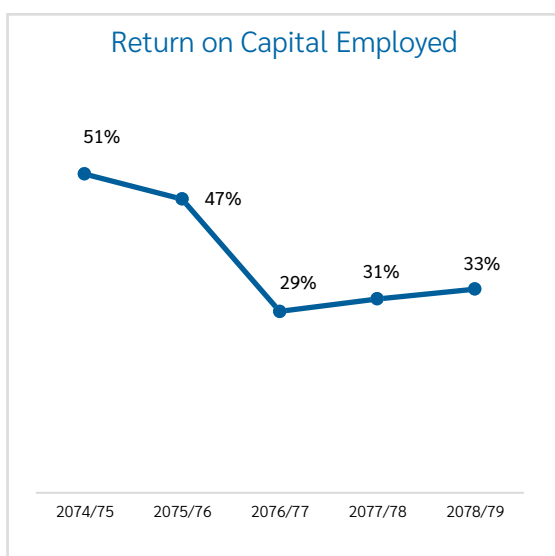


- Net Profit/ Total Operating Revenue
- Gross Profit/ Total Operating Revenue
- Txn Fees Income/ Total Operating Revenue
- Annual Fees & Charges/ Total Operating Revenue



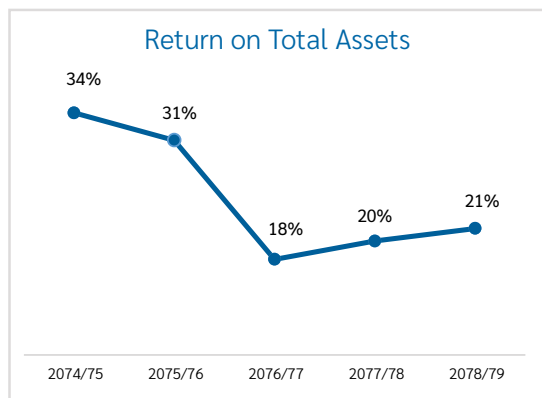
Revenue growth rate represents the percentage of increment in total revenue (operating and non-operating income) in comparison with previous year's total revenue.

Revenue has increased by 38% in the current fiscal year compared to the last fiscal year. This is mainly due to 57% growth in transaction volume.



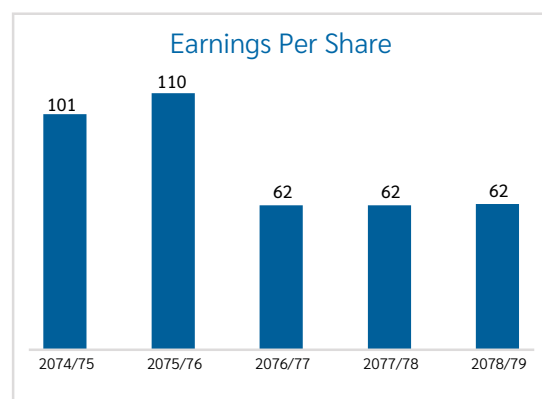
Return on Capital Employed (ROCE) measures how efficiently a company is using the capital (equity and accumulated reserves) to generate profit before tax and interests.

The ROCE has slightly improved to 33%. 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.



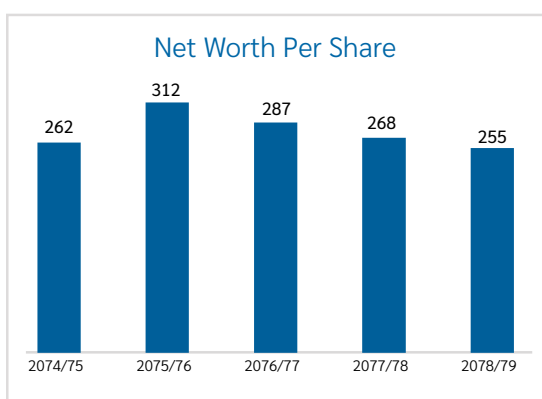
Return on Total Assets measures a company's net profit relative to its total assets.

The Return on Total Assets has slightly improved at 21% 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.



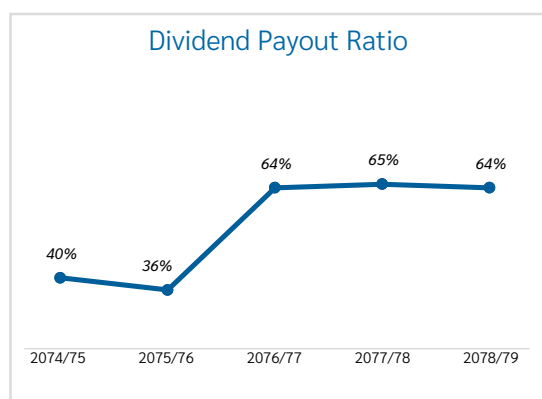
Earnings per Share represents a company's profit allocated to each unit of equity share. It also represents the net earnings available to the shareholders.

The addition of the bonus shares within the share capital by 38% and increase in net profit is by 39% respectively, which 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 to NPR 255 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 decreased to 64% as compared to the previous year due to the improvement in Net profit for the current fiscal year. However, the dividend for FY 2078/79 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 625,317 thousand as against NPR 455,680 thousand in the previous year.

Amount in NPR '000

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
Direct income	661,873	479,616	182,257	38%
Indirect income	98,764	69,716	29,048	42%
Less: Operating expenses	84,896	73,116	11,780	16%
Less: Administrative Expenses (Excluding expenses incurred for stakeholders)	50,424	20,536	29,888	146%
<b>Total Value Addition</b>	<b>625,317</b>	<b>455,680</b>	<b>169,637</b>	<b>37%</b>

### Application of Value Generation

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

Amount in NPR '000

Applied to Stakeholders	FY 2078/79 (2021/22)	%	FY 2077/78 (2020/21)	%	Growth	
					Volume	%
Government	119,269	19%	85,845	19%	33,424	39%
Employee	113,324	18%	77,392	17.0%	35,932	46%
Directors	1,318	0.2%	1,201	0.3%	117	10%
Shareholders	227,065	36%	164,540	36%	62,525	38%
<b>Entity:</b>						
• Reserves	127,558	20%	89,923	20%	37,635	42%
• Deferred Tax	(2,797)	-0.4%	(994)	-0.2%	(1,803)	181%
• Depreciation & Amortization	39,581	6%	37,773	8%	1,807	5%
<b>Total Value Addition</b>	<b>625,317</b>	<b>100%</b>	<b>455,680</b>	<b>100%</b>	<b>169,637</b>	<b>37%</b>

\* Including proposed dividend and bonus share for FY 2078/79, which is subject to approval by the Annual General Meeting.



**CORPORATEPAY मा**  
**अब अनलाइन रजिष्टर गर्नुहोस् !**

आजै <https://corporatepay.connectips.com>  
माफत अनलाइन नै रजिष्टर गरी सेवा प्राप्त गर्न आफ्नो  
बैंक/वित्तीय संस्थामा सम्पर्क गर्नुहोस् ।

System provided by:



## 04 OPERATIONAL REVIEW

NCHL has a practice of continuously evaluating its processes and capacity to enhance its efficiency and effectiveness to ensure operational stability. 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. 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 or support.

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

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
Total Transactions Count (in '000)	70,365	44,768	25,596	57%
Total Transaction Value (NPR in Million)	15,748,144	13,042,962	2,705,182	21%
Total Transaction Value (USD in Million)	232	209	23	11%
Total Transaction Value (EUR in Million)	411	249	162	65%
Total Transaction Value (GBP in Million)	349	272	77	28%
Average Daily Transaction Count (in '000)	263	173	89	51%
Average Daily Transaction Value (in '000)	58,602,148	49,782,338	8,819,883	18%

NCHL has been operating multiple national clearing and settlement systems including NCHL-ECC, NCHL-IPS, Retail Payment Switch-RPS (as part of NPS). Additionally, it has been facilitating the industry with its channel platforms including *connectIPS*, National Payments Interface (NPI), CORPORATEPAY and *connectRTGS*. The growth in transaction value and volume from the payment systems operated by NCHL in comparison to last fiscal year is 21% and 57% respectively. The average daily transaction value has increased by 18% and the average daily volume has increased by 51% in comparison to last fiscal year. The annualized growth in transaction value and volume from the payment systems operated by NCHL since 2068/69 (2011/12) till date has reached over 63.2% in volume and 52% in value, which has remained as the major contribution of NCHL in the digital payment value chain within Nepal.

### 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 expenses related payout transactions such that the payouts are transferred directly into the bank account of beneficiary. Integration with SUTRA system enables all 753 Local Government bodies for initiating digital payout transactions. GoN uses NCHL systems for processing their payout transactions related to salary, vendor & party payments, pension, G2G, etc.

Similarly, FCGO's revenue collecting system (RIMS) is centrally integrated with NCHL's *connectIPS* payment gateway and APIs (through NPI) to enable online e-payment of revenue by general public. FCGO has extended the payment gateway to its revenue collecting departments/ divisions and alternatively can use [revenue.fcgo.gov.np](http://revenue.fcgo.gov.np) for revenue payments. NCHL has also extended such revenue payment service to its member BFIs (mobile, internet banking), PSPs (wallets) and also in NCHL's channel platforms (Bank Central, CORPORATEPAY and Others). Various local Governments, including metropolitan, sub-metropolitan, municipalities and rural municipalities have also integrated NCHL's system for their revenue collections.

During the fiscal year, NCHL processed Government of Nepal digital transactions (through NCHL-IPS and *connectIPS* systems) equivalent to NPR 866 Billion as expense transactions and NPR 133 Billion as revenue transactions, which accounts to a total of 11.04 Million GoN transactions processed through NCHL systems. An estimated 12.45% of revenue collection and 73.52% of expense of GoN, in terms of value, was digitized in FY 2078/79.

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, Plant & Quarantine, Teachers Service Commission, Consular Service Department, Yatayat, Employee Provident Fund, Citizens Investment Trust, Social Security Fund, Nepal Stock Exchange, Department of Foreign Employment, Nepal Oil Corporation, Rastriya Beema Sansthan, Metropolitan Traffic Police Office, Department of Foreign Employment, Survey Department, Institute of Engineering (IOE), Kathmandu Metropolitan City Office, Lalitpur Metropolitan City Office, Civil Aviation Authority Nepal (CAAN), Medical Education Commission, Nepal Tourism Board, etc.

## NCHL MEMBERS

NCHL-ECC, NCHL-IPS and *connectIPS* members from BFIs have almost reached its maturity with 59 members in NCHL-ECC and NCHL-IPS and 57 members in *connectIPS* by the end of the FY 2078/79 (2021/22). NCHL-IPS and *connectIPS* e-Payment systems have been extended to Direct and Indirect/Technical members through National Payments Interface (NPI). Out of the 72 Indirect/Technical members, 52 indirect/technical members were Live in NCHL-IPS and 47 were Live in RPS/*connectIPS* at the end of the fiscal year.

Following is the summary of the Live members as of Asadh end 2079.

NCHL Members	NCHL-ECC	NCHL-IPS	<i>connectIPS</i>	<i>connectRTGS</i>	NPI	CPAY	NPS-RPS
<b>Total Members</b>	<b>59</b>	<b>132</b>	<b>129</b>	<b>50</b>	<b>122</b>	<b>51</b>	<b>58</b>
Nepal Rastra Bank	1	1					
NIFRA	1	1		1			
Commercial Banks	26	26	26	23	26	25	15
Development Banks	16	16	16	10	12	9	3
Finance Companies	15	15	15	11	12	5	6
Indirect/Technical		52	54		47		1
<b>Subscribed*</b>							
Nepal Rastra Bank				1			
NIFRA						1	
BFIs				4		11	22
Indirect/Technical		21	18		25		11

\* 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 BFIs in the last few years. During the review period of FY 2078/79 (2021/22), 2 member BFIs (1 commercial bank and 1 development bank) merged. And the total number of member BFIs which have merged till date remains 100 for NCHL-ECC. Similarly, 1 Indirect member and 1 Technical Member have withdrawn their membership during the FY. With the continued merger policy and some of the merger approval already in progress, it is anticipated that the BFIs will continue to merge in the coming fiscal year too and some of the PSPs/PSOs are also expected to decrease.

Merger/termination of members 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 have been given utmost priority to ensure the expected performance and support. The average daily cheque transaction volume for the FY 2078/79 (2021/22) remained at 61,507. Total of 16,725,666 cheques were presented during the review period out of which 13,920,129 cheques were cleared/accepted.

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

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
Total Transactions Count (in '000)	16,726	14,411	2,315	16%
Total Transaction Value (NPR in Million)	10,537,711	9,234,341	1,303,370	14%
Total Transaction Value (USD in Million)	215	185	30	16%
Total Transaction Value (EUR in Million)	411	249	162	65%
Total Transaction Value (GBP in Million)	349	271	78	29%
Average Daily Transaction Count (in '000)	61	54	7	13%
Average Daily Transaction Value (in '000)	38,741,586	34,846,572	3,895,014	11%

6,212 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. NCHL will continue to assist the member for branch wise rollout of NCHL-ECC. The transaction volume in NCHL-ECC has increased by 16%. And Express clearing constitutes 12% of the total transaction volume against 7% in the previous year.

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

Sessions	2078/79	2077/78	2076 /77	2075/76	2074/75
High Value	263	608	288	310	245
Express	2,031,094	1,004,817	1,466,094	1,572,514	937,877
Regular	14,694,309	13,405,996	10,431,951	10,182,248	8,748,155
<b>Total</b>	<b>16,725,666</b>	<b>14,411,421</b>	<b>11,898,333</b>	<b>11,755,072</b>	<b>9,686,277</b>

As per the direction of NRB for mandatory implementation of full MICR, NCHL has supported the BFIs by providing discount of 15% on the total transaction fee collected against full MICR cheques presentment in the system. 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.



