



**PREPARING NEPAL'S  
DIGITAL PAYMENTS FOR  
GLOBAL ACCEPTANCE**

**ANNUAL  
REPORT**

FY 2079-80(2022-23)



# NEPAL CLEARING HOUSE

नेपाल राष्ट्र बैंकबाट "मुक्तानी प्रणाली संचालक"  
को कार्य गर्न अनुमतिपत्र प्राप्त संस्था

## “Digital बन्दैछ नेपाल”



**ECC**

बैंकबाट कारोबार गरौं



**IPS**

सबै मुक्तानीको माध्यम



**connect IPS**  
pay direct from bank



**connect-RTGS**



**NPI**



**CORPORATE PAY**  
Business Payments Platform



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

**NEPALPAY**



---

# Table of Content

---

2	<b>01 OVERVIEW</b>	43	NCHL-HELPDESK
2	CORPORATE PROFILE	43	TRAININGS, ORIENTATIONS AND AWARENESS
8	MAJOR MILESTONES	44	<b>05 GOVERNANCE &amp; RISK MANAGEMENT</b>
10	FINANCIAL HIGHLIGHTS	44	CORPORATE GOVERNANCE
13	OPERATIONAL HIGHLIGHTS	45	THE BOARD OF DIRECTORS
14	MESSAGE FROM CHAIRMAN	46	AUDIT COMMITTEE
16	CEO'S STATEMENT	46	HR COMMITTEE
18	BOARD OF DIRECTORS	48	MERGER AND ACQUISITION COMMITTEE
20	MANAGEMENT TEAM	48	MEETING EXPENSES
22	<b>02 PRODUCTS AND SERVICES</b>	48	SHAREHOLDERS COMMUNICATION
22	NCHL ELECTRONIC CHEQUE CLEARING	48	INTERNAL CONTROLS
23	INTERBANK PAYMENT SYSTEM	49	ISO CERTIFICATION
24	NATIONAL PAYMENT SWITCH	50	RISK MANAGEMENT
25	RETAIL PAYMENT SWITCH	51	BUSINESS CONTINUITY PLAN ACTIVATION
26	NATIONAL PAYMENTS INTERFACE	52	<b>06 MARKET ANALYSIS</b>
26	CONNECTRTGS SYSTEM	54	<b>07 HUMAN RESOURCES</b>
27	CORPORATEPAY SYSTEM	54	ORGANIZATIONAL STRUCTURE
27	NATIONAL ARCHIVE SYSTEMS	55	KEY HUMAN RESOURCE INDICATORS
28	<b>03 FINANCIAL REVIEWS</b>	55	RECRUITMENT PROCESS
28	REPORTING PRONOUNCEMENTS	55	REMUNERATION AND BENEFITS
28	SNAPSHOT OF LAST 5 YEARS PERFORMANCE	56	STAFF TRAINING & DEVELOPMENT
28	PERFORMANCE OF CURRENT YEAR	56	STAFF WELFARE COMMITTEE
31	FINANCIAL RATIOS	56	STAFF HEALTH AND INSURANCE
33	VALUE GENERATION AND DISTRIBUTION	56	STAFF LEAVE
34	<b>04 OPERATIONAL REVIEW</b>	60	<b>08 FINANCIAL AND RELATED INFORMATION</b>
34	GON FACILITATION THROUGH NCHL SYSTEMS	60	DIRECTOR'S REPORT AND DISCLOSURE
35	NCHL MEMBERS	66	NRB APPROVAL OF THE AUDITED FINANCIALS
36	NCHL-ECC SYSTEM	68	INDEPENDENT AUDITOR'S REPORT
38	NCHL-IPS SYSTEM	72	AUDITED FINANCIAL STATEMENTS
40	RPS/CONNECTIPS	78	NOTES TO FINANCIAL STATEMENTS
42	NATIONAL PAYMENTS INTERFACE	110	ANNUAL GENERAL MEETING NOTICE
43	CORPORATEPAY	112	PROXY FORM
43	CONNECTRTGS		

# 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

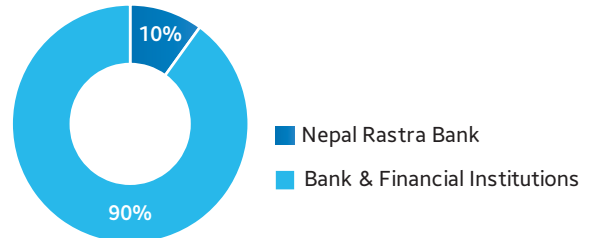
Incorporated as a Public Limited company under the sub section 1 of Section 5 of Companies Act, 2063 (First Amendment 2074) on 8<sup>th</sup> Poush 2065 (23<sup>rd</sup> December 2008).

### 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, 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

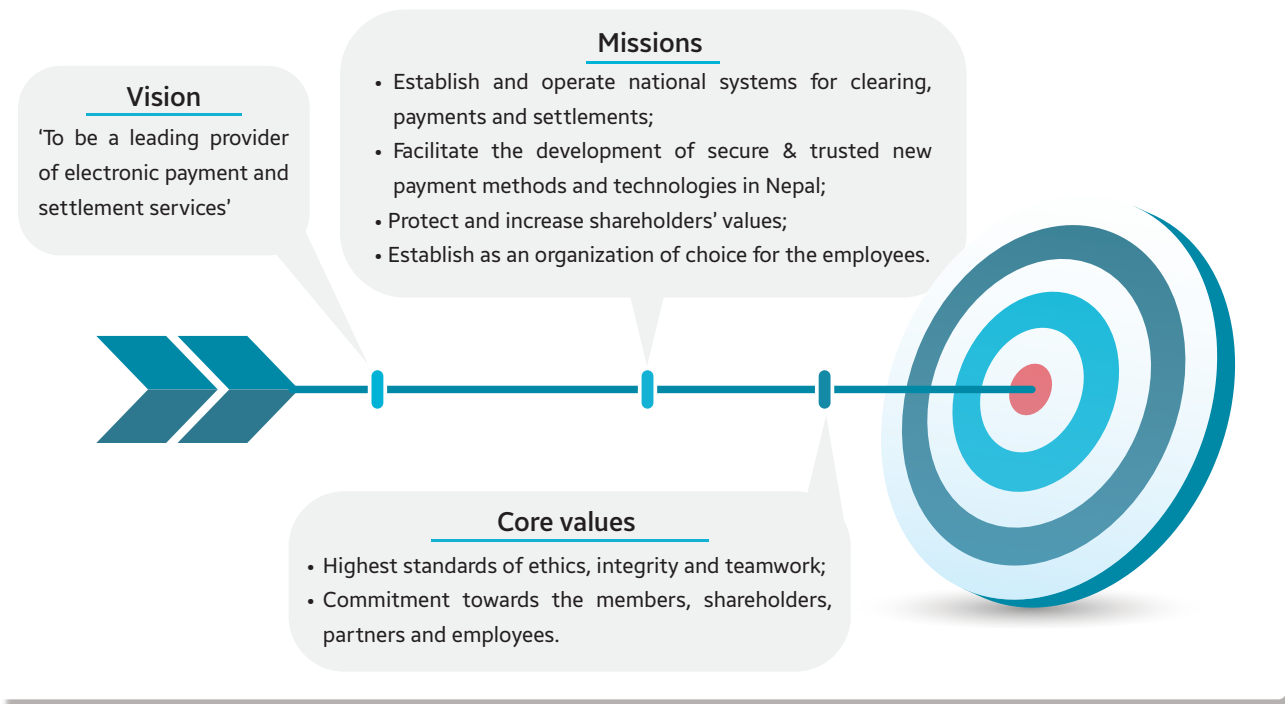
### ISO 27001 Auditor

URS Nepal P.Ltd.  
UKAS Management Systems  
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 2079/80 (2022/23). 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



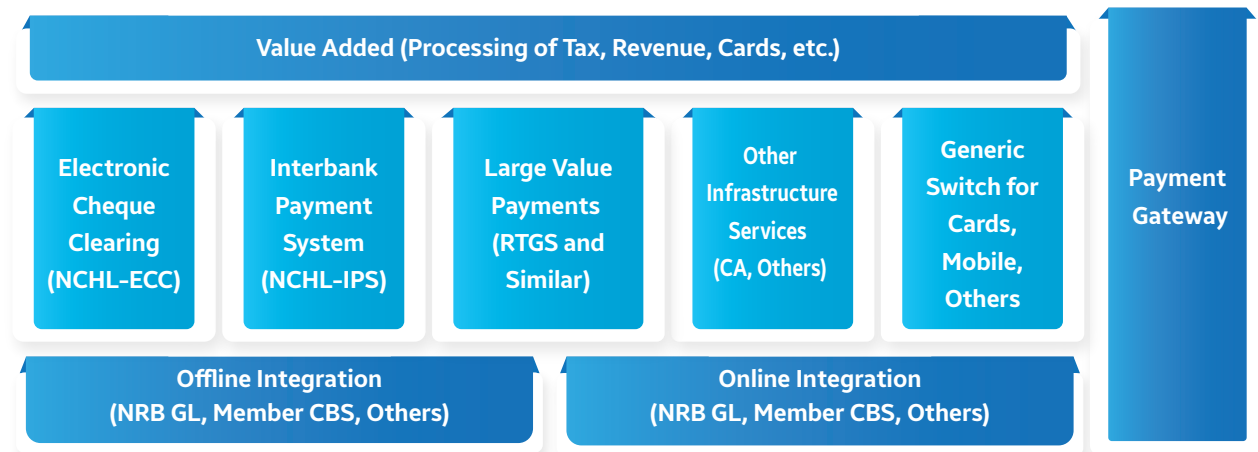
### Our Commitment and Code of Conduct Principles

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 digital 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 2080

S.N.	Shareholders	No. of Shares	Value in NPR
<b>Group 'A' Shareholders</b>			
1	Nepal Rastra Bank	783,375	78,337,500
<b>Group 'B' Shareholders</b>			
2	Agricultural Development Bank Ltd.	24,067	2,406,700
3	Bank of Kathmandu Ltd.	279,484	27,948,400
4	Century Commercial Bank Ltd.	111,588	11,158,800
5	Citizens Bank International Ltd.	170,142	17,014,200
6	Civil Bank Ltd.	267,932	26,793,200
7	Everest Bank Ltd.	130,562	13,056,200
8	Global IME Bank Ltd.	559,998	55,999,800
9	Himalayan Bank Ltd.	130,562	13,056,200
10	Kumari Bank Ltd.	274,356	27,435,600
11	Laxmi Bank Ltd.	135,784	13,578,400
12	Machhapuchchhre Bank Ltd.	130,562	13,056,200
13	Mega Bank Nepal Ltd.	182,615	18,261,500
14	Nabil Bank Ltd.	148,919	14,891,900
15	Nepal Bangladesh Bank Ltd.	130,562	13,056,200
16	Nepal Bank Ltd.	130,562	13,056,200
17	Nepal Credit & Commerce Bank Ltd.	215,593	21,559,300
18	Nepal Investment Bank Ltd.	279,484	27,948,400
19	Nepal SBI Bank Ltd.	130,562	13,056,200
20	NIC Asia Bank Ltd.	261,125	26,112,500
21	NMB Bank Ltd.	275,126	27,512,600
22	Prabhu Bank Ltd.	287,526	28,752,600
23	Prime Commercial Bank Ltd.	213,563	21,356,300
24	Rastriya Banijya Bank Ltd.	130,562	13,056,200
25	Sanima Bank Ltd.	120,253	12,025,300
26	Siddhartha Bank Ltd.	962,253	96,225,300
27	Standard Chartered Bank Nepal Ltd.	130,562	13,056,200
28	Sunrise Bank Ltd.	154,145	15,414,500
29	Excel Development Bank Ltd.	5,222	522,200
30	Garima Bikas Bank Ltd.	32,310	3,231,000
31	Jyoti Bikas Bank Ltd.	46,162	4,616,200
32	Kamana Sewa Bikas Bank Ltd.	31,993	3,199,300
33	Lumbini Bikas Bank Ltd.	124,377	12,437,700
34	Mahalaxmi Bikas Bank Ltd.	221,137	22,113,700
35	Miteri Development Bank Ltd.	24,614	2,461,400
36	Muktinath Bikas Bank Ltd.	15,670	1,567,000
37	Shangri-la Development Bank Ltd.	48,308	4,830,800
38	Shine Resunga Development Bank Ltd.	21,549	2,154,900
39	Best Finance Ltd.	105,760	10,576,000
40	Central Finance Ltd.	36,715	3,671,500
41	Crystal Finance Ltd.	5,222	522,200
42	Goodwill Finance Ltd.	100,539	10,053,900
43	Guheshwori Merchant Banking & Finance Ltd.	18,361	1,836,100
44	Gurkhas Finance Ltd.	5,222	522,200
45	Himalaya Finance Ltd.	5,222	522,200
46	ICFC Finance Ltd.	18,361	1,836,100
47	Janaki Finance Co. Ltd.	18,361	1,836,100
48	Multipurpose Finance Co. Ltd.	5,222	522,200
49	Nepal Finance Ltd.	77,448	7,744,800
50	Nepal Share Markets & Finance Ltd.	5,222	522,200
51	Pokhara Finance Ltd.	18,361	1,836,100
52	Progressive Finance Ltd.	5,222	522,200
53	Reliance Finance Ltd.	56,551	5,655,100
54	Samriddhi Finance Co. Ltd.	5,222	522,200
55	Shree Investment & Finance Co. Ltd.	23,581	2,358,100
<b>GRAND TOTAL</b>		<b>7,833,758</b>	<b>783,375,800</b>