# चेकबाट कारोबार गरौं।

आफ्नो खातामा पर्याप्त मौज्दात रहे/नरहेको  
यकिन गरी मात्र चेक काट्नुहोस्।

सेवाको लागि बैंक/वित्तीय संस्थामा सम्पर्क गर्नुहोस्।

System provided by:



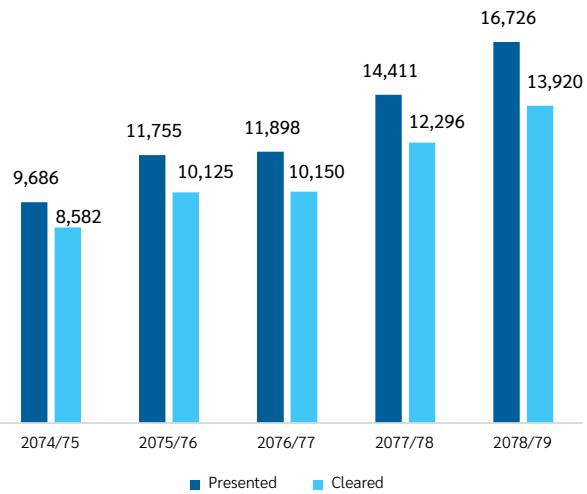
**NEPAL  
CLEARING  
HOUSE**



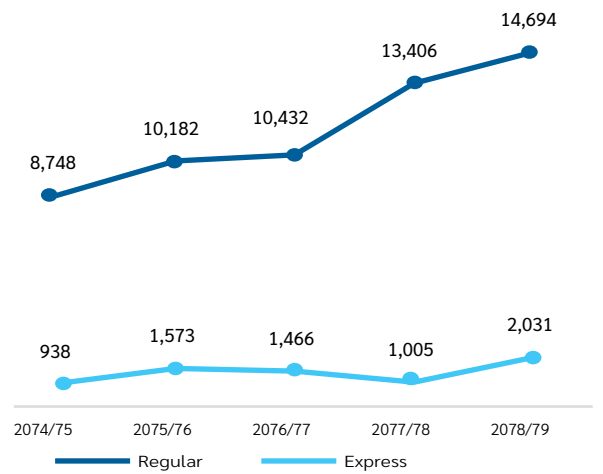
**ECC**  
Electronic Cheque Clearing  
चेकबाट कारोबार गरौं

## Snapshots of NCHL-ECC Transactions

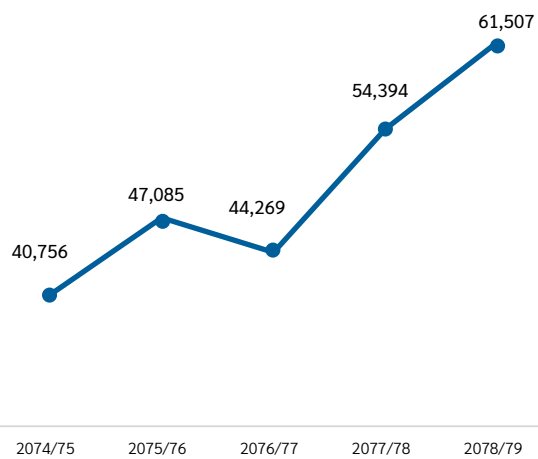
Transaction Count (in '000)



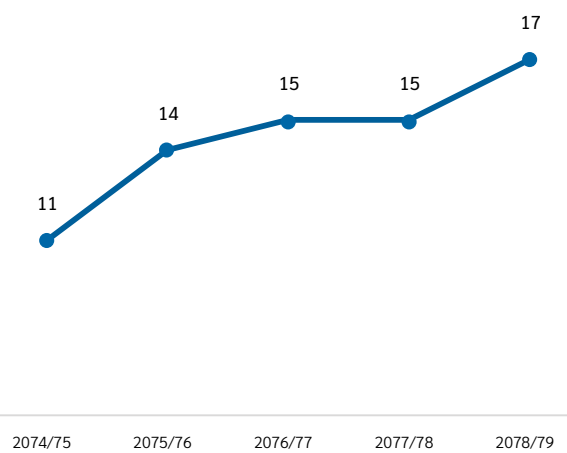
Regular & Express Transaction Count (in '000)



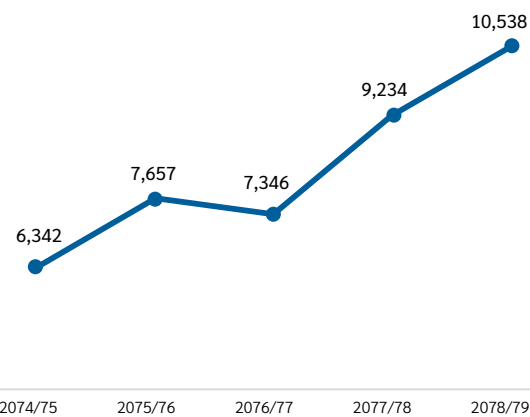
Average Daily Cheque Volume



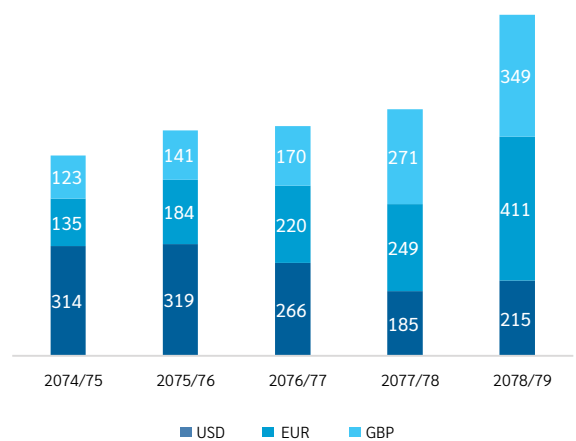
Average Cheque Return (in %)



NPR Transaction Value (in Billions)



FCY Transaction Value (in Millions)



## NCHL-IPS SYSTEM

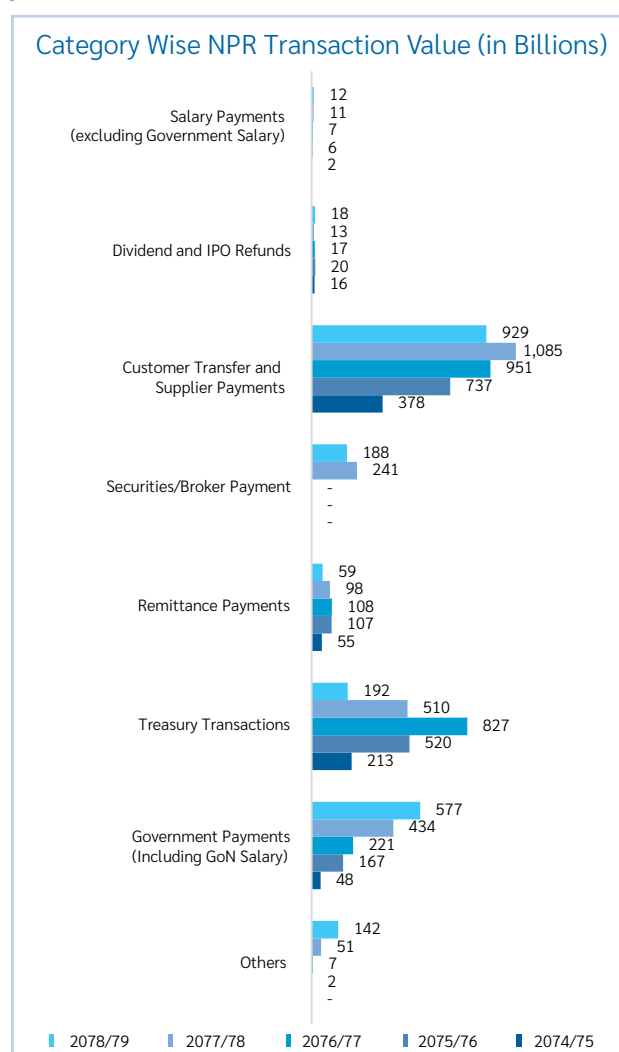
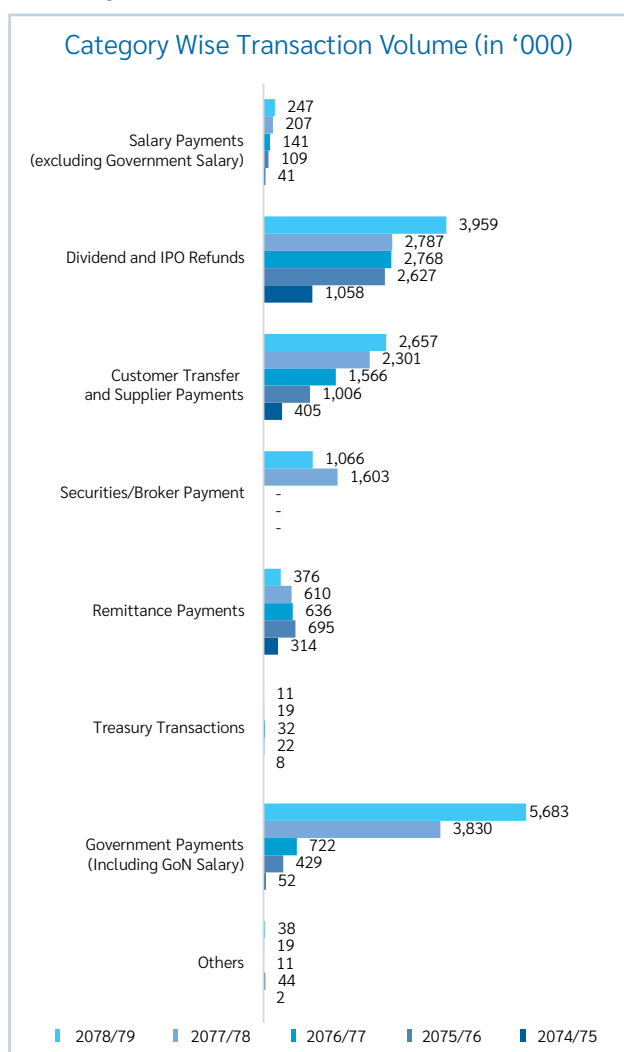
Acceptability of NCHL-IPS system is reflected with the increase in the total transaction volume, which has increased by 23% but the value of transaction has reduced by 13% as compared to the previous year. The system reached its peak transaction of 208,673 in a single day, since its inception on 13<sup>th</sup> Poush 2078. 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 14,037 thousand transactions processed through NCHL-IPS, the transactions processed through NPI comprise of 51% during the review period which is slightly higher than previous fiscal year and 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 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Volume	%
Total Transactions Count (in '000)	14,037	11,376	2,661	23%
Total Transaction Value (NPR in Million)	2,116,532	2,442,999	(326,467)	-13%
Total Transaction Value (USD in Million)	17	24	(7)	-29%
Total Transaction Value (EUR in Million)	0.35	0.31	0	13%
Total Transaction Value (GBP in Million)	0.52	0.76	0	-32%
Average Daily Transaction Count (in '000)	57	45	12	27%
Average Daily Transaction Value	8,569,030	9,580,389	(1,011,359)	-11%

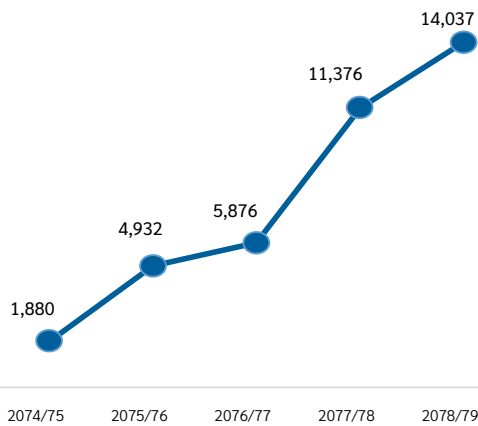
NCHL-IPS was extended to 6,186 branches across the country. Providing necessary trainings and awareness to the members and facilitating various institutions including Government, Semi-Government institutions and other larger corporates were the primary focus for NCHL during the year.

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

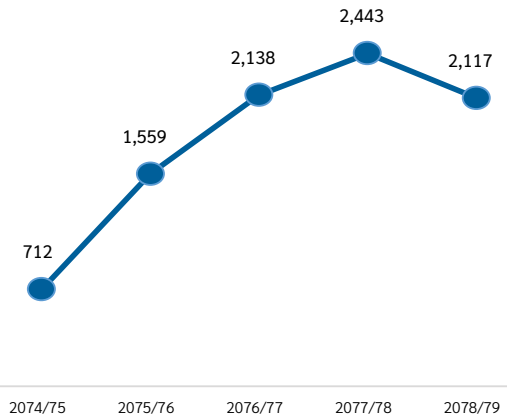


## Snapshots of NCHL-IPS Transactions

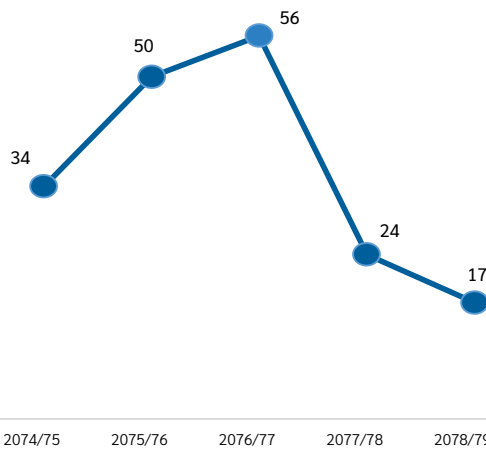
Transaction Count (in '000)



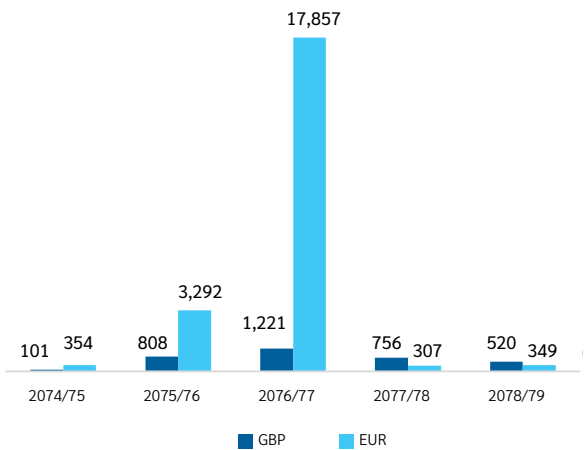
NPR Transaction Value (in Billions)



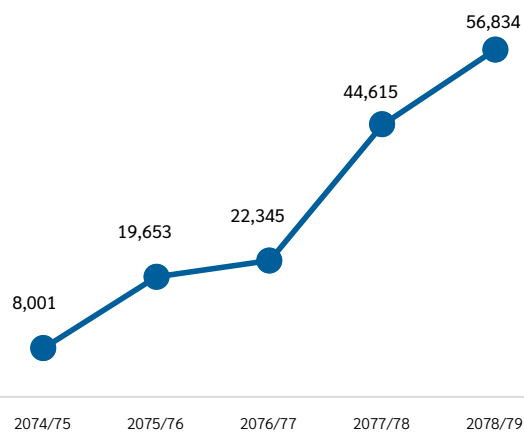
USD Transaction Value (in Millions)



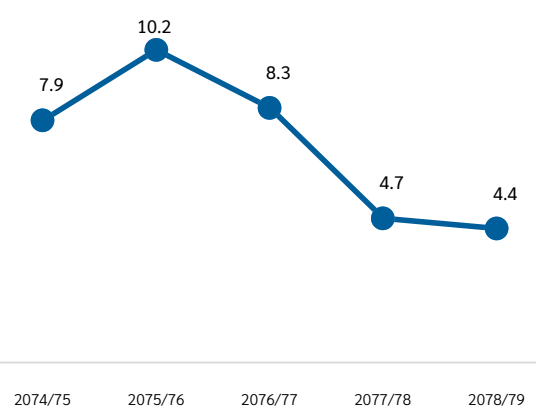
GBP & EUR Transaction Value (in '000)



Average Daily Transaction Volume



Average Transaction Return %





## RPS (*connectIPS*)

Retail Payment Switch (RPS), which is part of the National Payment Switch (NPS), has been processing non-card based retail transactions on real time basis initiated from any of the channels and any acquiring instruments. RPS is extended to the members through National Payment Interface (NPI). Preference and wide acceptability of the faster payments through RPS (*connectIPS*) is reflected with the increase in the total transaction volume, which has increased by 109% as compared to the previous year. The system reached its daily peak transactions of 296,121 since its inception. The primary focus of NCHL for RPS has been to extend interoperability and the additional instruments of RPS by opening the infrastructure to all the stakeholders within payment ecosystem.

RPS is interconnected with 98 alternate channels of 48 member BFIs which mainly includes like Mobile Banking, Internet Banking and Remittance channels for fund transfer and service payments. Similarly, it is also connected with the channels of 19 PSPs/ PSOs for both Cash-in/out and service payments. The APIs for service payments are extended as Biller Gateway instrument through NPI.

11 BFIs were Live for receiving fund transfer through NEPALPAY Instant using Mobile number of the beneficiary as identifier. NEPALPAY Request is available for P2P transfers *connectIPS* users. NEPALPAY QR was rolled out in the issuing instruments of 11 member BFIs and 2 PSPs besides *connectIPS* Mobile App. Similarly, merchants for NEPALPAY QR were onboarded by 15 BFIs and 1 PSP during this FY.

The overall transaction volume and value through RPS (*connectIPS*) during the fiscal year is as follows:

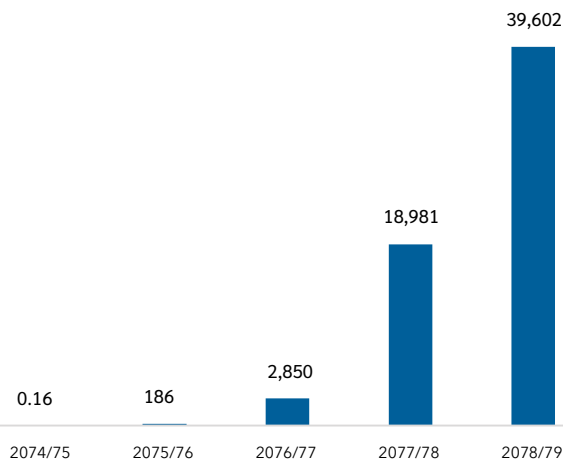
Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Change	%
Total Transactions Count (in '000)	39,602	18,981	20,621	109%
Total Transaction Value (NPR in Million)	3,093,900	1,365,621	1,728,279	127%
Average Daily Transaction Count (in '000)	145	74	71	96%
Average Daily Transaction Value (NPR in '000)	11,291,605	5,355,377	5,936,228	111%

Following is the channel wise transaction distribution.

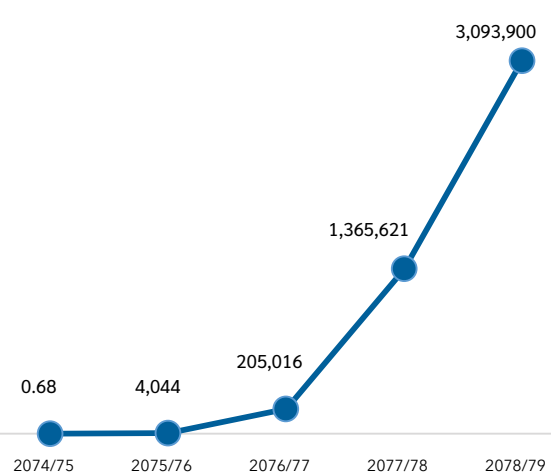
Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	Growth	
			Change	%
<b>Channels</b>				
CIPS App	4,782,708	1,782,628	3,000,080	168%
CIPS Web	8,068,704	4,390,496	3,678,208	84%
CIPS Gateway	4,019,592	1,935,514	2,084,078	108%
CORPORATEPAY	322,483	32,367	290,116	896%
Bank Central	900,970	267,865	633,105	236%
<b>NPI</b>				
NPI PSPs/PSOs	1,691,930	971,945	719,985	74%
NPI MB/IB	10,871,022	4,124,825	6,746,197	164%
NPI Bank Remit	1,569,782	1,196,644	373,138	31%
NPI Other Remit	2,554,195	1,649,012	905,183	55%
NPI Capital Market	214,889	213,824	1,065	0.5%
NPI GoN	3,746,465	2,073,314	1,673,151	81%
NPI Semi-Government	395,377	212,348	183,029	86%
Refund/Others	463,846	129,943	333,903	257%
<b>Total</b>	<b>39,601,963</b>	<b>18,980,725</b>	<b>20,621,238</b>	<b>109%</b>

## Snapshots of connectIPS e-Payment Transactions

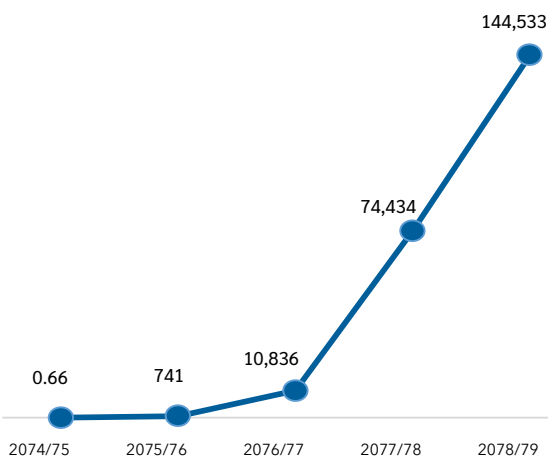
### Yearly Transaction Count (in '000)



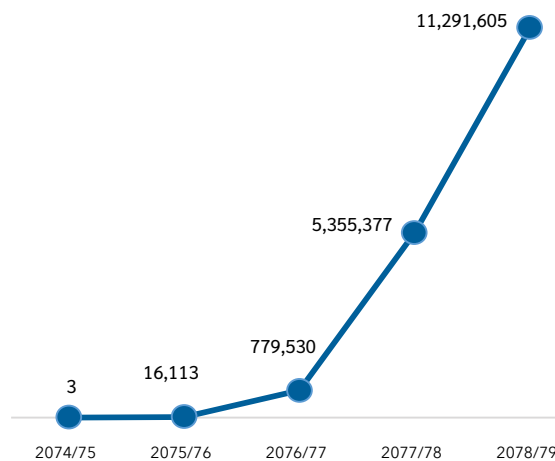
### Yearly Transaction Value (in NPR Millions)



### Average Daily Transaction Volume



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



**connectIPS नै हो Mobile Bankingबाट  
Fund Transferको सजिलो माध्यम ।**



System provided by:



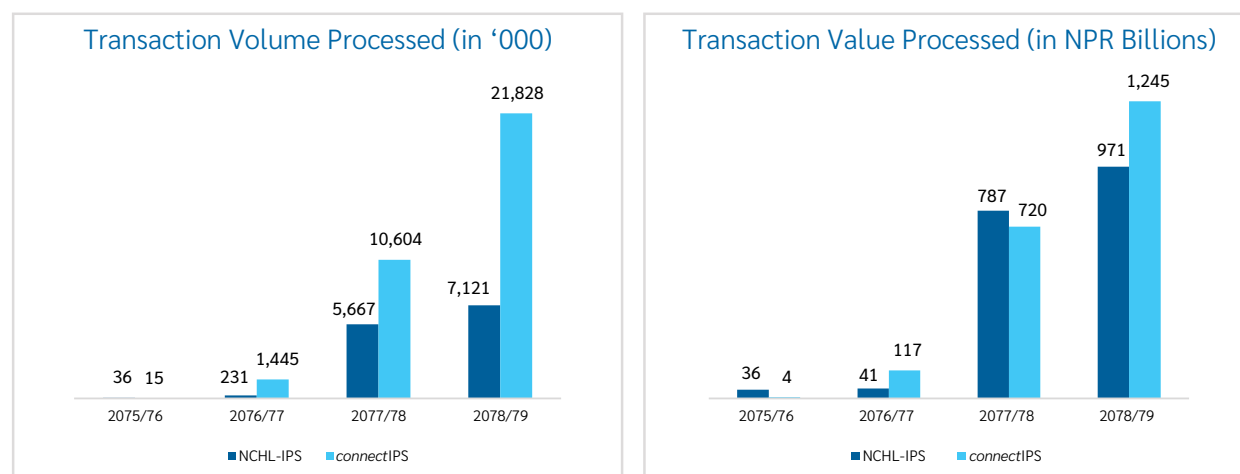
## NATIONAL PAYMENTS INTERFACE (NPI)

National Payments Interface (NPI) connects multiple underlying core systems and services for routing of financial and non-financial messages and for interfacing with the participating members. It provides the members (BFIs as Direct and Others as Indirect/ Technical) to extend transfer and service payments to its alternate channels or to integrating with its back-office systems. NCHL's channel platforms including *connectIPS*, Bank Central and CORPORATEPAY are also connected with the core systems through NPI. 11 remittance companies, 21 PSPs, 1 PSO, 4 Insurance Companies, Social Security Fund (SSF), Employee Provident Fund (EPF), Citizens Investment Trust (CIT), Nepal Stock Exchange (NEPSE - TMS), few Local Governments, ISPs were live through NPI by the end of the review period. Similarly, mobile banking of 48 BFIs, internet banking of 23 BFIs, corporate channels of 5 BFIs and 15 remittance channels of the BFIs were live through NPI by the end of the fiscal year. NPI, as part of NPS, has also been used to extend all other retail instruments of RPS including NEPALPAY QR.

With establishment of various use cases in NPI, the transactions processed through NPI has reached 54% of the total digital transactions. A total of 28,949 thousand transactions were processed in the underlying system through NPI during the review period against 16,271 thousand transactions. Composition of the transactions processed through NPI is as follows:

Channels	%
BFI's Alternate Channels	43
Government of Nepal	33
Remittance Companies	9
PSPs/PSOs	6
Capital Market	4
Semi Government	1
Others	4

### Snapshots of Transactions Processed Through NPI



## CORPORATEPAY

The acceptance of the CORPORATEPAY system has considerably increased during the review period with a total of 4,481 small and mid-size institutional customers of 39 member BFIs were using the system for their business payments. CORPORATEPAY is being used for various payments including fund transfer, salary payments, vendor payments, GoN taxes including payment to DoC, NOC, SSF, CIT, EPF etc. The system has needed controls for hierarchy based multi authorization. It processes real time transaction up to NPR 20 Lakh per transaction for different banks (Off-Us) and up to NPR 5 Crore for same bank (On-Us). The non-real time transaction up to NPR 20 Crore and GoN transaction up to NPR 30 Crore per transaction can also be processed through the system. A total of 571,308 transaction equivalent to NPR 191 Billion have been processed through COPRPORATEPAY during the review period.

## connectRTGS

connectRTGS has been subscribed by 50 BFIs including NRB out of which 50 BFIs are live such that they can initiate and process RTGS transactions. A total of 386,560 transactions were processed through the connectRTGS during the review period

## NCHL-HELPDESK

NCHL-Helpdesk is an arrangement for providing first level support for its members. They provide necessary information and handle the issues and 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. It 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 BFIs with needed support and coordination from NCHL.

## 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 had focused on awareness and orientations for BFI users for enhancing their capabilities on onboarding customers for digital platforms and for processing transactions. The orientation and trainings during the review period mainly focused on CORPORATEPAY systems, Bank Central and connectIPS.

Details of various trainings and orientations conducted during the FY 2078/79 (2021/22) are as follows:

Training/Orientation in FY 2078/79 (2021/22)	Count	Participants
connectIPS /NCHL-IPS	7	280
CORPORATEPAY	23	871
NCHL Bank Central	11	1,248
<b>Total</b>	<b>41</b>	<b>2,399</b>




### सरल भुक्तानीको माध्यम

NCHL-IPS सेवाको लागि आफ्नो बैंक/वित्तीय संस्थामा सम्पर्क गर्नुहोस्।



Salary Payment



Supplier Party Payment



Customer Payment



Dividend Payment




Government Payment

System provided by:



**NEPAL  
CLEARING  
HOUSE**



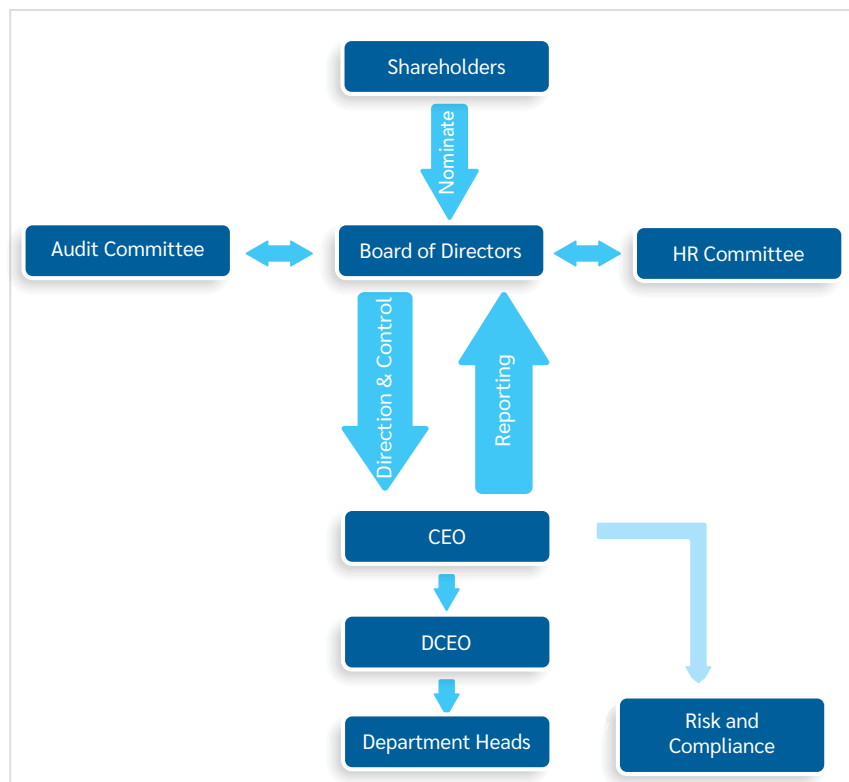
**IPS**  
Interbank Payment System

सरल भुक्तानीको माध्यम

## 05 GOVERNANCE & RISK MANAGEMENT

### CORPORATE GOVERNANCE

NCHL has a culture of robust corporate governance to achieve its objectives towards the development of national payments infrastructures. 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. NPS-Retail Payment Switch Operating Rules
10. Operating Procedure for Settlement Guarantee Fund
11. NPS-NPI Operating Rules
12. NPS-NEPALPAY QR Operating Rules
13. NPS and NEPALPAY-Brand Guidelines
14. Directives and Circulars issued by Nepal Rastra Bank

## THE BOARD OF DIRECTORS

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 accountable and responsible for ensuring that adequate system and controls are in place; strategic decision making and financial performance of company. 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	90%	3
B-2	Development Banks		1
B-3	Finance Companies		1

Following are the members of the Board of Directors as on July 16, 2022:

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. Til Bahadur Gurung, Director	Mukthinath Bikas 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 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 2078/79 (2021/22).