## MEMBERS

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.	Citizens Bank International Ltd.	✓	✓	✓	✓	✓	✓	✓
5.	Everest Bank Ltd.	✓	✓	✓		✓	✓	✓
6.	Global IME Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
7.	Himalayan Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
8.	Kumari Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
9.	Laxmi Sunrise Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
10.	Machhapuchchhre Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
11.	Nabil Bank Ltd.	✓	✓	✓	✓	✓	*	✓
12.	Nepal Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
13.	Nepal Investment Mega Bank Ltd.	✓	✓	✓		✓	✓	✓
14.	Nepal SBI Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
15.	NIC Asia Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
16.	NMB Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
17.	Prabhu Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
18.	Prime Commercial Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
19.	Rastriya Banijya Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
20.	Sanima Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
21.	Siddhartha Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
22.	Standard Chartered Bank Nepal Ltd.	✓	✓	✓		✓	✓	
23.	Corporate Development Bank Ltd.	✓	✓	✓				
24.	Excel Development Bank Ltd	✓	✓	✓	*	✓		✓
25.	Garima Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
26.	Green Development Bank Ltd.	✓	✓	✓		✓		*
27.	Jyoti Bikash Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
28.	Kamana Sewa Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
29.	Karnali Development Bank Ltd.	✓	✓	✓	*			
30.	Lumbini Bikas Bank Ltd.	✓	✓	✓	✓	✓	*	✓
31.	Mahalaxmi Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
32.	Miteri Development Bank Ltd.	✓	✓	✓	✓	✓		
33.	Muktinath Bikas Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
34.	Narayani Development Bank Ltd.	✓	✓	✓				
35.	Saptakoshi Development Bank Ltd.	✓	✓	✓	✓			*
36.	Shangri-la Development Bank Ltd.	✓	✓	✓	✓	✓		✓
37.	Shine Resunga Development Bank Ltd.	✓	✓	✓	✓	✓	✓	✓
38.	Sindhu Bikas Bank Ltd.	✓	✓	✓	✓	✓		*
39.	Best Finance Company Ltd.	✓	✓	✓	✓	✓	*	*
40.	Central Finance Ltd.	✓	✓	✓	✓	✓	✓	*
41.	Goodwill Finance Ltd.	✓	✓	✓	✓	✓	✓	✓
42.	Guheshwori Merchant Banking & Finance Ltd.	✓	✓	✓	✓	✓	*	✓
43.	Gurkhas Finance Ltd.	✓	✓	✓	✓	✓	*	*
44.	ICFC Finance Ltd.	✓	✓	✓	✓	✓	✓	✓
45.	Janaki Finance Company Ltd.	✓	✓	✓		✓	✓	
46.	Manjushree Finance Ltd.	✓	✓	✓	✓	✓	✓	*
47.	Multipurpose Finance Company Ltd.	✓	✓	✓		✓	✓	
48.	Nepal Finance Ltd.	✓	✓	✓	✓	✓	✓	✓
49.	Pokhara Finance Ltd.	✓	✓	✓			✓	*
50.	Progressive Finance Ltd.	✓	✓	✓	✓	✓	*	✓
51.	Reliance Finance Ltd.	✓	✓	✓	✓	✓	*	*
52.	Samriddhi Finance Company Ltd.	✓	✓	✓	✓	✓	✓	*
53.	Shree Investment and Finance Co. Ltd.	✓	✓		✓		*	*
<b>Total Direct Members Live</b>		<b>53</b>	<b>53</b>	<b>52</b>	<b>42</b>	<b>45</b>	<b>34</b>	<b>33</b>

S.N.	Members	ECC	IPS	connectIPS	connectRTGS	NPI	NPS-RPS	corporatePAY
<b>Indirect/ Technical Members</b>								
1.	Beema Samiti					*		
2.	Nepal Stock Exchange Ltd. (NEPSE)					✓		
3.	Citizen Investment Trust (CIT)					✓		
4.	Employee Provident Fund (EPF)					✓		
5.	Nepal Oil Corporation					*		
6.	Rastriya Beema Sansthan					✓		
7.	Social Security Fund (SSF)					✓		
8.	Nepal Payment Solution Pvt. Ltd. (NPS)					✓		
9.	SmartChoice Technology (SCT)					✓		
10.	Cellcom Pvt Ltd. (Cellpay)					✓		
11.	CG Pay Nepal Pvt Ltd (CG Pay)					✓		
12.	DigiPay Pvt. Ltd. (Digipay)					✓		
13.	E-Net Payment P.Ltd. (Enet)					✓		
14.	Focusone Payment Solution Pvt Ltd (Moco)					✓		
15.	Goldmine Business Group Pvt. Ltd. (Dpaisa)					✓		
16.	Icash Pvt Ltd (icash)					✓		
17.	IME Digital Solutions Ltd. (IME Pay)					✓		
18.	iPay Pvt. Ltd. (edheba)					✓		
19.	Lenden Sewa P.Ltd. (Hamro Pay)					✓		
20.	Nepal Digital Payments Company Ltd (Namaste Pay)					✓		
21.	Nepal E-biz Management Pvt. Ltd.(Mobalet)					✓		
22.	Nepal Pay Time P.Ltd. (Paytime)					✓		
23.	PayNep P.Ltd. (Moru)					✓		
24.	Paywell Nepal P.Ltd. (Paywell)					✓		
25.	Prabhu Technology P.Ltd. (Prabhu Pay)					✓		
26.	Qpay P.Ltd. (QPay)					✓		
27.	Sajilo Pay Payment Services Pvt Ltd.(Sajilo Pay)					✓		
28.	Smart Card Nepal P.Ltd.(Smart Card)					✓		
29.	Sparrow Pay P.Ltd. (Khalti)					✓		
30.	Sulav Pay P.Ltd.(nCash)					✓		
31.	Global IME Capital Limited					✓		
32.	NIBL Ace capital Limited					*		
33.	NMB Capital Ltd.					*		
34.	Siddhartha Capital Ltd					✓		
35.	Ajod Insurance Ltd.-in process of merger					✓		
36.	American Life Insurance Company					✓		
37.	Asian Life Insurance Ltd.					✓		
38.	Citizens Life Insurance Company Ltd.					✓		
39.	General Insurance Company Nepal Ltd.merged sanima					*		
40.	HimalayanLife Insurance Ltd.					✓		
41.	IGI Prudential Insurance Limited					*		
42.	IME Life Insurance					✓		
43.	Nepal Life Insurance Company					✓		
44.	Premier Insurance Company (Nepal) Limited merged Siddhartha					✓		
45.	Reliable Nepal Life Insurance Ltd.					*		
46.	Sun Nepal Life Insurance Company Ltd.					✓		
47.	ATT Remit P.Ltd.					*		
48.	Bhatbhateni Money Transfer Pvt. Ltd.					✓		
49.	Cashway Money Transfer P.Ltd.					✓		
50.	City Express Money Transfer P.Ltd.					✓		
51.	Easylink Remittance Pvt. Ltd.					✓		
52.	Esewa Money Transfer Pvt. Ltd.					✓		
53.	GME Remit P.Ltd.					✓		
54.	Hamro Patro Remit					✓		
55.	IME Ltd.					✓		
56.	Ipay Remit P.Ltd.					✓		

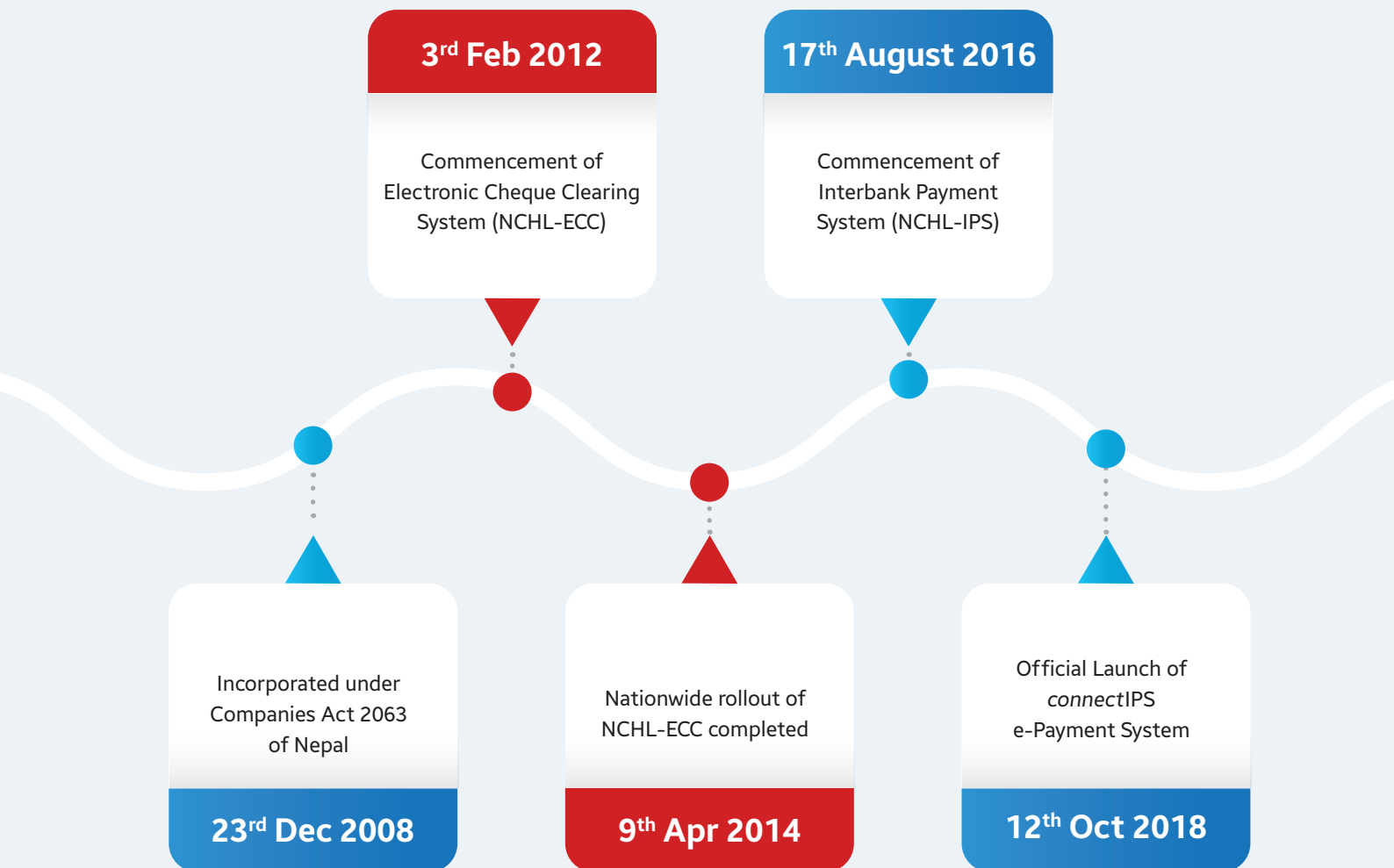


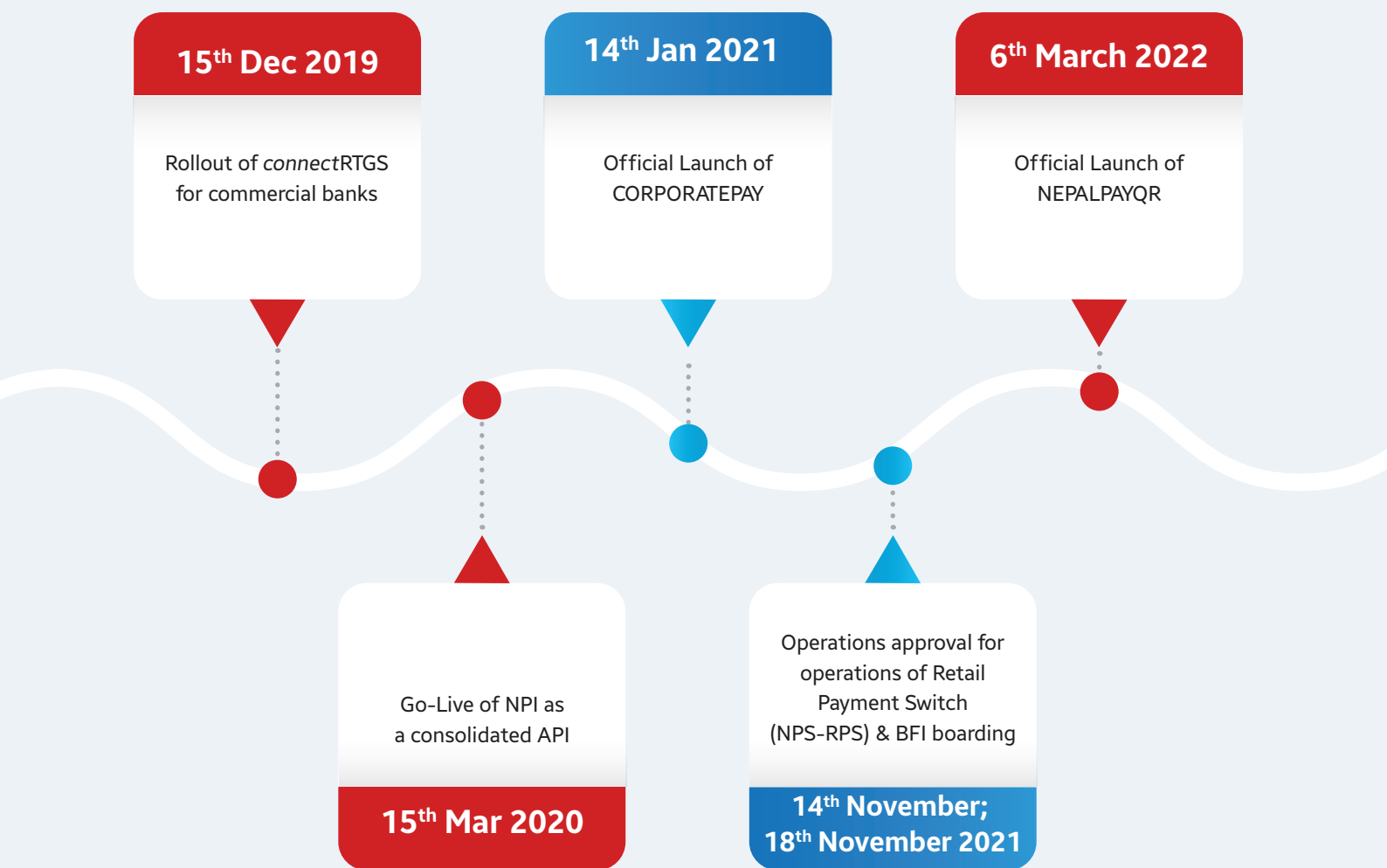
S.N.	Members	ECC	IPS	connectIPS	connectRTGS	NPI	NPS-RPS	corporatePAY
57.	JME Remit Company Pvt Ltd					✓		
58.	Nepal Remit International Pvt. Ltd.					✓		
59.	Remit to Nepal					*		
60.	Samsara Remit Pvt Ltd					✓		
61.	Thamel Remit Pvt Ltd					✓		
62.	Hamro Technology Pvt. Ltd.					*		
63.	Nepal Federation of Savings and Credit Cooperative Unions Ltd.					*		
64.	Zinob Inc. Pvt. Ltd.					*		
65.	Nepal Micro Insurance Company Limited					*		
66.	Protective Micro Insurance Limited					*		
67.	Crest Micro Life Insurance Ltd					*		
68.	Guardian Micro Life Insurance Ltd					*		
69.	Chhimek Laghubitta Bittiya Sanstha Ltd					✓		
70.	Infinity Laghubitta Bittiya Sanstha Limited					*		
71.	NIC ASIA Laghubitta Bittiya Sanstha Limited					*		
72.	Nirdhan Utthan Laghubitta Bittiya Sanstha Limited					*		
73.	Sana kishan Bikas Laghubitta Bittiya Sanstha Ltd					✓		
74.	Swabalamban Laghubitta Bittiya Sanstha Ltd					*		
75.	Swarojgar Laghubitta Bittiya Sanstha Limited					*		
76.	Subisu Cablenet P.Ltd.					✓		
77.	Vianet Communication P.Ltd.					✓		
78.	Websufer Nepal Communication Pvt Ltd					✓		
79.	Agni Incorporated Pvt. Ltd.					✓		
80.	Arju Rice Mills Pvt Ltd					*		
81.	Asian Paints					*		
82.	Chaudhary Group					*		
83.	F1Soft International Pvt. Ltd.					✓		
84.	Flight Booking Center Pvt.ltd					*		
85.	Gyan Enterprise					✓		
86.	Hansraj Hulaschand And Co Pvt Ltd					*		
87.	Jagdamba Motors Pvt Ltd					*		
88.	Panchakamya Plast Pvt Ltd					*		
89.	Prime Steel Pvt Ltd (Hulas Iron Group)					*		
90.	Sasto Tickets Pvt. Ltd.					*		
91.	Sipradi Trading Pvt. Ltd.					✓		
92.	Surya Nepal Pvt Ltd					*		
93.	United Distributor Pvt Ltd					*		
94.	Varun Beverages Nepal					✓		
95.	Yeti Airlines Pvt Ltd					✓		
96.	Yeti Distillery Pvt Ltd					✓		
	<b>INDIRECT/ TECHNICAL MEMBERS</b>					<b>64</b>		
	<b>TOTAL MEMBERS LIVE</b>	<b>53</b>	<b>53</b>	<b>52</b>	<b>42</b>	<b>109</b>	<b>34</b>	<b>33</b>

✓ Live

\* Subscribed

# MAJOR MILESTONES





## FINANCIAL HIGHLIGHTS

### NET WORTH PER SHARE

#### **NPR 231 PER SHARE**

A decrease by 9% in comparison to preceding fiscal year due to the increased capital from bonus shares issued.

### EARNING PER SHARE

#### **NPR 48 PER SHARE**

A decrease by 23% in comparison to preceding fiscal year due to the increased number of shares and decreased rate of Net Profit Increment by 6% as compared to preceding fiscal year.

### OPERATING REVENUE

#### **NPR 681 MILLION**

An increase of 3% in comparison to preceding fiscal year is primarily from NCHL-IPS and connectIPS incomes.

### INDIRECT INCOME

#### **NPR 148 MILLION**

Indirect income has increased by 50% in comparison to preceding fiscal year primarily due to increase in interest income from investments.

### OPERATING CASH FLOW

#### **NPR 452 MILLION**

A cash inflow increased by 13% as compared with preceding fiscal year.

### INVESTING CASH FLOW

#### **NPR 436 MILLION**

A cash outflow increased by 13% as compared with preceding fiscal year.

### NET PROFIT AFTER TAX

#### **NPR 377 MILLION**

An increase of 6% in comparison to preceding fiscal year

### RESERVE & SURPLUS

#### **NPR 1,027 MILLION**

An increase of 17% 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.

# NEPALPAY QR scan गरी सजिलै भुक्तानी गर्नुहोस् ।

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

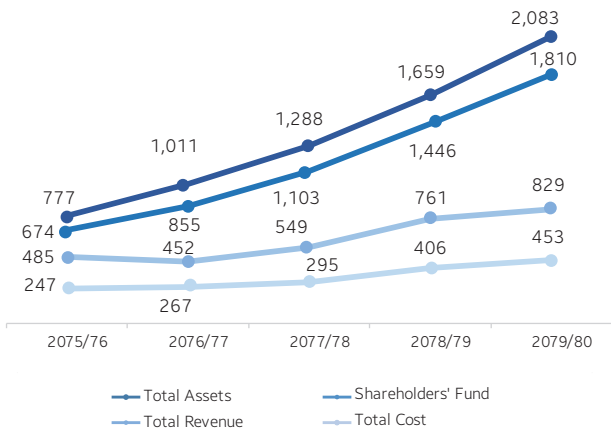


Powered by:

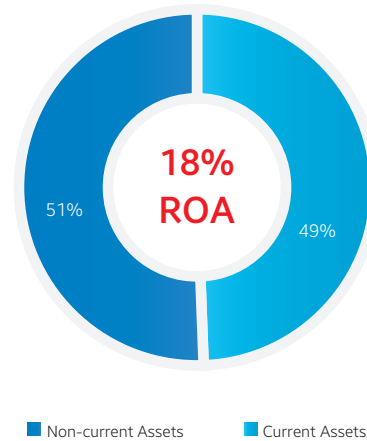


National Payment Switch  
Unifying Payments for Nepal

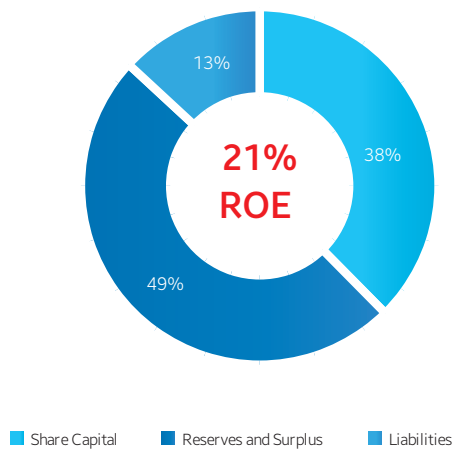
### Financial Summary (in NPR Millions)



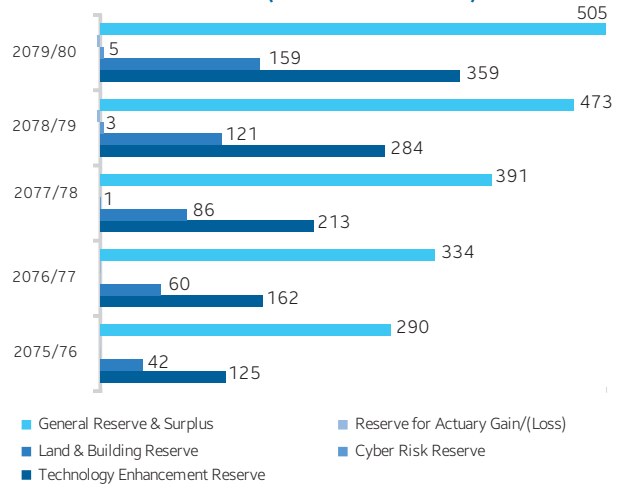
### Total Assets Distribution FY 2079/80



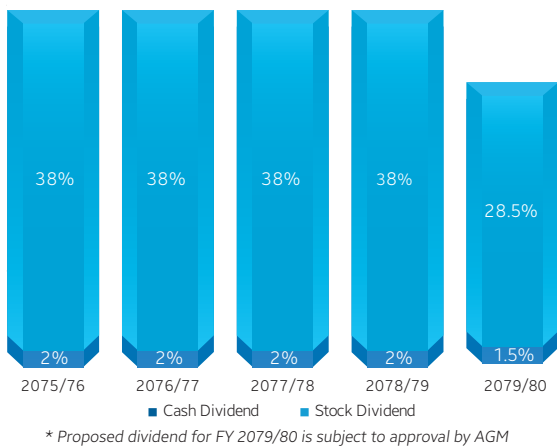
### Total Equity/Liabilities Distribution FY 2079/80



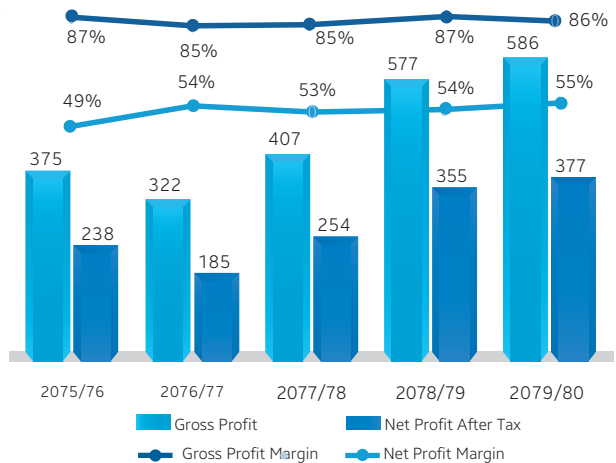
### Reserves (in NPR Millions)



### Dividend Distribution



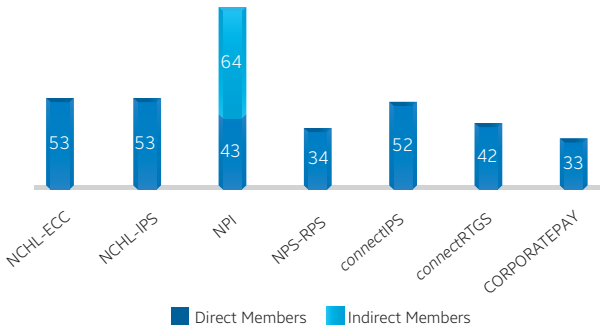
### Profitability Analysis (in NPR Millions)



# OPERATIONAL HIGHLIGHTS

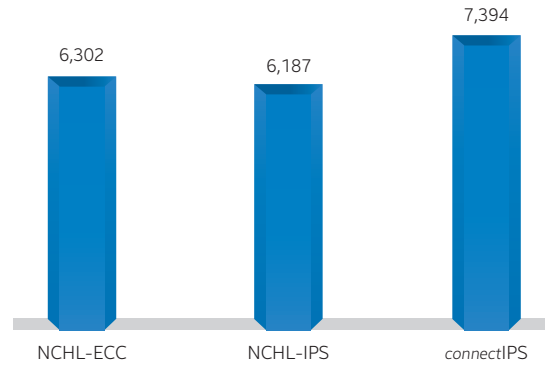
## NCHL Live Members

As at Asadh end, 2080

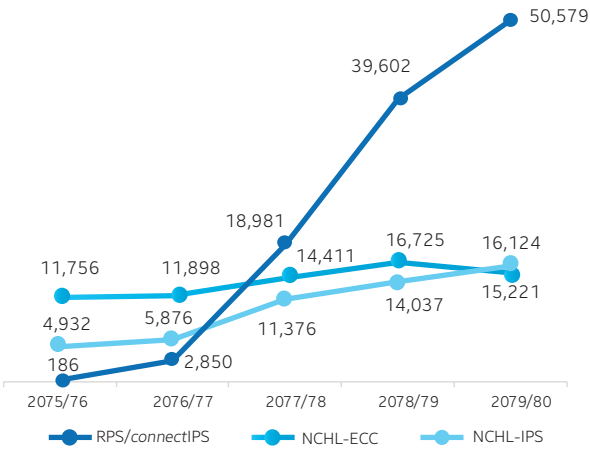


## NCHL Direct Members' Branches

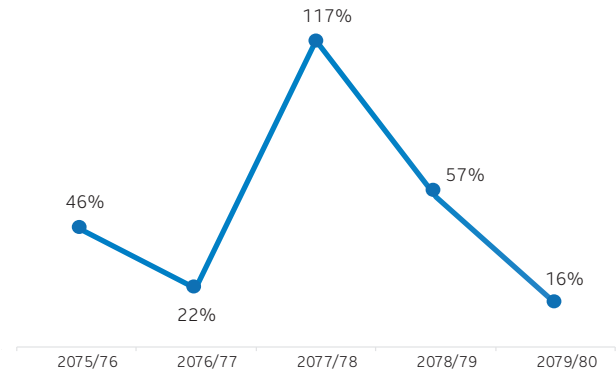
As at Asadh end, 2080



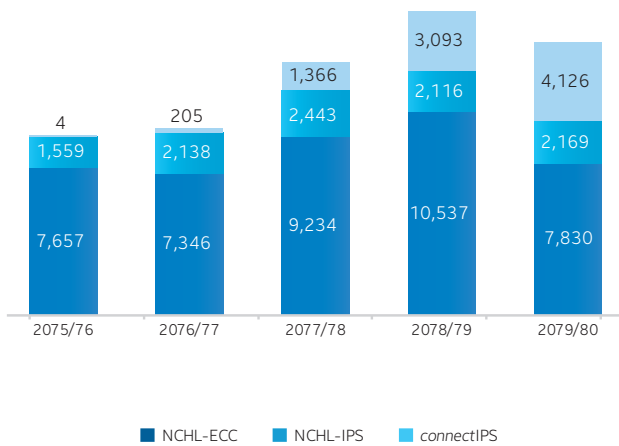
## System-wise Transaction Count (in '000)



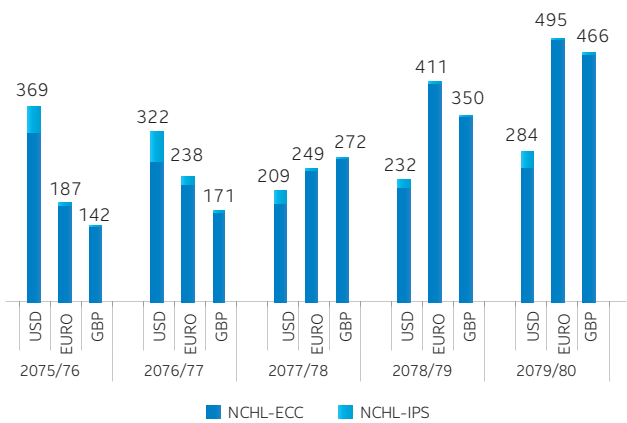
## Total Transaction Count Growth in %



## 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 2079/80 (2022/23).

NCHL has been playing an instrumental role in establishing national payment infrastructures, generate momentum for digital transaction and facilitate various sectors in line with Nepal Government's Digital Nepal Framework and Nepal Rastra Bank's National Payment System Development Strategy. 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 been able to work towards its objective to establish multiple national payment infrastructures in the principle of re-investment, corresponding to which most of the infrastructures have been built.

Despite of the current global situation, we have seen the acceptance and dependency of economy on digital transactions, which is also reflected in the growth of digital payments in the review year. Despite the possible challenges, NCHL still has scope and opportunities to reduce dependency of cash based economy towards digital economy.