Outgone Board Members		Current Board Members	
Name	Institutions Represented	Name	Institutions Represented
Mr. Madhav Prasad Upadhyay	Garima Bikas Bank Ltd.	Mr. Til Bahadur Gurung	Mukthinath Bikas Bank Ltd.

The tenure of directors representing from the shareholder group B-2 (development banks) and B-3 (finance companies) Mr. Madhav Prasad Upadhyay and Mr. Samaj Prakash Shrestha had completed and new directors Mr. Til Bahadur Gurung and Mr. Samaj Prakash Shrestha (re-elected for second term) were elected from the 10<sup>th</sup> AGM.

### 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 20 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	20/20
Mr. Ujjal Rajbhandary	18/20
Mr. Mahesh Sharma Dhakal	19/20
Mr. Srijan Krishna Malla	19/20
Mr. Til Bahadur Gurung	8/8
Mr. Samaj Prakash Shrestha	20/20
Mr. Madhav Prasad Upadhaya*	10/12

\* 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

\*Now Outgone Staff

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	5/5
Mr. Srijan Krishna Malla, Director	4/5
Mr. Samaj Prakash Shrestha, Director	4/5
Mr. Anesh Shrestha, Fin/Admin Officer*	5/5

\*Now outgone Staff



## 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 2078/79 (2021/22):

1. Reviewed financial statement of the FY 2077/78 (2020/21) and recommended to the Board for approval.
2. Discussed over matters concerning appointment of Statutory Auditor for the FY 2078/79 (2021/22) and recommended the name to be proposed in the 10th AGM through the Board.
3. Discussed over matter for appointment of Internal Auditor for FY 2078/79 (2021/22) and recommended to the Board. 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 Financial Statements and Budget Variance Report of the company on quarterly basis.
6. Reviewed the results of Risk Register, Assessment & Treatment Plan of June 2021 & December 2021 and Compliance Self-assessment and Cross-Functional Audit reported by the management.

## HR COMMITTEE

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

Current members of the HR Committee are as follows:

Name of Member	Role
Mr. Ujjal Rajbhandary, Director	Chairperson
Mr. Srijan Krishna Malla, Director	Member
Mr. Til Bahadur Gurung, Director	Member
Mr. Madhav Prasad Upadhya, Director*	Member

\* Outgone Board 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 5 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	5/5
Mr. Srijan Krishna Malla, Director	3/3
Mr. Til Bahadur Gurung, Director	3/3
Mr. Madhav Prasad Upadhaya, Director *	2/2

\* Outgone Board Members

## Report on the Activities of HR Committee

The HR Committee conducted following functions in the FY 2078/79 (2021/22) exercising powers conferred by NCHL's Board.

1. Reviewed the amendment in NCHL Employee Service Rules and NCHL Human Resource Plan.
2. Reviewed the staffs' salary and benefits and recommended to the Board for necessary approval and considerations.
3. Reviewed and recommended necessary restructuring for fulfilling HR requirement

## NPS High Level Committee

A Board Level Committee was formed as per 170<sup>th</sup> Board Meeting held on 24<sup>th</sup> March 2021 to recommend, review and monitor the execution of the NPS project. A total of 3 meetings of the NPS High Level Committee were 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	3/3
Mr. Samaj Prakash Shrestha, Director	Member	3/3
Mr. Til Bahadur Gurung, Director	Member	-/-
Mr. Madhav Prasad Upadhyay, Director*	Member	3/3

\* Outgone Board Member

## 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 1,317,540 with NPR 1,117,500 incurred for meeting allowance and NPR 200,040 incurred for other meeting expenses. 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](http://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. 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 2078/79 (2021/22)

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 166,375 excluding VAT with additional internal audit expenses on actual basis of NPR 36,458 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 16<sup>th</sup> 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 16<sup>th</sup> November, 2021 with validity till 15<sup>th</sup> April 2024, subject to annual surveillance audit. The annual ISO surveillance audit for the year 2021/22 was conducted on August 2022.

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 2078/79 (2021/22). 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 2078/79. Such VAPT were executed as multiple service assignments by external service providers, covering network, network policies, web applications, mobile applications and consolidated APIs. Such VAPT assessments were performed by M/s Reanda Biz Serve Pvt. Ltd.

## 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

External auditor. M.B. Shrestha & Co., Chartered Accountants has been appointed as the external statutory auditor for the review period by the 10th 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 133,100 excluding VAT was paid to the external auditor for the fiscal year.

The details of the audited financials for the fiscal year 2078/79 (2021/22) 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.



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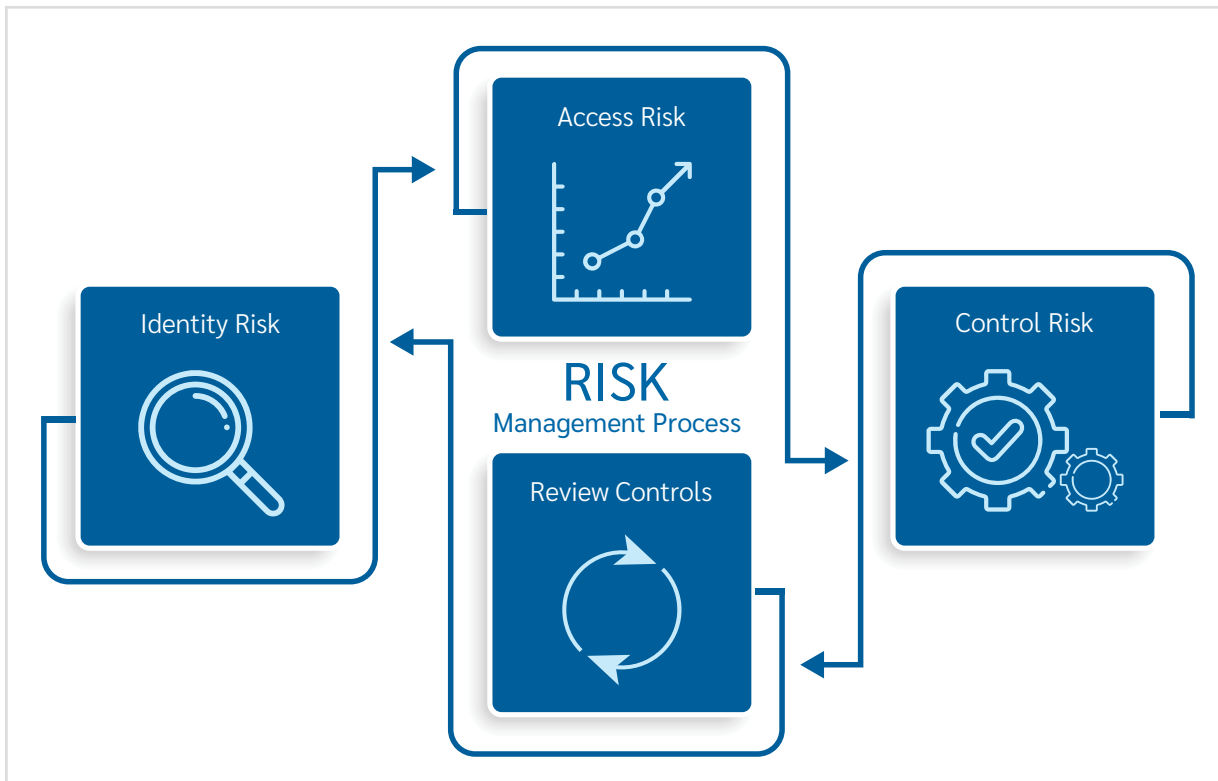


National Payment Switch  
Unifying Payments for Nepal



## 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.

## 06 MARKET ANALYSIS

Post-pandemic, increase in currency in circulation has been a global phenomenon due to 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 non-cash based digital transaction adoption has increased by 48% in terms of transaction volume and 24% in terms of value (excluding cash based ATM transaction and RTGS transactions), as per the payment indicator published by NRB.

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

1	No. of Banks & Financial Institutions (A, B & C)	60
2	No. Payment System Operators (PSO)*	10
3	No. of Payment Service Providers (PSP)*	27
4	No. of BFI's Branches	6,488
5	No. of Branchless Banking Centers	1,420
6	No. of PSP Agents	13,075
7	No. of ATMs	4,696
8	No. of Mobile Banking Customers	19,403,680
9	No. of Internet Banking Customers	1,750,936
10	No. of Wallet Users	15,133,735
11	connectIPS users	958,250
12	No. of Cards (Debit/Credit/Prepaid Cards including issued by PSP)	12,131,090

\* Other than BFIs.

Source: NRB website data of Kartik end 2079

NRB has been regulating the payment and settlement systems in Nepal through various directives and circulars, after the issuance of the Payments & Settlement Bylaw 2072 by NRB. Thereafter, NRB has issued Licensing Policy and various other regulatory directives for the stakeholder of payment systems. Payment & 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 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 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 its payment systems.

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

Particulars	Volume	% of Total	Value (In Millions)	% of Total
NCHL-ECC	3,869,517	2%	2,009,742	45%
NCHL-IPS	3,661,274	2%	562,896	13%
connectIPS	14,928,026	9%	1,148,853	26%
Total Cards	4,847,027	3%	22,745	1%
Internet Banking	1,048,527	1%	49,601	1%
Mobile Banking	82,083,816	47%	612,828	14%
Branchless Banking	286,319	0.2%	5,828	0.1%
Wallet	63,189,612	36%	68,894	2%
<b>Non-cash Total Transaction</b>	<b>173,914,118</b>	<b>100%</b>	<b>4,481,387</b>	<b>100%</b>

As of Kartik end 2079

\*Source: Payment Systems Indicators of Shrawan to Kartik end 2079



With market players coming up with multiple payment instruments and services in 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 and compliance.

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 support NCHL and other players 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.



## सरकारी राजस्व भुक्तानी अनलाइन मार्फत सजिलै गर्नुहोस्।

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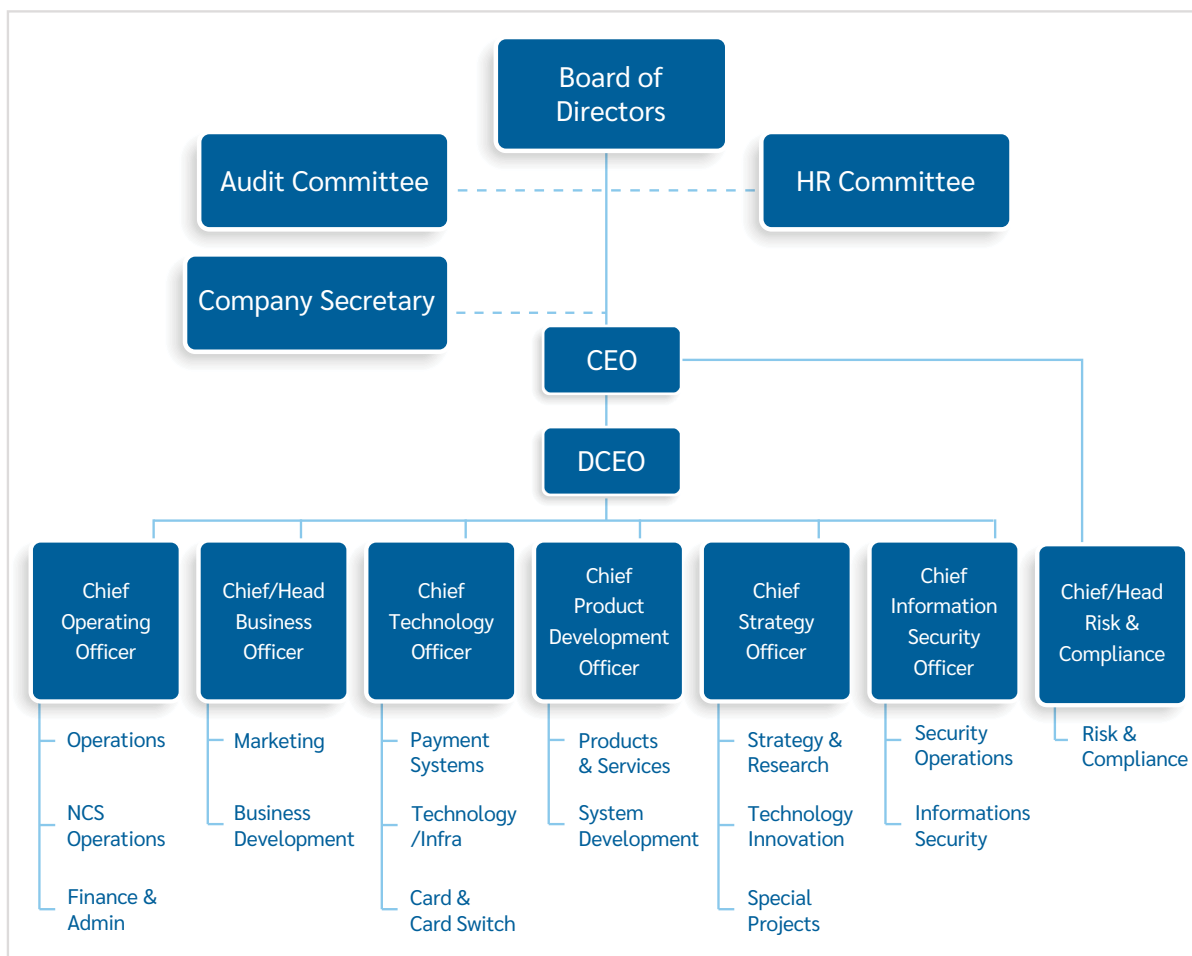
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## 07 HUMAN RESOURCES

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 59 employees at the end of the FY 2078/79 (2021/22), as compared to 34 in the previous year. It directly supports more than 17,000 business users of 59 member BFIs equivalent to supporting 288 average business users per employee. They also support 52 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 resources. NCHL support team has also been providing 2<sup>nd</sup> line support for the member BFIs in handling their *connectIPS* users and for enrollment of their creditor.

### KEY HUMAN RESOURCE INDICATORS

#### Employee Mix by Gender

Gender	Count	Percent
Female	14	24%
Male	45	76%
<b>Total</b>	<b>59</b>	<b>100%</b>

The non-core office support related functions are outsourced from local personnel service providers.