As per the approval and guidance of Nepal Rastra Bank, the first phase of the NPS (Retail Payment Switch - RPS) is in full operations and the second phase of NPS related to national card switch and domestic card scheme (NEPALPAY card) is currently under implementation, corresponding to which needed software of switch, back-office and AI based fraud risk management system have already been procured. The principle objective of NPS is to improve digital payment infrastructure for creating interoperability of retail payment transactions including card and non-card including QR. The responsibility on NCHL to fully implement NPS is expected to place itself in a strategic position.

NCHL has also started to collaborate with international clearing house and networks for cross border payments by extending and integrating its National Payment Interface (NPI). In this regard, Nepal-India cross border project is currently under implementation and there has been material process with few other corridors as well.

As per the policy direction of NRB towards consolidation of existing PSPs/PSOs and for NCHL to support in its implementation and rollout of the second phase of NPS project, NCHL has taken a policy decision to positively consider such merger or



acquisition with appropriate PSO, without impacting existing shareholding of NCHL by NRB and BFIs. We anticipate that possible consolidation of appropriate PSO will help place NCHL in a strategic position as it will support scale-up of the payments industry, ease rollout of NPS project, expand business and ensure better acceptance. Similarly, in view of the requirements for research on innovative technology, systems & software development for NCHL, BFIs and industry, NCHL also intends to explore feasibility and necessary process for establishing its subsidiary company.

By the end of the fiscal year 2079/80 (2022/23), there were 53, 149 and 148 members in NCHL-ECC, NCHL-IPS and RPS respectively. There are 53 and 52 direct (BFIs) members in NCHL-IPS and RPS (*connectIPS*) respectively, while there are 96 indirect/ technical members. Besides, 6,300 bank branches are included within the network of NCHL-ECC and NCHL-IPS respectively, while 1,100,000 customers of the BFIs including 1,800,000 bank accounts were linked within *connectIPS* system until the end of FY 2079/80.

During the fiscal year, the company managed to achieve over 81.9 Million transactions with settlement value of over NPR 14.1 Trillion (for NPR transactions only) from its various systems, which is an increment of 16% in terms of volume and decrease of 10% in terms of value. The transaction volume in NCHL-ECC system has decreased from 16.7 Million to 15.2 Million (decrease of 9%) and the settlement value of NCHL-ECC system decreased from NPR 10.5 Trillion to NPR 7.8 Trillion. The transaction volume in NCHL-IPS increased from 14.0 Million to 16.1 Million (increase of 15%) with settlement value slightly increased from NPR 2.12 Trillion to NPR 2.17 Trillion. Similarly, the transaction volume in RPS (*connectIPS*) increased from 39.6 Million to 50.6 Million (increase of 28%) with settlement value increased from NPR 3.1 Trillion to NPR 4.1 Trillion. From the total transactions in NCHL-IPS and RPS, 57% of such digital transactions are routed through NPI. The company expects that the cheque transaction will start to decline, however, further growth in the digital payments in NCHL-IPS and RPS particularly through NPI and CORPORATEPAY. NCHL will continue to play a major role in driving digital payments ecosystem in Nepal.

During the fiscal year, the Operating Profit and Net Profit has increased by 8.5 percent and 6.2 percent respectively with net profit of the company for the year remained at NPR 37.7 Million. Due to the requirements to re-invest on NPS, introduce additional systems, security controls and promotion

of digital payments, the Board has proposed to raise the paid-up capital by issuing 28.5% of bonus share and 1.5 percent of cash dividend (for tax purposes). The existing provision of appropriating 20 percent, 0.5 percent and 10 percent of the profit towards Technology Enhancement Reserve, Cyber Risk Reserve and Land & Building Reserve respectively has been kept unchanged. In view of the increased cyber security risks, we will gradually increase the Cyber Risk Reserve.

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 make 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 management and security management.

Due to the merger policy of NRB and Insurance Authority, along with reduction in number of PSPs, number of members in NCHL has decreased in the last fiscal year. This is expected to have major impact on NCHL's membership fees revenue, however, the company intends to focus on addition of indirect and technical members. The growth of technology-based financial transactions and gradual increase in financial literacy & awareness is expected to have better business opportunities for NCHL in coming days.

It is my great pleasure to express my sincere gratitude to Nepal Government, supportive leadership of Nepal Rastra Bank, other regulatory bodies, our valued shareholders along with other stakeholders for their continuous support and cooperation. I would like to thank the members of the Board of Directors, CEO and the management team for their engagement that resulted into an excellent performance during the fiscal year 2079/80 (2022/23). I am confident that continuous support, co-operation and guidance 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.

Once again, I would like to thank all of you for your presence and extend my warm welcome in the 12<sup>th</sup> Annual General Meeting of our company.

**Ram Bahadur Manandhar**  
Chairman

---

## CEO'S STATEMENT

---



We believe that the resilient digital payments infrastructure supported by innovative products and services is the lifeblood for sustainability, progress and growth of NCHL. While we have focused on building multiple national payment systems for Nepal in line with National Payment System Development Strategy of Nepal Rastra Bank, NCHL has remained at the forefront for introducing innovative products and services. Some of the strategic products and instruments of NCHL has remained testimony of such innovations.

Nepal's payments market is expected to consolidate that will scale-up the infrastructure and business opportunities. This seems to be supported by the policy direction of NRB as well. NCHL expects to play its role in the consolidation process to remain itself as one of the key players and to support rollout of National Payment Switch. The phase I of NPS related to Retail Payment Switch (RPS) has already been implemented and has been accepted by majority of the stakeholders. And the phase II of the NPS project related to National Card Switch (NCS) & domestic card scheme (NEPALPAY Card) is under implementation. While we focus on the implementation of NPS, we remain committed to our principle of re-investment

into digital payments infrastructures and to collaborate with the major stakeholders to play a key role in digital transformation in Nepal.

The fiscal year 2079/80 (2022/23) has been an interesting yet challenging year for NCHL. We have seen growth in the real-time retail payment system (RPS/ connectIPS) and NCHL-IPS, while majority of the transactions have been processed through National Payments Interface (NPI). NPI is an open API based payment channel that provides the members to access multiple payment systems, services and ensures interoperability. NCHL has kept product and service development as one of the highest priority activity. Necessary research, innovation and rollout of various instruments and services have been continued during the fiscal year. In this regards, we have increased our product development team and working together with the BFIs and other stakeholders in establishing innovative use cases.

Along with the stakeholders that are using NCHL's infrastructures including Government and Semi-Government, large institutions have also been using our systems as indirect or technical members. GoN's

digital transaction has reach 87.9 percent of its expenses and 24.4 percent of its revenue collection in terms of value of transactions during the FY 2079/80, almost all have been processed through NCHL's infrastructures. While retail B2C and C2C segment will continue to grow in terms of volume of digital transaction, B2B segment supported by large institutions is expected to further grow, which will be serviced by some of our key products including NPI and CORPORATEPAY.

The average daily cheques transaction volume in NCHL-ECC has decreased to 53,257 as against 61,507 in the previous year. The daily transaction settlement value in NCHL-ECC has decreased to NPR 27.38 Billion from NPR 38.74 Billion in the previous year. The daily average transaction volume and average daily settlement value in NCHL-IPS was 56,381 and NPR 7.6 Billion as against 56,834 and NPR 8.6 Billion in the previous year. And the daily average transaction volume and settlement value in RPS (*connectIPS*) was 176,849 and NPR 14.4 Billion as against 144,533 and NPR 11.3 Billion in the previous year. The digital transactions in RPS and NCHL-IPS is expected to grow further.

Although we have given importance to the implementation and operation of such critical payment infrastructures, the business and financial sustainability has also been given due important by maintaining nominal profit growth. The operating profit of the company remained at NPR 610,659,441 as against NPR 563,019,173 in the previous year. The net profit for the year stood at NPR 376,795,633 as against NPR 354,623,522 in the previous year, with return on capital employed standing at 28 percent. The shareholders fund has increased to NPR 1,810,057,852 with book value per share at NPR 231. 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.

The adoption and acceptance of digital payments in Nepal has been increasing in multi-folds, part of which is due to NRB's policy direction to use both BFIs and non-bank entities to drive and achieve

digital payments related objectives. While Nepal seems to have established majority of the key payment infrastructures including that of micro, low and high value payments, the need to implement full interoperability between the systems and instruments is being realized. Interconnection of Nepal's payment infrastructure with international networks and clearing houses for cross border transaction is expected to place Nepal in a much better position for cross border payments. Similarly, the market requirements of the existing banks transiting towards digital or neo banking may provide additional opportunity for establishing additional digital banking infrastructures and part thereof, which NCHL is in a strategic position to provide such platforms and will be explored through existing and alternate mechanism. We will remain focused on improving resilience and security of our core infrastructure.

With a clear focus of innovating new instruments and use cases, we continued to invest in technologies and infrastructures that will provide digital platforms for individuals, institutions and government. In view of the trend in acceptance of digital transactions by these entities, ongoing NPS implementation, role in market consolidation and possible engagement in building digital banking infrastructure, the future looks bright for NCHL and its products/ services. As part of our strategy to support Nepal Rastra Bank's policy to improve digital banking ecosystem, we will continue to play necessary role in the industry by working together with the BFIs, PSPs/ PSOs and other key entities in a collaborative model.

Lastly, I would like to thank our NCHL team for their commendable work in building and servicing payment infrastructure. I sincerely acknowledge the direction and guidance provided by the Chairman, Board of Directors and shareholders. I would also like to extend my gratitude to our valued member BFIs and other institutions on their continued support towards NCHL. I would also like to thank and acknowledge Nepal Rastra Bank for their trust on NCHL and for considering as a trustworthy implementation partner in building digital payments infrastructure.

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

## The Board of Director's



### **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 2<sup>nd</sup> Asoj 2080 for second term (1<sup>st</sup> term: From 4<sup>th</sup> Chaitra 2077 to 14<sup>th</sup> Magh 2079).



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

**Mr. Rajbhandary** is the Deputy Chief Executive Officer at Himalayan Bank Ltd. He has over 30 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 by 9<sup>th</sup> AGM on 5<sup>th</sup> Jestha, 2078).



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

**Mr. Dhakal** is the Senior Deputy Chief Executive Officer at Nepal Investment Mega Bank Ltd. He has over 22 years of experience in banking sector and has worked at various banks including Global IME Bank Ltd., Mega Bank Ltd., Nepal 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 26<sup>th</sup> Falgun, 2079. (1<sup>st</sup> term: Elected by 9<sup>th</sup> AGM on 5<sup>th</sup> Jestha, 2078 until to 22<sup>nd</sup> Magh 2079).



### **Srijan Krishna Malla, Director**

**Mr. Malla** is the Chief Information Technology at Siddhartha Bank Ltd. He has over 20 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. (elected by 9<sup>th</sup> AGM).



### **Til Bahadur Gurung, Director, Director**

**Mr. Gurung** is the Assistant Deputy Chief Executive Officer of Muktinath Bikas Bank Ltd. He has over 21 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 (elected by 10<sup>th</sup> AGM).



### **Amit Shrestha, Director**

**Mr. Shrestha** is the Deputy Chief Executive Officer of ICFC Finance Ltd. He has over 21 years of experience in the field of Banking. He holds Bachelor in Commerce degree from Delhi University, India and a Masters' degree from Kathmandu University, Nepal. He is a member of the Board of NCHL representing finance company shareholders since 17<sup>th</sup> Bhadra 2080.



### **Jagadish Dahal, Independent Director**

**Mr. Dahal** is an Advocate and a member of the Supreme Court Bar Association, who has two decades of experience as legal advisor and legal consultant in the fields of corporate, banking, taxation, labor and others. He holds a Post Graduate degree from Tribhuvan University, Nepal. He is a member of the Board of NCHL since 26<sup>th</sup> Chaitra 2079.

## MANAGEMENT TEAM



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

**Mr. Pradhan** has experience of over 22 years in the field of banking and financial technology with expertise in financial systems & technologies design, operation and management. He is associated with NCHL since March 2011. He was earlier working with TAIB Bank, Bahrain as 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. He is also a Project Management Professional (PMP) certified.



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

**Ms. Rajbhandari** has experience of over 19 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 20 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 an 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 17 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 14 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 15 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 9 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 8 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 Tribhuvan University, Nepal

## 02 PRODUCTS AND SERVICES

### NCHL ELECTRONIC CHEQUE CLEARING (NCHL-ECC)

NCHL-ECC system is an image-based cheque processing solution where original paper cheque is converted into an image for electronic processing and is transferred through a secured medium between participating member Banks and Financial Institutions. The physical movement of the cheques are truncated or stopped at the level of the presenting bank branch. The physical cheque does not require to travel to the clearing house or to the paying bank resulting in a faster and easier 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 (Sun-Thu)	Regular (Fri)	1 <sup>st</sup> Express (Sun-Fri)	2 <sup>nd</sup> Express (Sun-Fri)	3 <sup>rd</sup> Express (Sun-Fri)	1 <sup>st</sup> High Value (Sun-Fri)	2 <sup>nd</sup> High Value (Sun-Thu)	4 <sup>th</sup> Express (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 of bulk transactions that provides a mechanism for the participating members to safely and efficiently transfer funds from one account to 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 available 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	✓	✓
Government Tax	✓	

## 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 (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. National Card switch , Fraud Risk Management System (FRM) and Domestic card scheme is currently under implementation as part of the 2<sup>nd</sup> phase of NPS.



**National Payment Switch**  
Unifying Payments for Nepal

## RETAIL PAYMENT SWITCH (RPS)

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. 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).

NEPALPAY QR within RPS has been rolled out as the implementing infrastructure of NRB's NepalQR standard including independent QR scheme, issuing app level interoperability, merchant level interoperability and network level interoperability, corresponding to which all the cases are currently in operation with necessary interoperability and other APIs exposed to participating BFIs, PSPs and PSOs to use. The NEPALPAY QR system has provided additional services of dynamic QR, POS terminals integrations, QR based payment gateway, customer presented QR and voice notification as well.

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.

### **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 Android and iOS mobile app. The transaction limit in *connectIPS* e-Payment is up to NPR 2,000,000 through web channel and NPR 200,000 through mobile app. The 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 1,108,436 customers of the BFIs were registered with 1,786,830 linked bank accounts in *connectIPS* by the end of the FY 2079/80.

### **RPS/connectIPS e-Payment Transaction Fee**

The transaction fee in RPS/*connectIPS* 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 proxy identifier or any other identifier (currently Mobile Number of account holder is used as proxy identifier) such that the account details are not required for transfers. 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 issuing app level, merchant level and Inter-network level for processing and settlement of QR transactions, corresponding to which all of the cases are currently in operation with necessary interoperable & other APIs exposed for the participating member BFIs, PSPs and PSOs to use. It has also established a domestic QR scheme for its participating members BFIs and PSPs as the issuer and acquirer for NEPALPAYQR scheme. The NEPALPAY QR system has provided additional services of dynamic QR, POS terminal integrations, QR based payment gateway, customer presented QR and voice notification as well.

## 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 allows event-based Request-to-Pay (R2P) for Person-To-Person transfer where an individual can initiate a request from any of its digital payment channel (Mobile Banking, Internet Banking, Digital Wallets, *connectIPS*). The service is currently available for requesting 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. eMandate R2P is currently being used by some of the service providers for recurring payment collection and PSP for account tokenization in wallets.

## 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 allow 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 biller 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.

## *connect*RTGS SYSTEM

*connect*RTGS 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 *connect*RTGS 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 done by the respective 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.

### 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 2079/80 (2022/23) 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 2079/80 (2022/23) in comparison with last four fiscal years are presented in the following table.

Amount in NPR '000

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)	Growth Rate CAGR*
Paid up capital	783,376	567,664	411,350	298,080	216,000	38%
Reserve & Surplus	1,026,682	878,532	691,716	556,709	457,524	22%
Investment and Placements	1,482,953	1,073,104	842,104	637,249	444,474	35%
Non-Current Assets	1,053,820	517,109	340,082	342,459	259,241	42%
Current Assets	1,029,163	1,142,077	947,527	668,544	517,959	19%
Operating Income	681,134	661,873	479,616	383,074	431,317	12%
Operating Expenses	95,535	84,896	73,116	63,671	56,296	14%
Gross Profit	585,599	576,977	406,500	319,403	375,020	12%
Interest/ Other Income	148,234	98,764	69,716	68,733	53,430	29%
Administrative Expenses	41,670	51,742	21,737	48,092	29,928	9%
Human Resource Expenses	75,698	60,980	39,691	32,183	24,456	33%
Finance Cost (Actuarial & Lease Liability)	5,806	-	-	-	-	100%
Operating Profit	610,659	563,019	414,789	307,861	374,065	13%
Depreciation/Amortization	54,179	39,581	37,773	33,788	21,784	26%
<b>Net Profit /(Loss) for the year</b>	<b>376,796</b>	<b>354,624</b>	<b>254,463</b>	<b>185,001</b>	<b>237,736</b>	<b>12%</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 1,810,058 thousand as against NPR 1,446,196 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 2078/79 (2021/22) and additional profit transferred to Reserve and Surplus from attributable profit of FY 2079/80 (2022/23).

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 28.5% of Bonus Shares equivalent to 223,262,100 (rounding the decimal figure in share) and cash dividend of 1.5% equivalent to NPR 11,750,637 (for tax purpose) from the profit of fiscal year 2079/80 (2022/23), 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 1,482,953 thousand in FY 2079/80 (2022/23) as against NPR 1,248,604 thousand in the previous year. The interest income has increased to NPR 144,471 thousand as against NPR 97,253 thousand with growth of 49%. The interest income includes income from investments and call deposits.

Amount in NPR '000

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
Fixed Deposits & Debentures	1,482,953	1,248,604	234,349	19%
Investments and Placements (Maturity above 3 months)	1,482,953	1,073,104	234,349	19%
Cash Equivalents (Maturity less than 3 months)	-	175,500	-	-
Interest Income*	144,471	97,253	47,219	49%

\*Including interest income from call deposits.

## Operating Income

Total operating income for the FY 2079/80 (2022/23) has increased to NPR 681,135 thousand as against NPR 661,873 thousand in the previous year.

Amount in NPR '000

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
Operating income from NCHL-ECC transaction Fee	377,447	389,860	(12,413)	(3%)
Operating income from NCHL-IPS/NPI transaction Fee	99,867	88,213	11,654	13%
Operating income from connectIPS / RPS transaction fee	154,673	137,467	17,209	13%
Operating income from connectRTGS	4,758	4,384	374	9%
Login ID Fee	35,256	33,729	1,527	5%
Network Connectivity & Management Fee	9,131	8,220	911	11%
<b>Total Operating Income</b>	<b>681,135</b>	<b>661,873</b>	<b>19,262</b>	<b>3%</b>

## Other Income

Total Other Income of NPR 3,763 thousand has been reported in the FY 2079/80 (2022/23) against NPR 1,512 thousand 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 13% to NPR 95,535 thousand as against NPR 84,896 thousand in the previous year. The major increment is due to the increase in direct expenses in Member Training/Orientation Expenses 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 and increase in the AMC cost as per contract. The NCHL-ECC and NCHL-IPS software are outsourced from an international vendor corresponding to which the AMC of ECC software is US\$ 220,500 for the participant's component; US\$ 55,125 for NCHL's component, and; US\$ 28,350 for IPS software that are payable in US Dollars on half yearly basis. Similarly, US\$ 12,395 was paid for ECC Customization and US\$23,202 was paid for license renewal and AMC for enterprise edition of Oracle Software. Operating expenses related to AMC of hardware, software and others have also contributed to increase in the operating expenses.

Amount in NPR '000

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
ECC Software AMC - BFIs & NCHL	48,310	43,294	5,016	12%
IPS Software AMC	4,924	4,593	331	7%
Oracle Software AMC	10,068	9,622	446	5%
Network Connectivity	5,303	5,208	95	2%
Other AMC & expenses	26,930	22,180	4,750	21%
<b>Total Operating Expenses</b>	<b>95,535</b>	<b>84,897</b>	<b>10,638</b>	<b>13%</b>

## Administrative Expenses

Total administrative expenses have decreased to NPR 41,670 thousand as against NPR 51,742 thousand in the previous year, equivalent to decrease of about 20%. This is mainly due to decrease in business promotion expenses and transition of reporting of lease expense from NAS-17 to NFRS-16.

## Human Resource Expenses

Total human resource expenses have increased to NPR 109,425 thousand as against NPR 74,343 thousand in the previous year, equivalent to increase of 47%. This is mainly due to increase in number of staff and revision of staffs' benefits. The net human resource expenses is presented after deductions of Capitalization of NPR 33,727 thousands, which is an increase of 24% compared to the previous year.

Amount in NPR '000

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
Human Resource Expenses	109,425	74,343	35,082	47%
Less: Capitalization Product Development	(33,727)	(13,363)	(20,364)	152%
<b>Total Human Resource Expenses</b>	<b>75,698</b>	<b>60,980</b>	<b>14,718</b>	<b>24%</b>

## Profits and Corporate Tax

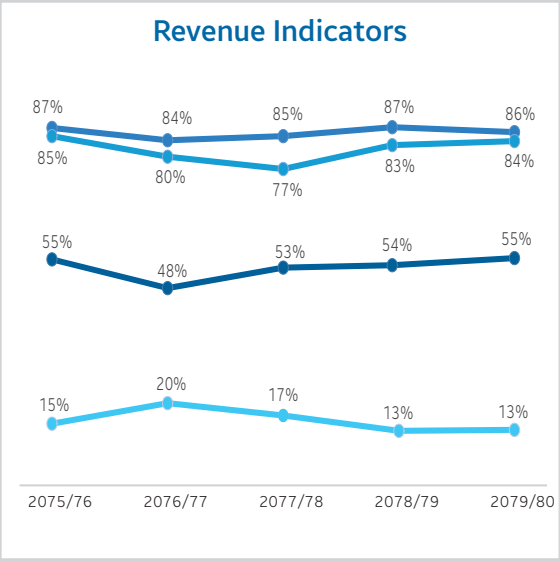
During the period, NCHL has generated net profit of NPR 376,796 thousand as against the net profit of NPR 354,624 thousand in the previous year thereby registering increase of 6%. Increase in profit is mainly due to the increase in operating income from NCHL-IPS system and RPS/connectIPS e-payment system and increase in interest income. The income tax provision has consequently increased to NPR 128,802 thousand as against NPR 119,269 thousand in the previous year

Amount in NPR '000

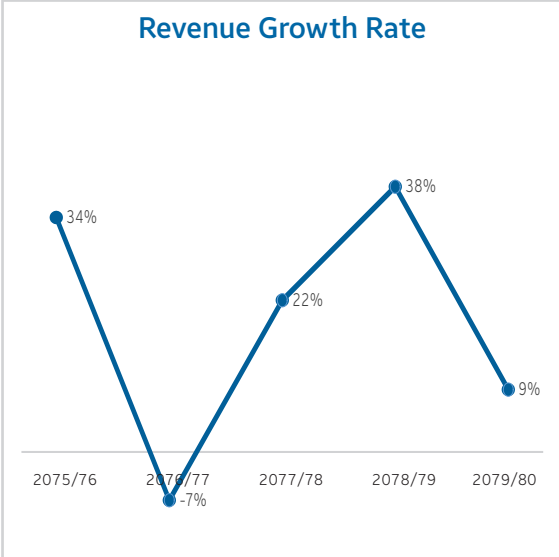
Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
Gross Profit	585,599	576,977	8,622	1.5%
Operating Profit	610,659	563,019	47,640	8.5%
Income Tax Provision	128,802	119,269	9,533	8%
<b>Net Profit After Tax</b>	<b>376,796</b>	<b>354,624</b>	<b>22,172</b>	<b>6%</b>



# FINANCIAL RATIOS

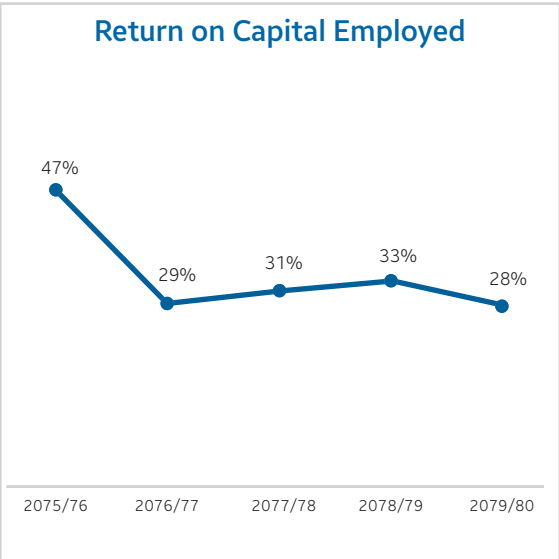


- Net Profit/ Total Operating Revenue
- Gross Profit/ Total Operating Revenue
- Txn Fees Income/ Total Operating Revenue
- Annual Fees & Charges/ Total Operating Revenue



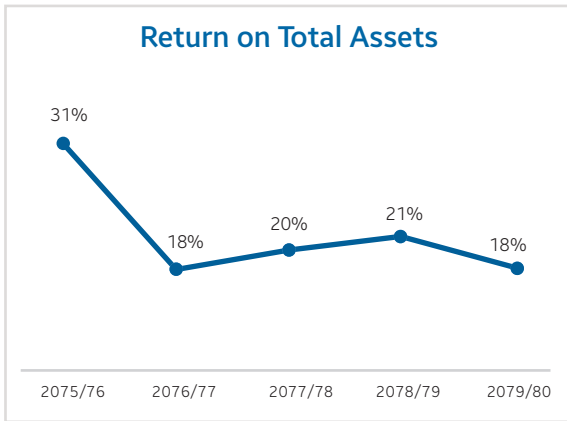
Revenue growth rate represents the percentage of increment in total revenue (operating and non-operating income) in comparison with previous year's total revenue.

Revenue has increased by 9% in the current fiscal year compared to the last fiscal year. This is mainly due to 16% growth in transaction volume.



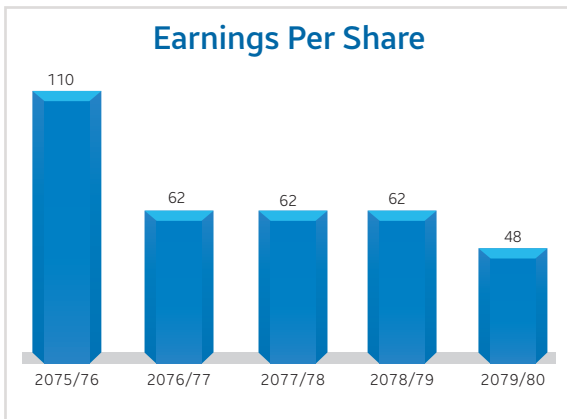
Return on Capital Employed (ROCE) measures how efficiently a company is using the capital (equity and accumulated reserves) to generate profit before tax and interests.

The ROCE has decreased to 28%. The decrease in ROCE is mainly due to increase in share capital and reserves and the decreased rate of increment of Net Profit after Tax.



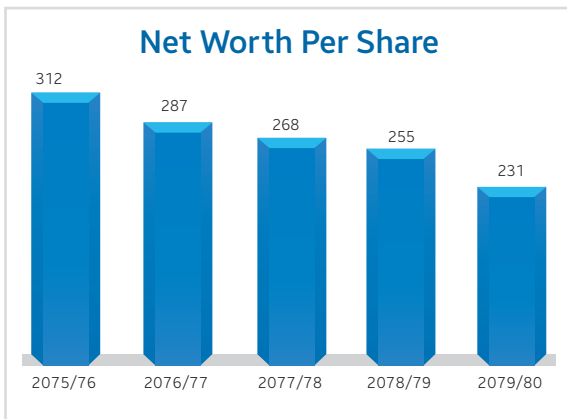
Return on Total Assets measures a company's net profit relative to its total assets.

The Return on Total Assets has decreased to 18% compared to the previous year. The decrease is mainly due to increase in total assets and decreased rate of increment of Net Profit after Tax.



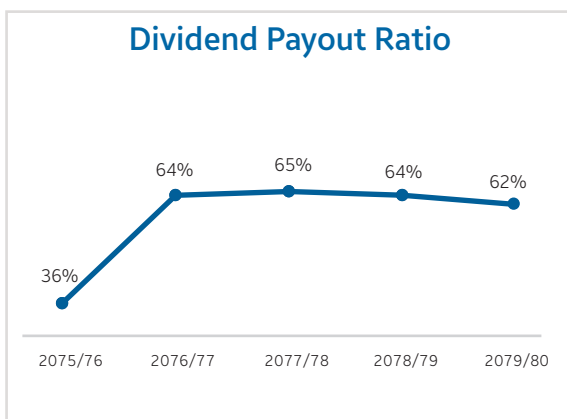
Earnings per Share represents a company's profit allocated to each unit of equity share. It also represents the net earnings available to the shareholders.