## Employee Productivity Indicators

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)
Number of Employees	59	34	33	28	22
Employee Turnover	12	1	3	3	1
Human Resource Expenses (in NPR '000)	74,343	47,471	42,222	24,456	19,406
Average Expense per Staff (in NPR '000)	1,260	1,396	1,279	2,132	1,983
Staff Expense to Total Operating Expenses	88%	65%	58%	42%	39%
Operating Income per Staff (in NPR '000)	11,218	14,106	14,534	15,404	14,680
Net Profit After Tax per Employee (in NPR '000)	6,011	7,484	7,711	8,575	8,255
Total Staff Bonus (in NPR '000)	52,344	37,702	27,407	32,026	24,209

## 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 Admin & HR department.

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 2078/79 (2021/22), 37 new employees were recruited and 12 employees had resigned.

## 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 in every two-year based upon the company's financial position, inflation and prevailing market condition. Annual salary increments 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 2030 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

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.

Particulars	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)
Staff Training Expenses	284	201	416	720	468
Training Expense / Staff Expenses	0.38%	0.42%	1%	3%	2%

## 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.

The Committee played an important role to coordinate with the employee during the COVID periods and also assisted the HR team managing work-from-home when NCHL had to continue its operations during the pandemic.

## 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



*An annual outing program with NRB staff at Shivapuri*





## MANAGEMENT AND HEADS





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## 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 eleventh 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 2078/79 (2021/22).

#### 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 last couple of years have been difficult for world economy on account of COVID-19 pandemic. The subsequent easing of lockdown measures led to gradual improvement in economic activity and progress towards normalcy. In spite of all the global setbacks, the economic shock of the pandemic has been weathered well by NCHL. Gradual unlocking of the economy and the consumers adopting digital platform for financial transactions has led towards an increase in transaction volume and value for the company in the fiscal year 2078/79. The total operating income from NCHL-ECC has increased by 41% in comparison to 29% decrease during previous year. Similarly, there has also been an increase in the revenue from NCHL-IPS system & connectIPS system by 10% & 68% respectively as compared to the previous year.

Encouragement and adoption of electronic payments by the Government 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 within the digital payments ecosystem of Nepal.

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, Nepal Government, BFIs and PSPs/ PSOs. The Phase I of NPS, related to Retail Payment Switch (RPS) went into operations with engagement of majority of the BFIs. The Phase II of NPS, related to card switch and domestic card scheme is work in progress.

The merger of the BFIs continued during the review period with 2 BFIs (1 commercial bank and 1 development bank) merged. The reduction in the annual membership fees is expected to continue due to the merger in the coming year as well, however, it is expected to be covered by enrollment of the indirect/technical members.

It is expected that the upside exchange rate fluctuation will continue, which has not remained in favor of NCHL. All the software adopted by NCHL (for NCHL-ECC, NCHL-IPS and Oracle) are payable in USD to the vendor. And the cost of other hardware and software are linked with USD, which will increase the service cost. The exchange rate has remained the highest till date in this year and is still increasing. Such exchange rate fluctuation has directly increased the operating expense of NCHL.

Difficulty in finding and recruiting qualified and experienced human resources with increased employee turnover was one of the major challenges that NCHL faced in the last year. This high turnover is associated with high demand of technical and industry experts in the market. Hence, NCHL has given utmost priority to increase skill and competency of its existing man power and to attract additional resources to support existing and new projects.



### 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, Nepal Rastra Bank, Banks and Financial institutions, their associations, non-bank institutions, payment service providers/payment system operators (PSPs/ PSOs), 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 development banks. A new representative of development banks has been appointed and the representative of finance companies has been re-elected for the second term. 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 will 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 volumes 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.
- Increase in the adoption of digital payments by general public has supported to increase transaction in NCHL's systems. This is expected to further grow in the coming years.
- NPS is a one of the flagship national payments infrastructure for introducing multiple retail instruments and to establishing interoperability. Since the project is being funding completely by NCHL, the sustainability of operations will be difficult, should there be any delay in the acceptability and rollout of the system by all the stakeholders.
- Although the licensed PSOs/PSPs has increased innovation and supported in expanding digital ecosystem in Nepal, due to the number of such entities, the competition has also increased with overlapping in multiple systems and services. NCHL has taken a strategic direction to collaborate with all the stakeholders.
- Technology based inherent risks could also adversely affect the operations of 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 factors 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 215,712,200 (rounded for the decimal share) has been proposed as bonus shares and 2 % on paid-up capital amounting NPR 11,353,272 has been proposed as cash dividend for tax purpose from the profit of the fiscal year 2078/79 (2021/22), 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 2079/80 (2022/23) include:

- Upgrade and strengthen the existing infrastructures to support members in the operations of NCHL-ECC, NCHL-IPS and RPS (*connectIPS*) systems. The engagement to increase usage and utility of shared infrastructures related to channel platforms and integration components will be continued.
- Increase acceptability of NCHL-IPS, *connectIPS* systems and NEPALPAY QR for the members and their customers to increase transactions. The focus shall be to increase B2B and P2P retail payments.
- Focus on increasing Indirect/ Technical members through NPI.
- Enhance and extend features to cover various business use cases of bank branch assisted, online and mobile channel based payment services. Enhance semi-automation in NCHL-ECC system.
- 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*.
- Rollout all the use cases of RPS relating to non-card retail payment systems including QR scheme. Implement infrastructure setup for Phase II of NPS 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.
- R&D on possible new technology and business use cases

## Detail of management expenses incurred during the year

The details of the management expenses are as follows:

Particulars	FY2078/79 (2021/22)	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)	FY 2074/75 (2017/18)
Staff Expenses	60,980,075	39,690,567	32,183,495	24,456,266	19,405,585
Other Admin Expenses	51,741,743	21,736,760	48,091,550	29,928,353	13,574,296
<b>Total</b>	<b>112,721,818</b>	<b>61,427,327</b>	<b>80,275,045</b>	<b>54,384,619</b>	<b>32,979,881</b>

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

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 97,500.00 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	<b>1,117,500</b>	20/20 meetings
Mr. Ujjal Rajbhandary		26/28 meetings
Mr. Mahesh Sharma Dhakal		24/25 meetings
Mr. Srijan Krishna Malla		26/28 meetings
Mr. Til Bahadur Gurung		11/11 meetings
Mr. Samaj Prakash Shrestha		27/28 meetings
Mr. Madhav Prasad Upadhaya*		15/17 meetings

\*Outgone Board Member

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

The Chief Executive Officer during the year under review was paid salary of NPR 6,960,000 as salary and allowances, NPR 1,119,400 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 215,712,200 (rounded for the decimal share) and Cash Dividend of 2% amounting NPR 11,353,272 have been proposed from the profit earned from the FY 2078/79 (2021/22), subject to the

approval of the Board. There exists no any outstanding dividend payable from FY 2077/78 (2020/21).

### 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

## “Digital बन्दैछ नेपाल”



Real-time fund transfer तथा अन्य भुक्तानी  
**connectIPS** मार्फत सजिलै गर्नुहोस्।

[www.connectips.com](http://www.connectips.com) मा गई वा यसको Mobile App  
डाउनलोड गरी आजै रजिष्टर गर्नुहोस्।



व्यावसायिक भुक्तानीलाई सरल बनाउँदै।

आजै <https://corporatepay.connectips.com> मार्फत अनलाइन रजिष्टर गरी सेवा  
सुचारु गर्न आफ्नो बैंक/वित्तीय संस्थामा सम्पर्क गर्नुहोस्।



**NEPALPAY QR** scan गरी सजिलै भुक्तानी गर्नुहोस्।

NEPALPAY चल्ने कुनै पनि mobile banking, वालेट वा  
**connectIPS** प्रयोग गर्न सकिने।

System provided by:



थप जानकारीको लागि [www.nchl.com.np](http://www.nchl.com.np) मा लगइन गर्नुहोस्।





**National Payment Switch**  
Unifying Payments for Nepal



**NEPAL  
CLEARING  
HOUSE**

## AUDITED FINANCIAL STATEMENTS

## NRB APPROVAL OF THE AUDITED FINANCIALS



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

पत्रसंख्या : भु.प्र.वि./ओ.सा.१/०७९/८०  
चलानी नं.: २१८

मिति : २०७९/०९/०६

श्री नेपाल क्लियरिङ हाउस लिमिटेड,  
कमलादी, काठमाडौं ।

विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०७८/७९ को वार्षिक वित्तीय विवरण, बाह्य लेखापरीक्षकको प्रतिवेदन र सो उपर व्यवस्थापनको प्रतिक्रिया तथा संस्थाको वार्षिक गैरस्थलगत निरीक्षण प्रतिवेदन-२०७९ समेतका आधारमा देहाय बमोजिमका निर्देशनहरु शेयरधनीको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्न तथा सोको कार्यान्वयन गर्ने गरी वार्षिक साधारणसभा प्रयोजनको लागि त्यस संस्थाको आर्थिक वर्ष २०७८/७९ को वार्षिक वित्तीय विवरण सार्वजनिक/प्रकाशन गर्न स्वीकृति प्रदान गर्नुका साथै संस्थाले प्रस्ताव गरेको आ.व.२०७८/७९ मा चुक्ता पुँजीको ३८ प्रतिशतले हुने रु.२१,५७,१२,९६८ ।- (रु.एक्काइस करोड सन्ताउन्न लाख बाह्र हजार एक सय अठसठ्ठी मात्र) बराबरको बोनस शेयर र कर प्रयोजनको लागि २ प्रतिशत नगद लाभांश रु.१,१३,५३,२७२ ।- (रु. एक करोड तेह्र लाख त्रिपन्न हजार दुई सय बहत्तर मात्र) गरी जम्मा ४० प्रतिशत लाभांश अन्य प्रचलित कानूनी व्यवस्थाको समेत पालना हुने गरी वार्षिक साधारण सभाबाट पारित गरी वितरण गर्न स्वीकृति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

- क) स्थलगत निरीक्षण प्रतिवेदन-२०७९ मा उल्लेख भएका कैफियतहरु मध्ये कार्यान्वयन हुन बाँकी कैफियतहरु कार्यान्वयन गरी यस विभागलाई जानकारी दिनुहुन ।
- ख) बाह्य लेखापरीक्षकको प्रतिवेदनमा उल्लेखित कैफियतहरु सुधार गरी यस विभागलाई जानकारी दिनुहुन ।

भवदीय,

(कृष्ण राम धुँजु)  
निर्देशक (सू.प्र.)



## 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. – 78.79-01-0012

16 Mangsir 2079

**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 16 July 2022 (Corresponding to 32 Ashad 2079), 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 16 July 2022 (i.e. 32 Ashad 2079) 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.





#### 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 Obtain 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.

*Nepal Clearing House Ltd.  
Independent Auditor's Report  
2078-79*

**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 32 Ashad 2079 (i.e. 16 July 2022), 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: 221204 CA00117 UXnUqr

**AUDITED FINANCIAL STATEMENTS****Statement of Financial Position**

As at Ashadh 32, 2079 (16 July 2022)

Particulars	Notes	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
<b>ASSETS</b>			
Cash and Bank Balances	8.1	24,370,462	18,858,143
Cash Equivalents	8.2	175,500,000	83,000,000
Inventories	8.3	86,608	106,960
Other Assets	8.4	97,430,942	81,472,072
Investment and Placements	8.5	1,073,104,000	842,104,000
Current Tax Assets	8.6	188,849	3,589,448
Settlement Guarantee Fund Deposits	8.7	148,717,955	143,576,349
Property, Plant and Equipment	8.8	84,752,377	71,990,723
WIP Projects	8.8	10,662,924	5,213,419
Intangible Assets	8.8	40,081,387	37,293,442
Deferred Tax Assets	8.9	4,290,651	403,884
<b>Total Assets</b>		<b>1,659,186,155</b>	<b>1,287,608,442</b>
<b>Liabilities</b>			
Current Tax Liabilities	8.6	-	-
Provisions	8.10	65,925,357	45,964,036
Other Liabilities	8.11	87,065,606	78,577,683
Settlement Guarantee Fund Liabilities	8.7.1	60,000,000	60,000,000
Deferred Tax Liabilities	8.9	-	-
<b>Total Liabilities</b>		<b>212,990,963</b>	<b>184,541,719</b>
<b>Equity</b>			
Share Capital	8.12	567,663,600	411,350,400
Reserves & Surplus	8.13	878,531,591	691,716,323
<b>Total Equity</b>		<b>1,446,195,191</b>	<b>1,103,066,723</b>
<b>Total Liabilities and Equity</b>		<b>1,659,186,155</b>	<b>1,287,608,442</b>

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

**Til Bahadur Gurung**  
Director

**Samaj Prakash Shrestha**  
Director

Date: 2-Dec-2022

Place: Kamaladi, Kathmandu, Nepal

**Statement of Profit or Loss**

For the Period Ending Asadh 32, 2079

(Corresponding to 16 July 2021 to 16 July 2022)

Particulars	Notes	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
<b>Operating Income</b>			
Operating Income	8.14	661,619,546	479,482,832
Software License - Members		253,000	133,000
<b>Operating Expenses</b>			
Operating Expenses	8.15	84,896,041	73,115,810
Cost of Software License - Members		-	-
<b>Gross Profit</b>		<b>576,976,504</b>	<b>406,500,022</b>
Add: Interest Income		97,252,623	69,520,669
Add: Other Income		1,511,864	195,297
Less: Administrative Expenses	8.16	51,741,743	21,736,760
Less: Human Resources Expenses	8.17	60,980,075	39,690,567
<b>Operating Profit</b>		<b>563,019,173</b>	<b>414,788,662</b>
Depreciation Expenses	8.8	24,913,366	21,115,364
Amortization Expenses	8.8	14,667,275	16,657,910
Staff Bonus Provision		52,343,853	37,701,539
<b>Profit before Tax</b>		<b>471,094,678</b>	<b>339,313,849</b>
Provision for Income Tax		119,268,575	85,844,570
Deferred Tax Expenses (Income)	8.9	(2,797,419)	(994,183)
<b>Profit for the Period</b>		<b>354,623,522</b>	<b>254,463,463</b>
Basic/Diluted Earnings Per Share		62.47	61.86

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

Til Bahadur Gurung  
Director

Samaj Prakash Shrestha  
Director

Date: 2-Dec-2022

Place: Kamaladi, Kathmandu, Nepal



**Statement of Comprehensive Income**

For the Period Ending Asadh 32, 2079

(Corresponding to 16 July 2021 to 16 July 2022)

Particulars	Notes	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
<b>Profit for the period</b>		<b>354,623,522</b>	<b>254,463,463</b>
<b>Other Comprehensive Income (net of income tax)</b>			
<b>a) Items that will not be reclassified to profit or loss</b>			
Actuarial Gain/(loss) on Defined Benefit Plan		(4,357,391)	(299,044)
Deferred Tax Income/(Expenses)	8.9	1,089,348	74,761
<b>Net Other Comprehensive Income that will not be reclassified to profit or loss</b>		<b>(3,268,043)</b>	<b>(224,283)</b>
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)		-	-
<b>Net Profit</b>		<b>351,355,479</b>	<b>254,239,180</b>

**Neelesh Man Singh Pradhan**  
Chief Executive Officer

**Ram Bahadur Manandhar**  
Chairman

**CA. Maheswarendra Bdr. Shrestha**  
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**Ujjal Rajbhandary**  
Director

**Mahesh Sharma Dhakal**  
Director

**Srijan Krishna Malla**  
Director

**Til Bahadur Gurung**  
Director

**Samaj Prakash Shrestha**  
Director

Date: 2-Dec-2022

Place: Kamaladi, Kathmandu, Nepal

**Statement of Changes in Equity**  
As at Asadh 32, 2079 (16 July 2022)

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
<b>Balance at 15 July 2020 (Ashadh 31, 2077)</b>	<b>298,080,000</b>	-	-	<b>162,110,475</b>	<b>60,434,544</b>	-	<b>584,138</b>	<b>333,579,988</b>	<b>854,789,144</b>
Adjustment/Restatement	-	-	-	-	-	-	-	-	-
<b>Restated Balance</b>	<b>298,080,000</b>	-	-	<b>162,110,475</b>	<b>60,434,544</b>	-	<b>584,138</b>	<b>333,579,988</b>	<b>854,789,144</b>
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-	-	-	-
Net Profit for Period	-	-	-	-	-	-	-	<b>254,463,463</b>	<b>254,463,463</b>
Bonus Share Capital FY 2076/77	13,270,400	-	-	-	-	-	-	(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 Actuary Gain/(Loss)	-	-	-	-	-	-	(224,283)	-	(224,283)
Issue of Share Capital	-	-	-	-	-	-	-	-	-
<b>Balance at 15 July 2021 (Ashadh 31, 2078)</b>	<b>411,350,400</b>	-	-	<b>213,003,167</b>	<b>85,880,890</b>	<b>1,272,317</b>	<b>359,855</b>	<b>391,200,094</b>	<b>1,103,066,723</b>
Adjustment/Restatement	-	-	-	-	-	-	-	-	-
Restated Balance	411,350,400	-	-	213,003,167	85,880,890	1,272,317	359,855	391,200,094	1,103,066,723
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-	-	-	-
Net Profit for Period	-	-	-	-	-	-	-	354,623,522	354,623,522
Bonus Share Capital FY 2077/78	156,313,200	-	-	-	-	-	-	(156,313,200)	-
Cash Dividend FY 2077/78	-	-	-	-	-	-	-	(8,227,011)	(8,227,011)
Transfer to Technology Enhancement Reserve	-	-	-	70,924,704	-	-	-	(70,924,704)	-
Transfer to Land & Building Reserve	-	-	-	-	35,462,352	-	-	(35,462,352)	-
Transfer to Cyber Risk Reserve	-	-	-	-	-	1,773,118	-	(1,773,118)	-
Reserve for Actuarial Gain/(Loss)	-	-	-	-	-	-	(3,268,043)	-	(3,268,043)
Issue of Share Capital	-	-	-	-	-	-	-	-	-
<b>Balance as at 16 July 2022 (Ashadh 32, 2079)</b>	<b>567,663,600</b>	-	-	<b>283,927,872</b>	<b>121,343,242</b>	<b>3,045,435</b>	<b>(2,908,189)</b>	<b>473,123,231</b>	<b>1,446,195,191</b>

**Statement of Cash Flows**

For the Period Ending Asadh 32, 2079

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
<b>Net Profit/(Loss) Before Tax</b>	<b>471,094,678</b>	<b>339,299,778</b>
<b>Preliminary &amp; Pre-operating (Expenses)/Surplus</b>		
<b>Add/(Less) : Adjustment</b>		
Depreciation Expenses	24,913,366	21,115,364
Amortization Expenses	14,667,275	16,657,910
Superannuation/Gratuity Provision (incl. Actuarial Gain/Loss)	4,260,473	3,908,219
Leave Provision	1,687,026	1,620,992
Staff Bonus Provision	52,343,853	37,701,539
Provision Write Back	-	-
Profit on Sale of Assets		(20,453)
Loss on Disposal of Assets	-	-
Bonus Paid	(37,701,539)	(27,407,317)
<b>Cash Flow from Operation Before Working Capital</b>	<b>531,265,133</b>	<b>392,890,102</b>
Increase (Decrease) in Current Tax & Other Liabilities	8,487,923	15,935,899
Decrease (Increase) in Inventories, Current Tax, Other Assets	(17,523,802)	(58,119,218)
Decrease (Increase) in Settlement Guarantee Fund	(5,141,606)	(3,052,498)
Less: Tax Provision	(119,268,575)	(85,844,570)
<b>Cash Flow From Operating Activities</b>	<b>397,819,073</b>	<b>261,809,716</b>
Purchase of Fixed Assets	(55,130,240)	(33,874,911)
Sale or disposal of Fixed Assets	-	23,920
Project WIP	(5,449,504)	(5,213,419)
Investment in Fixed Deposits/Debenture	(231,000,000)	(204,855,000)
<b>Cash Flow From Investing Activities</b>	<b>(291,579,744)</b>	<b>(243,919,410)</b>
Interest on Loan	-	-
Increase (Decrease) in Loans	-	-
Share Capital	-	-
Dividend Paid	(8,227,011)	(5,961,600)
<b>Cash Flow From Financing Activities</b>	<b>(8,227,011)</b>	<b>(5,961,600)</b>
Net Increase(Decrease) in Cash & Cash Equivalents	98,012,318	11,928,706
Cash & Cash Equivalents at the Beginning of the Year	101,858,143	89,929,437
<b>Cash &amp; Cash Equivalents at the End of the Year</b>	<b>199,870,462</b>	<b>101,858,143</b>



## NOTES ATTACHED TO AND FORMING PART OF FINANCIAL STATEMENTS

For the Period Ended 32<sup>nd</sup> Asadh 2079

### 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 8<sup>th</sup> Poush 2065 (corresponding to 23<sup>rd</sup> 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 31<sup>st</sup> 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 7<sup>th</sup> Poush 2068 and obtained approval for conducting the cheque clearance in Nepalese currency effective from 16<sup>th</sup> Chaitra 2068. NCHL obtained approval from NRB for operation of Interbank Payment System (NCHL-IPS) from 4<sup>th</sup> Mangsir 2071 and effectively commenced NCHL-IPS transaction from 1<sup>st</sup> Bhadra 2073. NCHL obtained approval from NRB on 19<sup>th</sup> Chaitra 2074 for operation of *connectIPS* e-Payment System for processing of payments through alternate channels and was commenced from 12<sup>th</sup> Baisakh 2075. NCHL rolled out *connectRTGS* on 29<sup>th</sup> Mangsir 2076 and launched National Payments Interface (NPI) on 2<sup>nd</sup> Chaitra 2076. *connectRTGS* system is a customized extension of *connectIPS* Integration System for member banks and financial institutions to process inward and outward 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, which is built in Open API concept. NCHL obtained approval from NRB on 29<sup>th</sup> Bhadra 2077 for the operation of CORPORATEPAY system and effectively commenced the transaction from 11<sup>th</sup> Mangsir 2077. The system was officially launched on 1<sup>st</sup> Magh 2077.

NCHL also obtained principle approval from NRB on 12<sup>th</sup> Mangsir 2077 for implementation and operation of National Payment Switch (NPS) for interoperability of card and non-card retail payments including QR. During the year, National Payment Switch (NPS) Phase I (Sub-project 3) was officially launched on 11<sup>th</sup> Chaitra 2078 as Retail Payment Switch (RPS).

NCHL entered into agreement for NCHL-ECC with 159 members, out of which, 59 members (Nepal Rastra Bank, Nepal Infrastructure Bank Ltd., 26 commercial banks, 16 development banks and 15 finance companies) are now in operation till Ashadh end 2079. 1 new member (finance company) was added into the system whereas 2 members (1 commercial bank and 1 development bank) were reduced due to merger during the fiscal year 2078/79.

Similarly, for NCHL-IPS System, NCHL entered into agreement with 159 members, out of which, 111 members (Nepal Rastra Bank, Nepal Infrastructure Bank Ltd., 26 commercial banks, 16 development banks, 15 finance companies and 53 Indirect/Technical members) are in operation till Ashadh end 2079. 21 new members (1 finance company & 20 Indirect/Technical members including live and subscribed) were added into the system and 2 members (1 commercial bank and 1 development bank) merged during the fiscal year 2078/79, while 1 indirect/technical member withdrew from the membership. 19 indirect/technical members who have subscribed for the service are yet to come into operation.

For *connectIPS* e-Payment System, 168 members are live (26 commercial banks, 16 development banks, 15 finance companies and 57 Indirect/Technical members) till Ashadh end 2079. 2 members (1 commercial bank and 1 development bank) merged during the fiscal year 2078/79 and 1 indirect/technical member withdrew from the membership. 15 Indirect/Technical members who have subscribed for the service are yet to come into operation.

NCHL has entered into agreement for NPI with 122 members, out of which, 24 commercial banks, 12 development banks, 12 finance companies and 49 indirect/technical members are live till Ashadh end 2079. 20 Indirect/Technical members have subscribed but are yet to go live. Nepal Rastra Bank and 49 BFIs have entered into integration partnership agreement with NCHL for *connectRTGS*, out of which, Nepal Infrastructure Bank Ltd., 23 commercial banks, 10 development banks and 11 finance companies have gone live. Similarly, NRB and 4 BFIs who have entered into agreement for *connectRTGS* are yet to go live. NCHL has entered into agreement for CORPORATEPAY with 51 BFIs, out of which, 25 commercial banks, 9 development banks and 5 finance companies have gone live. 12 BFIs who have also entered into agreement for CORPORATEPAY but are yet to go live.

For Retail Payment Switch (RPS) component of National Payment Switch (NPS), 57 members (26 commercial banks, 7 development banks 13 finance companies and 11 indirect/technical members) has entered into agreement with 25 live members who went live with at least one of the instruments or use case of NPS till the end of fiscal year 2078/79.

### Details of Share Ownership

NCHL is promoted by Nepal Rastra Bank and major banks & financial institutions of Nepal. The details of the share ownership as of 32<sup>nd</sup> Ashadh 2079 is given below:

Particulars	No. of Shares	Value in NPR	Shareholding %
Nepal Rastra Bank	567,663	56,766,300	10%
Commercial Banks	4,324,964	432,496,400	90%
Development Banks	414,015	41,401,500	
Finance Companies	369,994	36,999,400	
<b>Total</b>	<b>5,676,636</b>	<b>567,663,600</b>	<b>100%</b>

## 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 2<sup>nd</sup> December 2022 with necessary recommendation for approval by the shareholders in the upcoming Annual General Meeting.

## 3. Basis of Financial Statements Preparation

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

- 3.1. Financial statements are prepared on a going concern basis.
- 3.2. Financial statements are presented in Nepalese Rupees (NRs.) which is the functional and presentation currency.
- 3.3. Financial statements are prepared by applying accrual basis of accounting (except as otherwise stated therein).
- 3.4. 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.
- 3.5. 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.

## 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	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. 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 17<sup>th</sup> 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.

- Counterparty shall be in operations for at least three years. For mutual fund investment, it shall be the years inoperation for the issuer.
- Counterparty shall be in profit for at least last two years with positive net worth.
- 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.
- Investment allocation in banks and financial institutions shall be as follows.

Commercial Banks	60-80%
Development Banks	10-20%
Finance Companies	10-20%

- 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.
- 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

- 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.
- 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). The FY 2078/79 is the fourth year of operation of SGF with current contribution of 2.5%. 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.
- Settlement Guarantee Fund Liabilities represents the SGF contribution funded by Sakcham Challenge Fund through Grant project in the FY 2076/77. Though the project has ended on 31st Ashadh 2078 (15th July 2021) as per the terms of the project agreement, the contribution from the project is subject to refund if the SGF is defunct. Hence, the contributed amount from the grant project has been presented as a Liability in the Statement of Financial Position.

### 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. However, non-durable items like table phones and labelling machines are expensed off 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
<b>Tangible Assets:</b>		
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%
<b>Intangible Assets:</b>		
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*, CORPORATEPAY and Retail Payment Switch (RPS) systems are developed internally at NCHL by the system and product development team. Hence, they 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 Project WIP, until they are brought into commercial use.
9. The ongoing construction activities of the office space until the assets is brought into a useful condition are also capitalized under the Project WIP.
10. 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.

**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. 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.

#### 7.13.3. 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.

#### 7.13.4. 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 14<sup>th</sup> Bhadra, 2073 in lieu of the settlement arrangements that is in place between NCHL and NRB for deferred settlement of all the systems of NCHL. However, NRB is charged for annual software AMC, network connectivity and login id fee that are related to the direct cost for NCHL.



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 2<sup>nd</sup> year of go-live to the member BFIs at uniform rate.
6. Retail Payment Switch as the Phase 1 of National Payment Switch (NPS) has also been provided to the member BFIs and other Indirect/ Technical Members (including PSPs/ PSOs and Others) at no additional cost by NCHL for those who have subscribed NPI. The entire cost of development, hosting and operations of NPS including its instruments has been subsidized by NCHL, with segmental reporting of NPS presented separately under notes 9.3.

#### **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**

All lease are cancellable with less than one year's notice period and are taken as short-term lease with non-cancellation period of less than one year. 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.