The addition of the bonus shares within the share capital by 38% and increase in net profit is by 6% respectively which has decreased the EPS to NPR 48 per share as against NPR 62 per share in the preceding 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 231 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 62% as compared to the previous year due to the improvement in Net profit for the current fiscal year. However, the dividend for FY 2079/80 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 693,662 thousand as against NPR 625,317 thousand in the previous year.

Amount in NPR '000

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
Direct income	681,134	661,873	19,261	3%
Indirect income	148,234	98,764	49,470	50%
Less: Operating expenses	95,535	84,896	10,639	13%
Less: Administrative Expenses (Excluding expenses incurred for stakeholders)	40,171	50,424	(10,253)	(20%)
<b>Total Value Addition</b>	<b>693,662</b>	<b>625,317</b>	<b>68,345</b>	<b>11%</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 2079/80 (2022/23)	%	FY 2078/79 (2021/22)	%	Growth	
					Volume	%
Government	128,802	21%	119,269	19%	9,533	8%
Employee	131,346	21%	113,324	18%	18,022	16%
Directors	1,499	0.2%	1,318	0.2%	182	14%
Shareholders	313,350	50%	227,065	36%	7,947	4%
<b>Entity:</b>						
• Reserves	69,251	11%	127,558	20%	20,031	16%
• Deferred Tax	(4,765)	(0.8%)	(2,797)	(0.4%)	(1,968)	(70%)
• Depreciation & Amortization	54,179	9%	39,581	6%	14,599	37%
<b>Total Value Addition</b>	<b>693,662</b>	<b>100%</b>	<b>625,317</b>	<b>100%</b>	<b>68,345</b>	<b>11%</b>

\* Including proposed dividend and bonus share for FY 2079/80, which is subject to approval by the Annual General Meeting.



## PAYMENT IS JUST A TAP AWAY

Just enable NFC in mobile No internet required  
Contact less Hassie-free payment

System provided by:



Available on:



## 04 OPERATIONAL REVIEW

Operational reviews at NCHL are conducted at various levels including Board, Audit Committee, HR Committee and Management to continuously evaluating its processes and capacity to enhance its efficiency and effectiveness to ensure operational stability. 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 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
Total Transactions Count (in '000)	81,924	70,365	11,559	16%
Total Transaction Value (NPR in Million)	14,124,134	15,748,144	(1,624,010)	(10%)
Total Transaction Value (USD in Million)	284	232	52	22%
Total Transaction Value (EUR in Million)	495	411	84	20%
Total Transaction Value (GBP in Million)	466	349	117	34%
Average Daily Transaction Count (in '000)	286	263	23	9%
Average Daily Transaction Value (in '000)	49,385,084	58,602,148	(9,217,064)	(16%)

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 transaction value from the payment systems operated by NCHL has decreased by 10% whereas the transaction volume has increased by 16%. The average daily transaction value has decreased by 16% and the average daily volume has increased by 9% 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 58% in volume and 45% 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 has enabled all 753 Local Government bodies for initiating digital payout transactions. GoN uses NCHL systems for processing their payout transactions related to salary, vendor & 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 and institutions. 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 (*connectIPS*, 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 and is currently under implementation to integrate in its SUTRA system for local bodies revenue collection as well.

During the fiscal year, NCHL processed Government of Nepal digital transactions (through NCHL-IPS and *connectIPS* systems, excluding cheques) equivalent to NPR 1,090 Billion as expense transactions and NPR 233 Billion as revenue transactions, which accounts to a total of 12.61 Million GoN digital transactions processed

through NCHL systems. An estimated 24% of revenue collection and 88% of expense of GoN, in terms of value, was processed through NCHL systems in FY 2079/80.

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. Piloting of Social Security Benefits (SSBE) disbursements directly into the bank account of the beneficiaries through NCHL systems was also started during the review period.

## NCHL MEMBERS

NCHL-ECC, NCHL-IPS and RPS/*connectIPS* members from BFIs have almost reached its maturity with 53 members in NCHL-ECC and NCHL-IPS and 52 members in RPS/*connectIPS* by the end of the FY 2079/80 (2022/23). NCHL-IPS and RPS/*connectIPS* systems have been extended to Direct and Indirect/Technical members through National Payments Interface (NPI). Out of the 96 Indirect/Technical members, 64 indirect/technical members were Live in NPI.

Following is the summary of the Live members as of Asadh end 2080.

NCHI Members	NCHL-ECC	NCHL-IPS	<i>connectIPS</i>	<i>connectRTGS</i>	NPI	CPAY
<b>Total Members Live</b>	<b>53</b>	<b>53</b>	<b>52</b>	<b>42</b>	<b>109</b>	<b>33</b>
Nepal Rastra Bank	1	1		1		
NIFRA	1	1	1	1		
Commercial Banks	20	20	20	17	20	19
Development Banks	16	16	16	11	12	9
Finance Companies	15	15	15	12	13	5
Indirect/Technical					64	
<b>Total Subscribed*</b>			<b>9</b>	<b>2</b>	<b>32</b>	<b>12</b>
Nepal Rastra Bank						
NIFRA						1
BFIs			8	2		11
Indirect/Technical			1		32	

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

## Merger/Termination of Members

During the review period of FY 2079/80 (2022/23), 6 commercial banks were merged and the total number of member BFIs which have merged till date remains 112 for NCHL-ECC. Similarly, 4 member insurance companies as indirect members merged during the FY. With the additional recent merger policy of the PSOs and PSPs and continued merger policy of the BFIs and insurance companies with some of the merger approval already in progress, it is anticipated that the members will continue to merge in the coming fiscal year too and are 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 2079/80 (2022/23) is 53,257. Total of 15,221,455 cheques were presented during the review period out of which 12,348,969 cheques were cleared/accepted.

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

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
Total Transactions Count (in '000)	15,221	16,726	(1,505)	(9%)
Total Transaction Value (NPR in Million)	7,829,565	10,537,711	(2,708,146)	(26%)
Total Transaction Value (USD in Million)	254	215	39	18%
Total Transaction Value (EUR in Million)	495	411	84	20%
Total Transaction Value (GBP in Million)	466	349	117	34%
Average Daily Transaction Count (in '000)	53	61	(8)	(13%)
Average Daily Transaction Value (in '000)	27,376,101	38,741,586	(11,365,485)	(29%)

6,322 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 decreased by 9%. And Express clearing constitutes 14% of the total transaction volume against 12% in the previous year.

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

Sessions	2079/80	2078/79	2077/78	2076/77	2075/76
High Value	255	263	607	288	310
Express	2,187,219	2,031,094	1,004,817	1,466,094	1,572,514
Regular	13,033,981	14,694,309	13,405,996	10,431,951	10,182,248
<b>Total</b>	<b>15,221,455</b>	<b>16,725,666</b>	<b>14,411,421</b>	<b>11,898,333</b>	<b>11,755,072</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 मौज्जात रहे/नरहेको  
यकिन गरी मात्र चेक काट्नुहोस् ।

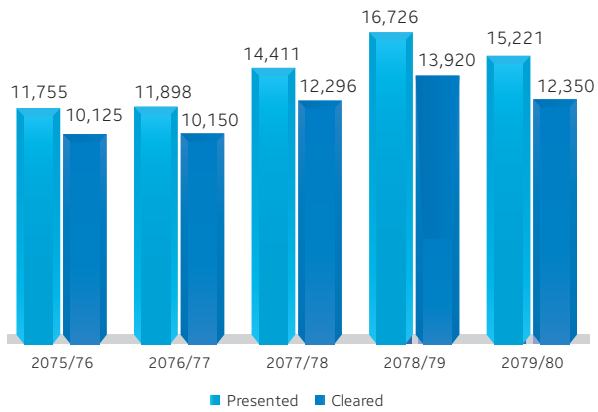
सेवाको लागि बैंक/वित्तीय संस्थामा सम्पर्क गर्नुहोस् ।

System provided by:

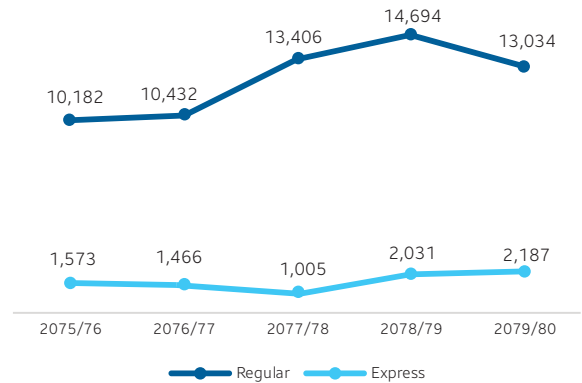


## Snapshots of NCHL-ECC Transactions

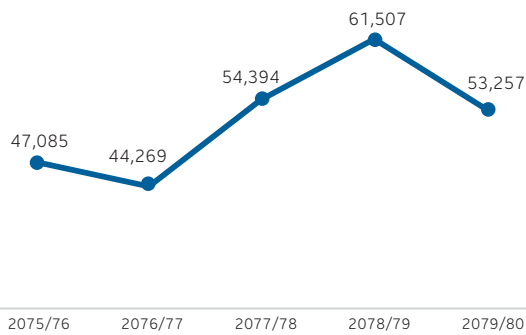
### Transaction Count (in '000)



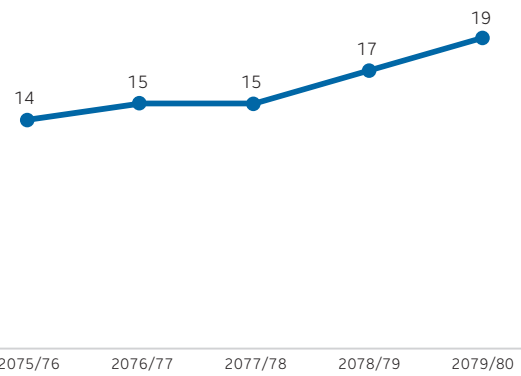
### Regular & Express Transaction Count (in '000)



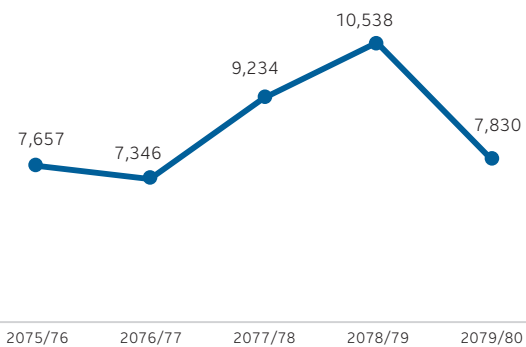
### Average Daily Cheque Volume



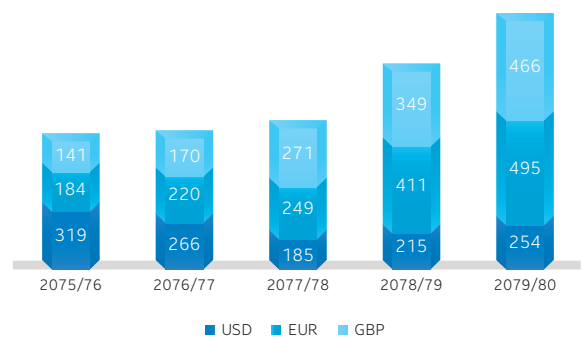
### Average Cheque Return (in %)



### NPR Transaction Value (in Billions)



### FCY Transaction Value (in Millions)



## NCHL-IPS SYSTEM

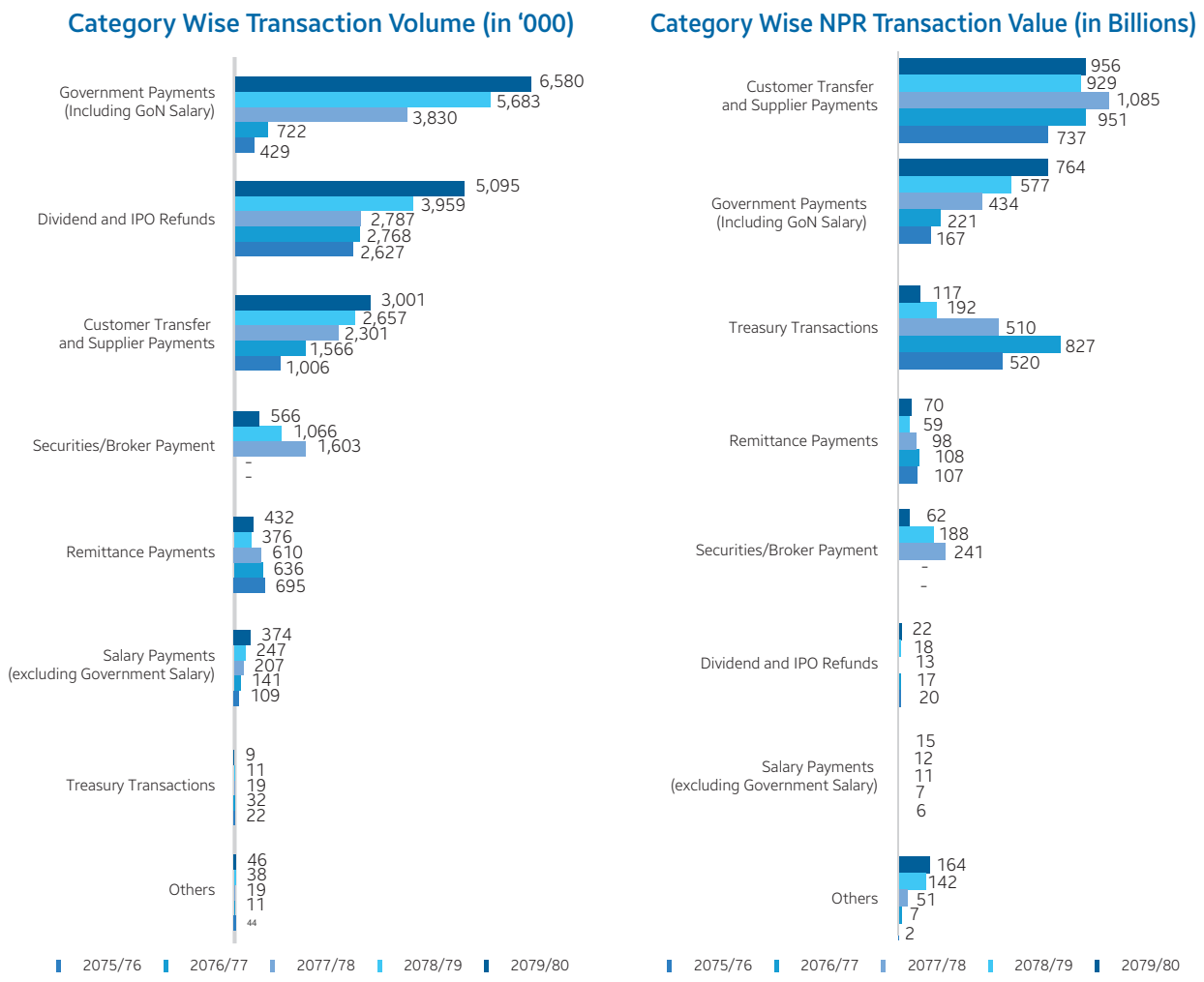
There has been an increase in the total transaction volume of NCHL-IPS system by 15% and the total value of transaction has increased by 2% as compared to last years deduction of 13%. The primary focus of NCHL during the year, for NCHL-IPS system, was to extend the service to large corporates/ institutions to facilitate their bulk transactions by means of automating their internal systems through NPI. Out of 16,124 thousand transactions processed through NCHL-IPS, the transactions processed through NPI comprise of 51% during the review period which is same as the previous fiscal year and is expected to increase in the coming years with integration of the systems with NPI.