#### **7.18. Human Resources Expenses**

Human Resources Expenses are the remuneration and benefits availed to staff as per NCHL Employee's Service Rules (March 2021), NCHL Human Resource Plan (September 2018, last amended on 30 September 2021) 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 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. 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 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Civil Bank Ltd.	8,976	9,193
Goodwill Finance Ltd.	164,647	8,214
Guheshwori Merchant Banking & Finance Ltd.	1,644,459	1,326,581
Himalayan Bank Ltd.	6,584	6,584
ICFC Finance Ltd.	1,103,973	608,632
Global IME Bank Ltd.	8,479	248,673
Jyoti Bikas Bank Ltd.	312,757	827,865
Kumari Bank Ltd.	1,256,997	14,027
Laxmi Bank Ltd.	108,107	9,770
Machhapuchchhre Bank Ltd.	443,253	156,596
Mega Bank Nepal Ltd.	6,478,493	1,270,391
Muktinath Bikas Bank Ltd.	327,610	530,795
Nabil Bank Ltd.	357,638	66,900
NCC Bank Ltd.	15,565	15,565
Nepal Rastra Bank	5,000	5,000
NIC Asia Bank Ltd.	1,649,719	3,560,983
NMB Bank Ltd.	1,035,331	1,169,300
Prabhu Bank Ltd.	964,864	3,362,280
Prime Commercial Bank Ltd.	901,150	673,442
Sanima Bank Ltd.	5,502,044	2,540,171
Shangrila Development Bank Ltd.	682,793	1,564,866
Siddhartha Bank Ltd.	319,378	274,346
Sunrise Bank Ltd.	1,072,646	607,969
<b>Total</b>	<b>24,370,462</b>	<b>18,858,143</b>

**8.2. Cash Equivalents**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
FD - Goodwill Finance Ltd.	-	18,000,000
FD - ICFC Finance Ltd.	-	5,000,000
FD - Jyoti Bikash Bank Ltd.	-	5,000,000
FD - Kumari Bank Ltd.	70,000,000	-
FD - Muktinath Bikas Bank Ltd.	15,000,000	-
FD - NIC Asia Bank Ltd.	-	10,000,000
FD - NMB Bank Ltd.	-	25,000,000
FD - Prime Commercial Bank Ltd.	-	15,000,000
FD - Prabhu Bank Ltd.	70,500,000	5,000,000
FD - Shine Resunga Development Bank Ltd.	20,000,000	-
<b>Total</b>	<b>175,500,000</b>	<b>83,000,000</b>

**8.3. Inventories**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Fuel Storage	86,608	106,960
<b>Total</b>	<b>86,608</b>	<b>106,960</b>

**8.4. Other Assets**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Member Receivables (Direct and Indirect)	72,804,791	52,595,332
Less: Provision for Doubtful Debt	<b>(50,000)</b>	-
Net Receivables	72,754,791	52,595,332
Interest Receivable	4,756,887	3,502,991
Prepaid Expenses	14,802,772	14,066,485
Deposits	1,574,587	940,633
Staff Advances	3,331,524	314,689
Deferred Other Benefits	203,881	22,067
SCF Grant Receivables	-	8,531,560
Other Advances	6,500	1,498,316
<b>Total</b>	<b>97,430,942</b>	<b>81,472,072</b>

**8.5. Investments**

Particulars	Asadh 31, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
<b>Investments measured at amortized cost</b>		
Opening Balance	842,104,000	637,249,000
Addition/disposal during the year	231,000,000	204,855,000
Net amortization changes during the year	-	-
Adjustment/transfer	-	-
<b>Total</b>	<b>1,073,104,000</b>	<b>842,104,000</b>

**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	20,129,224	140,500,000	409,500,000	218,604,000	788,733,224	62%
Development Banks	1,323,159	35,000,000	148,000,000	60,000,000	244,323,159	19%
Finance Companies	2,913,080	-	237,000,000	-	239,913,080	19%
<b>Total</b>	<b>24,370,462</b>	<b>175,500,000.0</b>	<b>794,500,000.0</b>	<b>278,604,000.0</b>	<b>1,272,974,462</b>	<b>100%</b>

**8.5.2. Details of Investments**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
<b>Details of Investments in Debentures</b>	<b>61,604,000</b>	<b>61,604,000</b>
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	19,316,000
Debenture-NIC Asia Bank Ltd.	10,000,000	10,000,000
Debenture-Rastriya Banijya Bank Ltd.	7,285,000	7,285,000
Debenture-Siddhartha Bank Ltd.	9,754,000	9,754,000
<b>Details of Investments in Fixed Deposits</b>	<b>1,011,500,000</b>	<b>780,500,000</b>
FD - Central Finance Ltd.	4,000,000	-
FD - Citizens Bank International Ltd	37,000,000	-
FD - Global IME Bank Ltd.	-	10,000,000
FD - Goodwill Finance Ltd.	47,000,000	35,000,000
FD - Guheshwori Merchant Banking & Finance Ltd.	99,000,000	78,000,000
FD - Garima Bikash Bank Ltd	33,000,000	-
FD - ICFC Finance Ltd.	87,000,000	32,000,000
FD - Jyoti Bikash Bank Ltd.	41,000,000	44,000,000
FD - Laxmi Bank Ltd.	7,500,000	20,000,000
FD - Lumbini Bikas Bank Ltd.	13,000,000	-
FD - Machhapuchchhre Bank Ltd.	40,000,000	21,500,000
FD - Mega Bank Nepal Ltd.	93,000,000	113,000,000
FD - Muktinath Bikas Bank Ltd.	35,000,000	23,000,000
FD - Nabil Bank Ltd.	40,000,000	-
FD - NIC Asia Bank Ltd.	63,000,000	66,000,000
FD - NMB Bank Ltd.	60,000,000	60,000,000
FD - Prime Commercial Bank Ltd.	48,000,000	50,000,000
FD - Sanima Bank Ltd.	110,000,000	110,000,000
FD - Shangri-la Development Bank Ltd.	86,000,000	86,000,000
FD - Siddhartha Bank Ltd.	-	10,000,000
FD - Sunrise Bank Ltd.	68,000,000	22,000,000
<b>Total</b>	<b>1,073,104,000</b>	<b>842,104,000</b>

**8.6. Current Tax Assets**

Particulars	Asadh 31, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Advance Income Tax	119,457,425	89,434,017
Provision for Income Tax	(119,268,575)	(85,844,570)
<b>Current Tax Assets/(Liabilities)</b>	<b>188,849</b>	<b>3,589,448</b>

## 8.7 Settlement Guarantee Fund Deposits

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Settlement Guarantee Fund Deposits (NCHL)	148,717,955	143,576,349
<b>Settlement Guarantee Fund Account</b>		
Opening Balance	<b>753,576,349</b>	<b>450,523,852</b>
Add: Contribution during the period (NCHL)	5,141,606	3,052,498
Add: Contribution during the period (Members)	710,000,000	420,000,000
Less: Deduction during the period (NCHL)	-	-
Less: Deduction during the period (Members)	(320,000,000)	(120,000,000)
<b>Closing Balance</b>	<b>1,148,717,955</b>	<b>753,576,349</b>
Less: Settlement Guarantee Fund Liability (NCHL)	(148,717,955)	(143,576,349)
Less: Settlement Guarantee Fund Liability (Members)	(1,000,000,000)	(610,000,000)
<b>Total</b>	<b>148,717,955</b>	<b>143,576,349</b>

## 8.7.1 Settlement Guarantee Fund Liabilities

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Settlement Guarantee Fund - Grant SCF	60,000,000	60,000,000
<b>Total</b>	<b>60,000,000</b>	<b>60,000,000</b>

## 8.8 Property, Plant &amp; 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
<b>Cost Price</b>				-	-			
<b>Opening Balance</b>	<b>150,673,797</b>	<b>18,279,990</b>	<b>8,067,426</b>	<b>50,912</b>	<b>177,072,125</b>	<b>127,717,430</b>	<b>304,789,556</b>	<b>5,213,419</b>
Addition during the Period	21,500,112	16,174,907	-	-	37,675,020	17,455,220	55,130,240	5,449,504
Deletion during the Period/ Early Period	(3,321,070)	(73,200)	-	-	(3,394,270)	-	(3,394,270)	-
<b>Total</b>	<b>168,852,839</b>	<b>34,381,698</b>	<b>8,067,426</b>	<b>50,912</b>	<b>211,352,875</b>	<b>145,172,651</b>	<b>356,525,526</b>	<b>10,662,924</b>
<b>Accumulated Depreciation</b>								
<b>Opening Balance</b>	<b>90,714,809</b>	<b>9,877,774</b>	<b>4,443,942</b>	<b>44,877</b>	<b>105,081,402</b>	<b>90,423,988</b>	<b>195,505,390</b>	-
For the Period	20,577,866	3,146,881	1,185,889	2,730	24,913,366	14,667,275	39,580,642	-
Deletion during the Period	(3,321,070)	(73,200)	-	-	(3,394,270)	-	(3,394,270)	-
<b>Total Accumulated Depreciation</b>	<b>107,971,606</b>	<b>12,951,454</b>	<b>5,629,831</b>	<b>47,607</b>	<b>126,600,498</b>	<b>105,091,264</b>	<b>231,691,762</b>	-
<b>WDV as on 31 Asadh 2079</b>	<b>60,881,233</b>	<b>21,430,243</b>	<b>2,437,595</b>	<b>3,305</b>	<b>84,752,377</b>	<b>40,081,387</b>	<b>124,833,764</b>	<b>10,662,924</b>
<b>WDV as on 31 Asadh 2078</b>	<b>59,958,987</b>	<b>8,402,217</b>	<b>3,623,484</b>	<b>6,035</b>	<b>71,990,723</b>	<b>37,293,442</b>	<b>109,284,165</b>	<b>5,213,419</b>

## 8.9 Deferred Tax

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Deferred Tax Assets	4,290,651	403,884
Deferred Tax Liabilities	-	-
<b>Deferred Tax Assets/(Liabilities)</b>	<b>4,290,651</b>	<b>403,884</b>

**8.9.1 Details of Deferred Tax**

Particulars	Accounting Base	Tax Base	Temporary Difference	Deferred Tax Assets/(Liabilities)
<b>Deferred Tax through SOPL items</b>				-
Fixed Assets	124,833,764	120,369,233	4,464,531	(1,116,133)
Provision for Superannuation Benefits	11,029,553	-	11,029,553	2,757,388
Provision for Leave	6,719,999	-	6,719,999	1,680,000
<b>Closing Deferred Tax Assets/(Liabilities)</b>				<b>3,321,255</b>
<b>Opening Deferred Tax Assets/(Liabilities)</b>				<b>523,836</b>
<b>Deferred Tax expense/(income) through Statement of Profit or Loss</b>				<b>(2,797,419)</b>
<b>Deferred Tax through SOCI items</b>				
Actuarial Gain/(Loss)	(4,357,391)	-	(4,357,391)	(1,089,348)
<b>Opening Deferred Tax Assets/(Liabilities)</b>				<b>(119,952)</b>
<b>Closing Deferred Tax Assets/(Liabilities)</b>				<b>969,396</b>
<b>Deferred Tax expense/(income) through Statement of Other Comprehensive Income</b>				<b>(1,089,348)</b>
<b>Total Deferred Tax Assets/(Liabilities) for this year</b>				<b>4,290,651</b>

**8.10. Provisions**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Provision for Superannuation Benefits	14,907,136	8,414,631
Less: Superannuation Investment Fund	(8,045,631)	(5,185,106)
	6,861,505	3,229,525
Provision for Gratuity	6,484,039	4,358,680
Less: Gratuity Investment Fund	(6,484,039)	(4,358,680)
	-	-
Provision for Leave Accumulation	6,719,999	5,032,973
Provision for Staff Bonus	52,343,853	37,701,539
<b>Total</b>	<b>65,925,357</b>	<b>45,964,036</b>

**8.11. Other Liabilities**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Accounts Payable	15,678,923	9,457,295
TDS Payable	2,218,848	1,410,118
Sundry Creditors	16,610,374	17,394,662
Advance Incomes	52,557,461	50,315,608
<b>Total</b>	<b>87,065,606</b>	<b>78,577,683</b>

**8.11.1 Details of the Advance Incomes**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Login Id Fee	23,993,594	22,448,071
Network and Connectivity Management	4,284,864	3,944,155
Membership Renewal Fee	4,190,104	4,283,854
Software AMC Fee	5,812,708	5,863,021
NCHL-IPS/NPI Subscription Fee	11,336,519	11,175,904
NCHL-IPS/connectIPS Creditor Listing	2,959	300,603
connectRTGS Annual Fee	2,936,712	2,300,000
<b>Total</b>	<b>52,557,461</b>	<b>50,315,608</b>



**8.12. Share Capital**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
<b>Authorized Capital</b>		
10,000,000 Ordinary Shares of NRs. 100/- each	1,000,000,000	500,000,000
<b>Issued Capital</b>		
5,676,636 Ordinary Shares of NRs. 100/- each	567,663,600	411,350,400
<b>Subscribed Capital</b>		
5,676,636 Ordinary Shares of NRs. 100/- each	567,663,600	411,350,400
<b>Paid up Capital</b>		
5,676,636 Ordinary Shares of NRs. 100/- each	567,663,600	411,350,400
Less: Calls in Arrears	-	-
Deposit for Share	-	-
Bonus Share		
<b>Total</b>	<b>567,663,600</b>	<b>411,350,400</b>

The changes in the Share Capital are due to the bonus shares distributed during the last fiscal year 2078/79.

**8.13 Reserve & Surplus**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
<b>Technology Enhancement Reserve</b>	<b>283,927,872</b>	<b>213,003,167</b>
Opening Balance	213,003,167	162,110,475
Transfer during the Period	70,924,704	50,892,693
<b>Cyber Risk Reserve</b>	<b>3,045,435</b>	<b>1,272,317</b>
Opening Balance	1,272,317	-
Transfer during the Period	1,773,118	1,272,317
<b>Land &amp; Building Reserve</b>	<b>121,343,242</b>	<b>85,880,890</b>
Opening Balance	85,880,890	60,434,544
Transfer during the Period	35,462,352	25,446,346
<b>Reserve for Actuary Gain/(Loss)</b>	<b>(2,908,189)</b>	<b>359,855</b>
Opening Balance	359,855	584,138
Transfer during the Period	(3,268,043)	(224,283)
<b>General Reserve &amp; Surplus</b>	<b>473,123,231</b>	<b>391,200,094</b>
Opening Balance	391,200,094	333,579,988
Less: Bonus Share Capital	(156,313,200)	(113,270,400)
Less: Cash Dividend	(8,227,011)	(5,961,600)
Transfer during the Period	246,463,348	176,852,106
<b>Total</b>	<b>878,531,591</b>	<b>691,716,323</b>

#### 8.14 Operating Income

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
ECC Transaction Fees - NPR	140,288,735	129,332,235
ECC Transaction Fees - USD	209,610	99,480
ECC Transaction Fees - EUR	14,940	16,575
ECC Transaction Fees - GBP	25,755	20,805
ECC Transaction Fees - Express	203,109,400	100,481,700
ECC Transaction Fees - Archive	2,407,200	1,244,600
ECC Transaction Fees - High Value	26,300	60,800
ECC Other Fees & Charges	25,645,967	25,643,128
IPS Transaction Fees - NPR	64,878,355	58,819,764
IPS Transaction Fees - USD	30,070	17,910
IPS Transaction Fees - EUR	11,445	180
IPS Transaction Fees - GBP	510	500
IPS Other Fees & Charges	66,147	105,298
connectIPS/RPS Income	274,218,993	162,799,875
Less: Revenue Sharing	(137,109,498)	(81,399,939)
Net connectIPS/RPS Income	137,109,495	81,399,936
connectRTGS Annual Support Fee	4,383,973	2,482,740
Membership Fee	75,000	93,750
Membership Renewal Fee	7,781,250	8,484,610
Software AMC Fee	10,022,813	10,555,879
NCHL IPS/NPI Subscription Fee	23,226,215	21,364,295
NCHL-IPS/connectIPS Creditor Listing	357,644	486,117
Login ID Fee	33,728,727	31,066,085
Network Connectivity & Management Fee	8,219,996	7,706,446
<b>Total</b>	<b>661,619,546</b>	<b>479,482,832</b>

#### 8.15 Operating Expenses

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
AMC for ECC Software - NCHL	8,658,719	8,395,185
AMC for ECC Software - BFIs	34,634,877	33,580,742
AMC for IPS Software	4,593,294	4,532,458
AMC for Oracle	9,621,838	9,367,156
AMC & Renewal - Network/Firewall	2,384,074	1,839,795
Network & Data Connectivity Charges	5,207,653	4,364,452
AMC Expenses - Hardware	3,653,962	3,670,024
AMC Expenses - Internal S/w & H/w	2,003,364	1,770,407
Direct Expenses (SMS & Bulk Email)	10,314,911	6,631,579
Less: SCF Project Contribution	-	(2,779,981)
DR/DC Expenses	3,023,374	1,736,120
Member Training/Orientation Expenses	285,535	7,873
Other Direct Expenses	514,440	-
<b>Total</b>	<b>84,896,041</b>	<b>73,115,810</b>

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 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Advertisement & Public Notice	471,432	163,981
AGM Expenses	563,305	365,754
Audit Expenses (Internal/External/Security/Others)	1,200,436	728,857
Bank Commission	42,203	43,791
Books and Subscription Expenses	27,850	35,554
Business Promotion Expenses	30,459,627	13,353,205
Less: SCF Project Contribution	-	(5,289,179)
Common Area & Parking Expenses	1,246,583	820,235
Consultancy Fee	173,450	77,150
Courier Expenses	87,421	55,961
Doubtful Debt	50,000	-
Electricity Expenses	1,649,590	1,835,613
Fine & Penalties	305,961	1,375
Fuel Expenses	391,463	234,775
Insurance Expenses	1,480,685	583,108
Legal Fee	144,440	79,100
Local Conveyance	7,806	10,853
Meeting Allowance & Expenses	1,317,540	1,200,744
Office Expenses	1,286,211	813,034
Other Expenses	616,712	29,643
Support Staff Expenses	3,117,273	1,889,421
Printing & Stationery	230,014	101,363
Registration & Renewal	86,900	81,950
Rent - Office Space	5,596,367	3,853,045
Repair & Maintenance	385,828	247,095
Telephone Expenses	606,454	321,896
Travelling Expenses	123,304	96,743
Website & Hosting Expenses	72,888	1,693
<b>Total</b>	<b>51,741,743</b>	<b>21,736,760</b>

**8.16.1 Lease Expenses**

Lease Category	Lease Rental Expenses	Lease Period (in B.S.)	Inflationary Incremental Rate	Cancellation Notice Period
Rent – Kamaladi Complex (Block I)	1,268,032	2087/08/30	5% p.a	180 days
Rent – Kamaladi Complex (Block II)	169,940	2089/02/32	5% p.a	180 days
Rent – DD Plaza	4,158,395	2084/06/16	8% p.a	90 days
DR Rental Charges	650,000	2082/12/30	10% (every two years)	90 days
<b>Total</b>	<b>6,246,367</b>			

**8.17 Human Resources Expenses**

Particulars	Asadh 32, 2079 (16 July 2022)	Asadh 31, 2078 (15 July 2021)
Staff - Salary & Allowance Expenses	49,841,184	31,635,137
Staff - Provident Fund Contribution	3,331,805	2,261,599
Staff - Performance Based Variable Incentives	2,300,729	1,833,034
Staff - Dashain Allowance	2,326,335	1,837,862
Staff - Gratuity/Superannuation Benefit	5,150,034	4,014,177
Staff - Leave	2,482,851	1,828,963
Staff - Leave Fare Allowance	1,061,975	288,000
Staff - Other Benefits	6,867,412	3,084,050
Staff - Training Expenses	283,682	201,035
Staff - HR activity	696,614	486,760
Less: Capitalization - Product Development	(13,362,546)	(7,780,049)
<b>Total</b>	<b>60,980,075</b>	<b>39,690,567</b>

## 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 Ashadh 2079 are NRs. 1,148,717,955 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 Ashadh 2079 is NRs. 319,378. The company has debenture amounting NRs. 9,754,000 in the bank. The debenture matures on 26th Asoj 2084 (12<sup>th</sup> October 2027).
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 Ashadh 2079 is NRs. 8,479. The company has debenture amounting NRs. 8,974,000 in the bank. The debenture matures on 28<sup>th</sup> Chaitra 2080 (10<sup>th</sup> April 2024).

#### 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., Siddhartha Bank Ltd. and Muktinath Bikas 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 32<sup>nd</sup> Ashadh 2079:
  - 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 Krishna Malla, Director - Siddhartha Bank Ltd.
  - 5) Mr. Til Bahadur Gurung, Director - Muktinath Bikas Bank Ltd.
  - 6) Mr. Samaj Prakash Shrestha, Director - Reliance Finance Ltd.
2. The members of Board, Audit Committee, HR Committee and NPS High Level Committee are provided NRs. 7,500 as the meeting allowance per sitting. In the fiscal year, the company incurred meeting allowances of NRs. 1,117,500 in total. The details of the Meeting allowances are given below:

S. No.	Meeting	Meeting Allowance
1.	Board Meeting	855,000
2.	Audit Committee Meeting	97,500
3.	HR Committee Meeting	97,500
4.	NPS High Level Committee Meeting	67,500
<b>Total</b>		<b>1,117,500</b>

3. The Chief Executive Officer during the fiscal year has been paid NRs. 6,960,000 as salary and allowances, NRs. 1,119,400 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. 226,406 and mobile expenses of NRs. 17,646 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 32nd Ashadh 2079:

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

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) Mrs. Munni Rajbhandari, Chief Operating Officer, Chairman
- 2) Mr. Anesh Shrestha, Head - Finance & Admin, Member Secretary
- 3) Ms. Swosti Ranabhat, In-charge Members, Member

## 9.3. National Payment Switch (NPS) Project

NCHL has prepared a separate reporting schedule of the National Payment Switch (NPS) project based on the projects utilization of the company's resources and reserves. The schedule includes income generated through NEPALPAY QR, NEPALPAY Instant, NEPALPAY Request and directly engaged or used resources as expenses. The common resources which are shared and cannot be allocated to specific product are allocated based on the ratio of NCHL settlement systems (ECC, IPS and connectIPS/ RPS) and the number of transactions in Retail Payment Switch (RPS) through National Payments Interface (NPI) channel.

### NPS Reporting - P&L Statement

Particulars	Total	NPS Project
Direct Income	661,872,546	18,430
Less: Direct Expenses	84,896,041	3,369,850
<b>Gross Profit</b>	<b>576,976,504</b>	<b>(3,351,420)</b>
Indirect Income	98,764,487	-
Less: Indirect Expenses	51,741,743	11,515,465
Less: HR Expenses	60,980,075	26,941,126
<b>Operating Profit</b>	<b>563,019,173</b>	<b>(41,808,011)</b>
Less: Depreciation/Amortization	39,580,642	7,822,619
<b>Product PBIT</b>	<b>523,438,531</b>	<b>(49,630,630)</b>

**NPS Reporting - Financial Position**

Particulars	NCHL Total	NPS Project
Assets		
Fixed Assets & WIP Projects	135,496,687	42,373,069
Cash & Bank Balance (with FDs)	1,272,974,462	-
Settlement Guarantee Fund Deposits	148,717,955	148,717,955
Other Assets	98,911,613	-
<b>Total</b>	<b>1,656,100,718</b>	<b>191,091,024</b>
Liabilities		
Total Liabilities	208,249,628	60,000,000
<b>Total Liabilities</b>	<b>208,249,628</b>	<b>60,000,000</b>
<b>Net Worth</b>	<b>1,447,851,089</b>	<b>131,091,024</b>
Accumulated Reserve	880,187,489	(49,630,630)
<b>Total Investment</b>	<b>567,663,600</b>	<b>180,721,654</b>

The project reporting is not required to be applied through NFRS 8 Operating Segments and the schedule does not comply with the scope of the NFRS's segmental reporting guidelines.

**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*, *CORPORATEPAY* and *NEPALPAY QR* are in-house developed by NCHL, which may carry additional software development related risks. Hence, vulnerability assessment and penetration testing (VAPT) are regularly performed from 3<sup>rd</sup> 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.
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 pandemic was activated in the FY 2078/79 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. Also cannibalization of NCHL-IPS transactions towards retail payment systems is also seen as one of the reason for limited growth in NCHL-IPS transactions. Pressure on pricing on various systems of NCHL still exist, in spite of it being the lowest amongst other providers. 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. With the transaction fee being the main source of revenue for NCHL and further revision of transaction fee of retail payment system last implemented from 7<sup>th</sup> Mangsir 2078, may largely increase the risk for NCHL, causing inability to upgrade infrastructure, risk management and to support other new payment systems.
5. NCHL has obtained an approval from NRB to establish and operate National Payment Switch (NPS), corresponding to which the Phase 1 related to RPS is already in operations. NPS is expected to be one of the major projects and the system for NCHL, requiring sizable investments from its reserves. The project is currently under implementation for Phase 2. 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 executed closely with NRB, BFIs and other stakeholders to ensure not only its objectives are met but is business justified and self-sustaining also.

#### 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 are now processed through RPS. It 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 of RPS/ *connectIPS*. The contribution in 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 infrastructural 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. Legal Case

A court case dated 12<sup>th</sup> 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.

#### 9.6. Profit Appropriation

##### 9.6.1. 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.

##### 9.6.2. Proposed Dividend and Bonus Share

1. The Board of Directors has proposed 38% of Bonus Shares (equivalent to 2,157,122 units of shares rounded for the decimal figure) and 2% of Cash Dividend for tax purpose (amounting to NRs. 11,353,272) from the Profit of the FY 2078/79, subject to final approval in the forthcoming Annual General Meeting. Proposed Bonus shares equivalent are not adjusted in the financial statements.
2. 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

## एघारौं वार्षिक साधारण सभा सम्बन्धी सूचना

श्री शेयरधनी महानुभावहरू,

यस कम्पनीको सञ्चालक समितिको मिति २०७९/०९/०७ मा बसेको २०१ औं बैठकको निर्णय बमोजिम यस कम्पनीको एघारौं 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 : २०७९ साल पुष महिना २८ गते बिहिवार (तदनुसार 12th January 2023, Thursday)

स्थान : होटल क्राउन इम्पेरिएल, रविभवन, काठमाडौं ।

समय : दिउँसो ४:३० बजे

छलफल गर्ने विषयहरू :-

क. साधारण प्रस्ताव:

१. सञ्चालक समितिको आ.व. २०७८/७९ को प्रतिवेदन पारित गर्ने ।
२. लेखा परीक्षण प्रतिवेदन सहितको २०७९ आषाढ मसान्त सम्मको वासलात तथा सोही मितिमा समाप्त आ.व. २०७८/७९ को नाफा नोक्सान हिसाब तथा नगद प्रवाह विवरण स्वीकृत गर्ने ।
३. सञ्चालक समितिले प्रस्ताव गरे बमोजिम २ प्रतिशत नगद लाभांश (रु.१,१३,५३,२७२ ) बोनस शेयरको कर प्रयोजनका लागि स्वीकृत गर्ने ।
४. आ.व. २०७९/८० को लागि लेखा परीक्षकको नियुक्ति तथा निजको पारिश्रमिक निर्धारण गर्ने । (वर्तमान लेखा परीक्षक श्री एम. बि. श्रेष्ठ एण्ड कम्पनी पुनः नियुक्त हुन योग्य रहनु भएको ।)

ख. विशेष प्रस्ताव:

१. सञ्चालक समितिले प्रस्ताव गरे बमोजिम ३८ प्रतिशत बोनस शेयर (दशमलबलाई राउन्ड गर्दा हुन आउने २१,५७,१२२ किता) स्वीकृत गर्ने तथा सोही बमोजिम चुक्ता पुँजी बृद्धि गर्न प्रबन्धपत्रको संशोधन स्वीकृत गर्ने ।
२. प्रस्तावित संशोधनमा नियमनकारी निकायहरूबाट कुनै फेरबदल वा सुभाव 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

- (१) शेयरधनीज्यूहरूको ठेगानामा हुलाक/कुरियरबाट पठाइने वार्षिक साधारण सभाको प्रतिवेदन यस कम्पनीको वेबसाइट [www.nchl.com.np](http://www.nchl.com.np) मा पनि हेर्न सकिनेछ । कुनै कारणले प्रतिवेदन प्राप्त नगर्नु हुने शेयरधनीज्यूहरूले यस कम्पनीको रजिष्टर्ड कार्यालयमा शेयरधनी प्रमाण-पत्र प्रस्तुत गरी सो प्राप्त गर्न सक्नु हुनेछ ।
- (२) लेखापरिक्षकको प्रतिवेदन सहित कम्पनीको वार्षिक आर्थिक विवरण, सञ्चालक समितिको प्रतिवेदन, कम्पनी ऐन, २०६३ को दफा ७८ बमोजिमको प्रतिवेदन समेतका कागजातहरू कम्पनीको रजिष्टर्ड कार्यालय, कमलादी काठमाडौंमा कार्यालय समय भित्र निरीक्षण गर्न तथा त्यसको प्रतिलिपी माग गरेमा प्रतिलिपी दिने व्यवस्था 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 लिनका लागि प्रतिनिधि नियुक्त गरिसकेपछि उक्त प्रतिनिधि बदर गरी अर्कै मुकर्रर गर्ने भएमा सोको लिखित सूचना सोही अवधिभित्र कम्पनीको केन्द्रीय कार्यालयमा दर्ता गरिसक्नुपर्नेछ ।
- (५) शेयरधनीज्यूहरूको सुविधाको लागि हाजिरी पुस्तिका सभास्थलमा सभा हुने दिन दिउँसो ४:०० बजे देखि सभा चालु रहेसम्म खुल्ला रहनेछ ।
- (६) अन्य कुनै जानकारीका लागि कम्पनीको रजिष्टर्ड कार्यालय, कमलादी, काठमाडौंमा सम्पर्क गर्नु हुन अनुरोध छ



नेपाल राष्ट्र बैंकबाट "मुक्तानी प्रणाली सञ्चालक" को कार्य गर्न अनुमतिपत्रप्राप्त संस्था

नेपाल क्लियरिङ्ग हाउस लिमिटेड

तेश्रो तल्ला, डि. डि. प्लाजा, कमलादी, काठमाडौं

पो.ब.नं. २१४००, फोन नं. ०१-५९७००६५

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## प्रोक्सी फाराम

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

**विषय : प्रतिनिधि नियुक्ति गरेको बारे ।**

महाशय,

.....जिल्ला.....न.पा./गा.वि.स. वडा नं.....बस्ने म/हामी .....ले त्यस कम्पनीको शेयरधनीको  
हैसियतले २०७९ साल पुष महिना २८ गते बिहिवारका दिन हुने एघारौं वार्षिक साधारणसभामा स्वयंम उपस्थित भइ छलफल तथा निर्णयमा सहभागी  
हुन नसक्ने भएकोले उक्त सभामा भाग लिन तथा मतदान गर्नका लागि ..... न.पा./गा.वि.स. वडा नं. ....बस्ने त्यस कम्पनीका शेयर  
धनी श्री .....शेयर 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 ।





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