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

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Volume	%
Total Transactions Count (in '000)	16,124	14,037	2,087	15%
Total Transaction Value (NPR in Million)	2,169,043	2,116,532	52,511	2%
Total Transaction Value (USD in Million)	30	17	13	76%
Total Transaction Value (EUR in Million)	0.48	0.35	0	37%
Total Transaction Value (GBP in Million)	0.18	0.52	(0)	(65%)
Average Daily Transaction Count (in '000)	56	57	(1)	(1%)
Average Daily Transaction Value (in '000)	7,584,066	8,569,030	(984,964)	(11%)

NCHL-IPS was extended to 6,206 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.

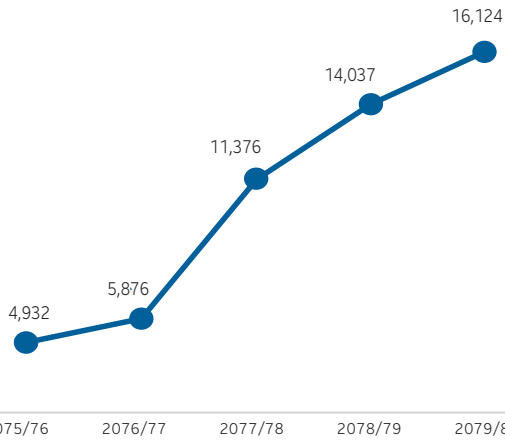
Following is the transaction volume and value of the major categories in NCHL-IPS system.



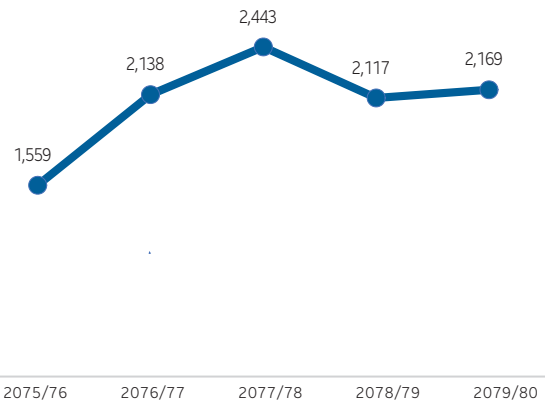


## Snapshots of NCHL-IPS Transactions

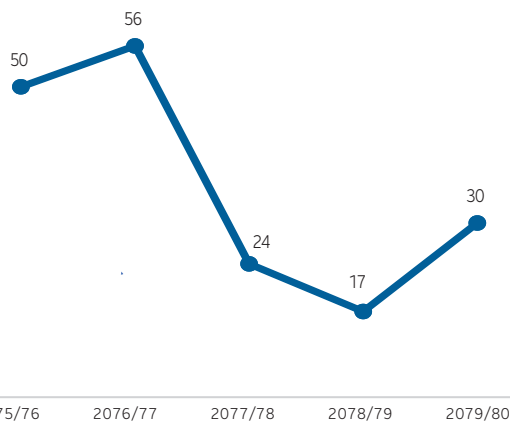
### Transaction Count (in '000)



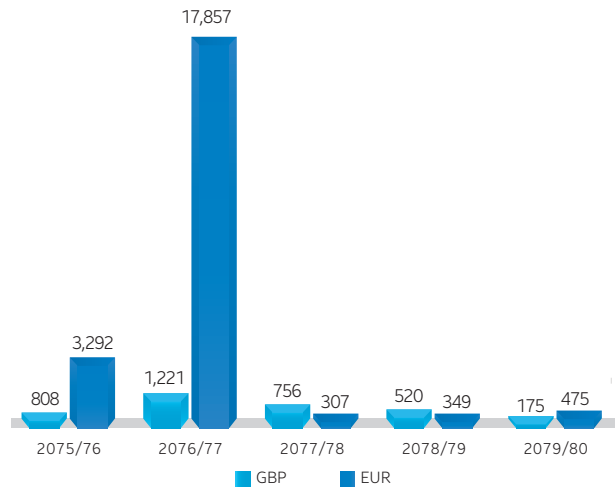
### NPR Transaction Value (in Billions)



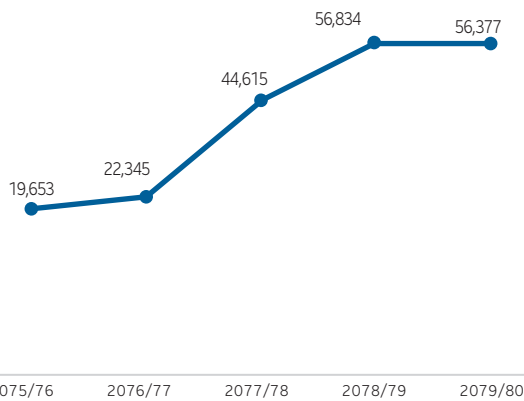
### USD Transaction Value (in Millions)



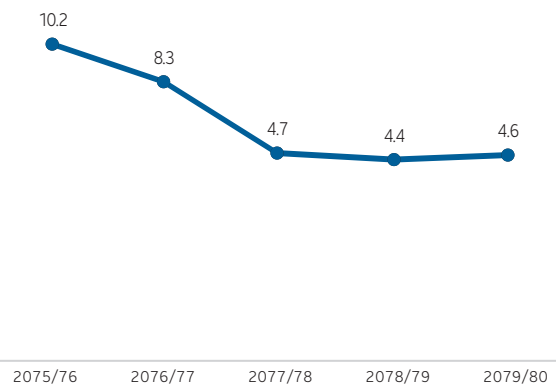
### GBP & EUR Transaction Value (in '000)



### 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 28% as compared to the previous year. The system reached its daily peak financial transactions of 396,790 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 92 alternate channels of 45 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 20 PSPs/ PSOs for both Cash-in/out and service payments. The APIs for transfer and service payments are extended to the members through NPI.

18 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 implemented as the infrastructure to support all cases of NRB's NepalQR standard. Merchants for NEPALPAY QR were onboarded by 30 BFIs and 3 PSP during this FY with over 350,000 merchants acquired for NEPALPAY QR out of which approximately 20,000 support merchant level interoperability; and 200,000 merchants of SMART QR are available through network level interoperability. For merchant level interoperability the member BFIs/PSPs will have to integrate acquiring APIs in their MMS/acquiring system or terminals for acquiring aggregated QR merchant. Total of approximately 550,000 merchants are accessible in the interoperable NEPALPAY QR network until the end of FY 2079/80. From issuing perspective, NEPALPAY QR is live in mobile banking of all commercial banks and most of the development banks including majority of the PSP wallets.

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

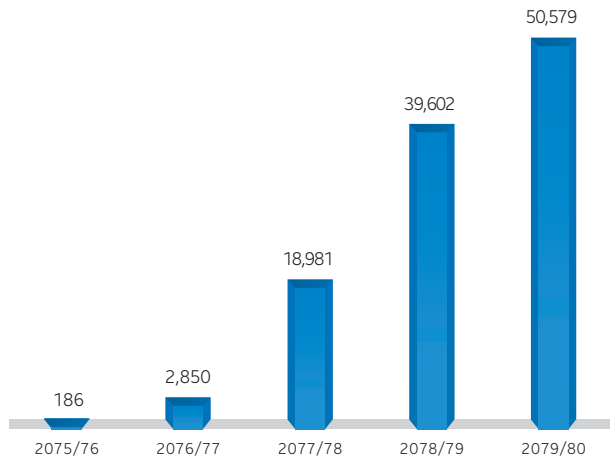
Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Change	%
Total Transactions Count (in '000)	50,579	39,602	10,977	28%
Total Transaction Value (NPR in Million)	4,125,526	3,093,900	1,031,626	33%
Average Daily Transaction Count (in '000)	177	145	32	22%
Average Daily Transaction Value (NPR in '000)	14,424,917	11,291,605	3,133,312	28%

Following is the channel wise transaction distribution.

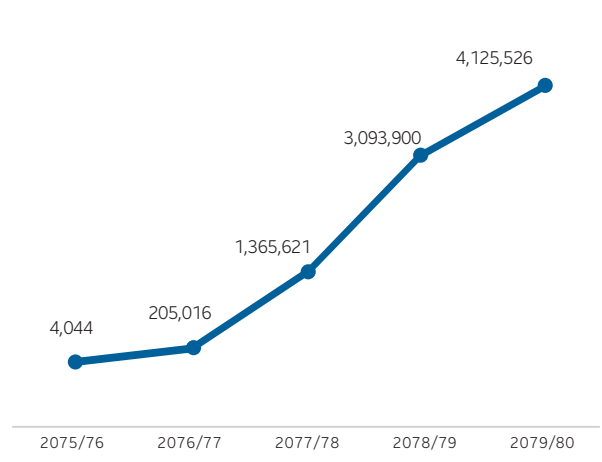
Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	Growth	
			Change	%
<b>Channels</b>				
CIPS Web	10,203,975	8,068,704	2,135,271	26%
CIPS App	5,366,736	4,782,708	584,028	12%
CIPS Gateway	3,312,639	4,019,592	(706,953)	(18%)
CORPORATEPAY	869,419	322,483	546,936	170%
Bank Central	1,559,168	900,970	658,198	73%
<b>NPI</b>				
NPI MB/IB	15,935,188	10,871,022	5,064,166	47%
NPI Bank Remit	2,382,198	1,569,782	812,416	52%
NPI Other Remit	2,287,145	2,554,195	(267,050)	(10%)
NPI PSPs/PSOs	2,205,944	1,691,930	514,014	30%
NPI GoN	3,899,576	3,746,465	153,111	4%
NPI Semi-Govt.	473,346	395,377	77,969	20%
NPI Capital Market	65,437	214,889	(149,452)	(70%)
Others	2,017,989	463,846	1,554,143	335%
<b>Total</b>	<b>50,578,760</b>	<b>39,601,963</b>	<b>10,976,797</b>	<b>28%</b>

## Snapshots of RPS/connectIPS e-Payment Transactions

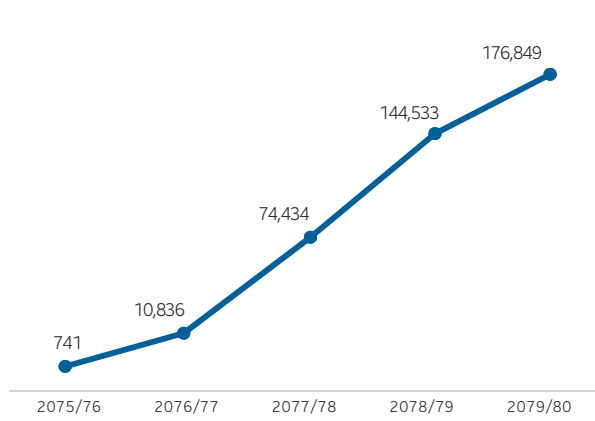
Yearly Transaction Count (in '000)



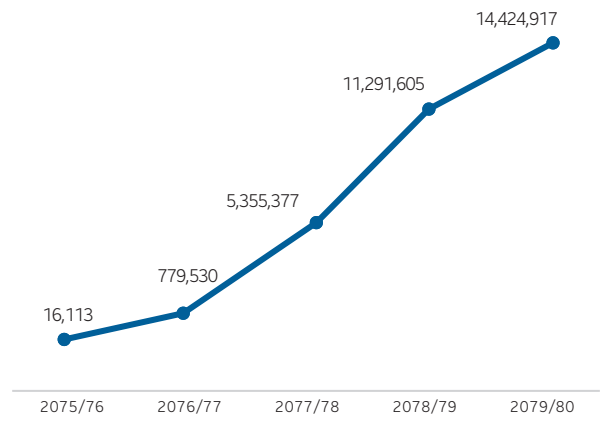
Yearly Transaction Value (in NPR Millions)



Average Daily Transaction Volume



Average Daily Transaction Value (in '000)



### घरैबाट Digital Payment सजिलो छ ।



Online Fund Transfer



Government Revenue Payments



Capital Market Payments



Mobile Wallet Top-Up



Credit Card Payments



Creditors/Biller Payments



e-commerce Payments



Other Services



connectIPS  
pay direct from bank

System provided by:



Download connectIPS app:



## NATIONAL PAYMENTS INTERFACE (NPI)

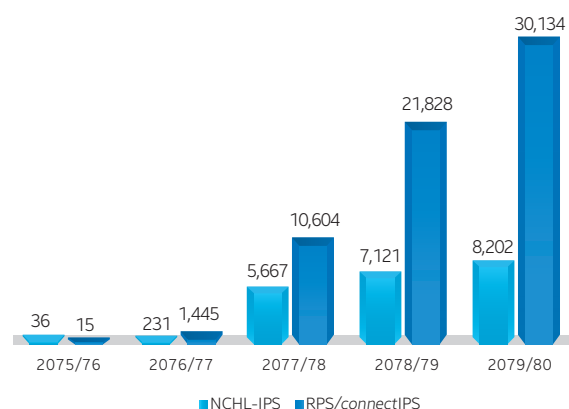
National Payments Interface (NPI) connects multiple underlying core systems and services for routing of financial and non-financial messages and for interfacing with the participating members. It provides the members (BFIs as Direct and Others as Indirect/ Technical) to extend transfer and service payments to its alternate channels or to integrate with its back-office systems. NCHL's channel platforms including connectIPS, Bank Central and CORPORATEPAY are also connected with the core systems through NPI. 12 remittance companies, 19 PSPs, 2 PSOs, 7 Insurance Companies, Social Security Fund (SSF), Employee Provident Fund (EPF), Citizens Investment Trust (CIT), Nepal Stock Exchange (NEPSE - TMS), Department of Foreign Employment (DOFE), Department of Customs, Health Insurance Board, Local Governments, ISPs were live through NPI by the end of the review period. Similarly, mobile banking of 45 BFIs, internet banking of 22 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 57% of the total digital transactions. A total of 38,336 thousand transactions were processed in the underlying system through NPI during the review period against 28,949 thousand transactions in last FY. Composition of the transactions processed through NPI is as follows:

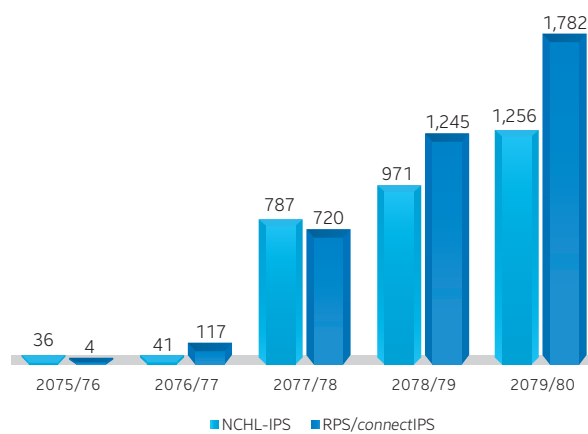
Channels	%
BFI's Alternate Channels	48
Government of Nepal	27
Remittance Companies	6
PSPs/PSOs	6
Capital Market	2
Semi Government	1
Others	10

### Snapshots of Transactions Processed Through NPI

Transaction Volume Processed (in '000)



Transaction Value Processed (in NPR Billions)



- Overlaying Services
- Open Payments Interface
- Alternate Delivery Channels
- Interoperability with BFIs, PSPs/PSOs

System provided by:



## CORPORATEPAY

The acceptance of the CORPORATEPAY system has considerably increased during the review period with a total of 8,876 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 1,787,487 transaction equivalent to NPR 485 Billion have been processed through COPRPORATEPAY during the review period.

## connectRTGS

connectRTGS has been subscribed by 44 BFIs including NRB out of which 42 BFIs are live such that they can initiate and process RTGS transactions. A total of 358,145 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.

In view of increase in usage of Retail Payment Switch transactions, NCHL have started 24x7x365 days helpdesk during the review period.

## MEMBER TRAININGS, ORIENTATIONS AND 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, connectIPS and NEPALPAYQR.

Details of various trainings and orientations conducted during the FY 2079/80 (2022/23) are as follows:

Training/Orientation in FY 2079/80 (2022/23)	Count	Participants
NHCL-ECC /NCHL-IPS	3	84
CORPORATEPAY	32	1,616
NCHL Bank Central and its components	16	945
RPS and Settlement Guarantee Fund	2	90
<b>Total</b>	<b>53</b>	<b>2,735</b>

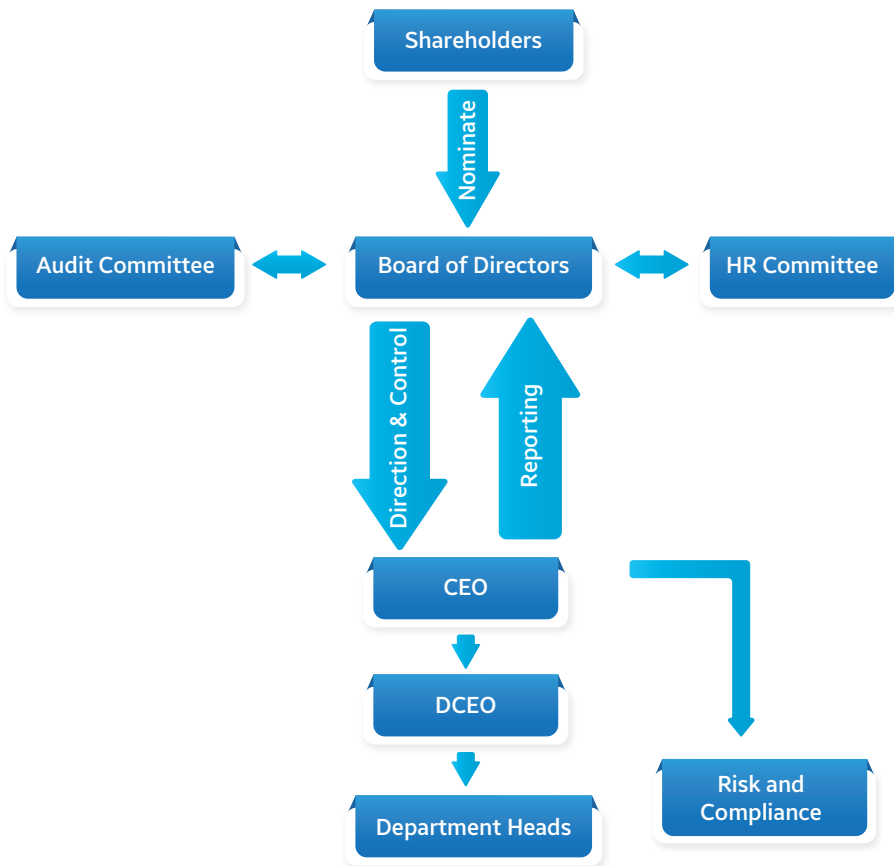
# 05 GOVERNANCE & RISK MANAGEMENT

## CORPORATE GOVERNANCE

NCHL has implemented a culture of robust corporate governance to achieve its objectives for the development of national payment infrastructures. A good corporate governance structure is the foundation for enabling prudent as well as effective management that ensures clear alignment of the stakeholders' interests, ensures accountability and transparency.

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 to the applicable regulations and to maintain the highest standards of business best practices in order to deliver long-term value to the stakeholders.

### NCHL CORPORATE GOVERNANCE STRUCTURE



NCHL is guided by its Memorandum of Association (MOA) and Articles of Association (AOA). It is licensed by Nepal Rastra Bank as a 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 (First Amendment, 2080)
6. Licensing Policy for Institution/Mechanism for Operating Payment Related Activities, 2073 (First Amendment, 2080)
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. Cyber Resilience Guidelines issued by Nepal Rastra Bank
15. Directives and circulars issued by Nepal Rastra Bank

## THE BOARD OF DIRECTORS

The Board of Directors is a body of elected or appointed members by the shareholders, who jointly oversee the activities of the company and are responsible for the company's strategy, structure, and performance including the assessment and management of risk related activities. The Board is accountable and responsible for ensuring that adequate systems and controls are in place; strategic decision making and financial performance of company.

As specified in the Articles of Association of the company, NCHL's Board comprises of 7 non-executive directors including Chairman, who is elected from among the Directors. The Board is constituted by the institutional representatives from the shareholder groups.

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

Group	Shareholders	Holding	Number of Board Representation
A	Nepal Rastra Bank	10%	1
B-1	Commercial Banks	90%	3
B-2	Development Banks		1
B-3	Finance Companies		1
	Independent Director		1

Following are current members of the Board of Directors:

Name of Director	Institutions Represented
Mr. Ram Bahadur Manandhar, Chairman	Executive Director, Nepal Rastra Bank
Mr. Ujjal Rajbhandary, Director	Deputy CEO, Himalayan Bank Ltd.
Mr. Mahesh Sharma Dhakal, Director	Sr. Deputy CEO, Nepal Investment Mega Bank Ltd.
Mr. Srijan Krishna Malla, Director	Chief Information Technology, Siddhartha Bank Ltd.
Mr. Til Bahadur Gurung, Director	Assistant DCEO, Muktinath Bikas Bank Ltd.
Mr. Amit Shrestha, Director	Deputy CEO, ICFC Finance Ltd.
Mr. Jagadish Dahal, Director	Advocate, Independent Director

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 2079/80 (2022/23).

Outgone Board Members		Incoming Board Member (12 <sup>th</sup> AGM)	
Name	Institutions Represented	Name	Institutions Represented
Mr. Dayaram Sharma Pangen	Nepal Rastra Bank	Mr. Ram Bahadur Manandhar	Nepal Rastra Bank
Mr. Mahesh Sharma Dhakal	Global IME Bank Ltd.	Mr. Mahesh Sharma Dhakal	Nepal Investment Mega Bank Ltd.
Mr. Samaj Prakash Shrestha	Reliance Finance Ltd.	Mr. Amit Shrestha	ICFC Finance Ltd.
-	-	Mr. Jagadish Dahal	Advocate, Independent Director

Mr. Dayaram Sharma Pangen was replaced by Mr. Ram Bahadur Manandhar as the representation of Nepal Rastra Bank (Group A) and was appointed as the Chairman by 220<sup>th</sup> BOD. Mr. Samaj Prakash Shrestha resigned from the Board after his appointment as the CEO of Reliance Finance Ltd. and hence he was replaced by Mr. Amit Shrestha, Deputy CEO of ICFC Finance Ltd by 218<sup>th</sup> Board to represent the finance companies (Group B-3). Mr. Jagadish Dahal, Advocate was appointed as Independent Director by 205<sup>th</sup> Board.

## Board Meetings

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

During the review period, a total of 17 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	Total Meeting Allowance	Meeting Attended/ Meeting Held
Ram Bahadur Manandhar	735,000	7/7
Dayaram Sharma Pangen <sup>*</sup>		10/10
Ujjal R. Rajbhandary		14/17
Mahesh Sharma Dhakal		14/15
Srijan Krishna Malla		14/17
Til Bahadur Gurung		16/17
Samaj Prakash Shrestha <sup>*</sup>		17/17
Amit Shrestha <sup>**</sup>		0/0
Jagadish Dahal		6/7

<sup>\*</sup> Outgone Board Members, <sup>\*\*</sup> Joined during FY2080/81

## 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 Head-Account & Finance acting as its Member Secretary. The Committee reports directly to the Board on the matters concerning financial reporting, internal control, risk management and auditing as per the Terms of Reference (TOR) approved by the Board.

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	Role	Meetings Attended/ Meetings Held
Mr Mahesh Sharma Dhakal, Director	Chairperson	5/5
Mr Srijan Krishna Malla, Director <sup>*</sup>	Member	4/5
Mr Amit Shrestha, Director <sup>**</sup>	Member	0/0
Mr Samaj Prakash Shrestha, Director <sup>*</sup>	Member	4/5
Mr Jagadish Dahal, Independent Director <sup>**</sup>	Member	0/0
Mr Kshitiz Adhikari, Head – Finance & Accounts	Member Secretary	3/3
Mr Anesh Shrestha, Head – Finance & Accounts <sup>*</sup>	Member Secretary	2/2

<sup>\*</sup> Outgone Members; <sup>\*\*</sup> Joined during FY2080/81



## 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 2079/80 (2022/23):

1. Reviewed financial statement of the FY 2078/79 (2021/22) and recommended to the Board for approval.
2. Discussed over matters concerning appointment of Statutory Auditor for the FY 2079/80 (2022/23) and recommended the name to be proposed in the 11<sup>th</sup> AGM through the Board.
3. Discussed over matters concerning appointment of Internal Auditor for the FY 2079/80 (2022/23) and recommended to the Board of Directors the Internal Auditor. It also reviewed the scope of work, audit plan and schedule of the Internal Auditor.
4. Reviewed the findings, recommendations and management responses of the quarterly Internal Audit Reports.
5. Reviewed the Financial Statements and Budget Variance Report of the company reported by the management on quarterly basis.
6. Reviewed the results of Risk Register, Assessment & Treatment Plan of June 2022 and December 2022 as well as Compliance Self-assessment & 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.

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 8 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	Role	Meetings Attended/ Meetings Held
Mr. Ujjal Rajbhandary, Director	Chairperson	8/8
Mr. Srijan Krishna Malla, Director	Member	7/8
Mr. Til Bahadur Gurung, Director	Member	8/8

## Report on the Activities of HR Committee

The HR Committee conducted following functions in the FY 2079/80 (2022/23) 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 9 meetings of the NPS High Level Committee were held during the review period to support management in the oversight for the execution of the Phase 2 of NPS related to National Card Switch, Fraud Risk Management system and EMV base scheme for domestic card for Nepal.

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	9/9
Mr. Srijan Krishna Malla, Director**	Member	0/0
Mr. Samaj Prakash Shrestha, Director*	Member	9/9
Mr Til Bahadur Gurung, Director	Member	8/9

\* Outgone Members; \*\* Joined during FY2080/81

## Merger and Acquisition (M&A) Committee

A Board Level Committee was formed as per 209<sup>th</sup> Board Meeting held on 28<sup>th</sup> May 2023 to recommend, review and monitor the execution of the M&A project. A total of 1 meeting of the M&A Committee were held during the review period.

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

Name of Member	Role	Meeting Attended/ Meeting Held
Mr Mahesh Sharma Dhakal, Director	Chairperson	1/1
Mr. Samaj Prakash Shrestha, Director*	Member	1/1
Mr. Ujjal Rajbhandary, Director	Member	1/1
Mr Til Bahadur Gurung, Director**	Member	0/0

\* Outgone Members; \*\* Joined during FY2080/81

## MEETING EXPENSES

The members of Board, Audit Committee, HR Committee, NPS High Level Committee and M&A 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 1,499,195; with NPR 1,237,500 incurred for meeting allowance and NPR 261,695 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. 11/080 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. NCHL AML CFT Policy
15. NCHL Assets Disposal Policy
16. 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 2079/80 (2022/23)

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 183,013 excluding VAT with additional internal audit expenses on actual basis of NPR 24,401 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 last ISO surveillance audit was conducted during August 16-17, 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 2079/80 (2022/23). 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 2079/80. 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

The independent audit function is discharged by the External Auditor. M.B. Shrestha & Co., Chartered Accountants has been appointed as the external statutory auditor for the review period by the 11<sup>th</sup> AGM of the company. The external auditor is responsible for obtaining reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud. The scope of the external audit includes statutory and tax audit. Total fee of NPR 146,410 excluding VAT with additional external audit expenses on actual basis of NPR 762 was paid to the external auditor for the fiscal year.

The details of the audited financials for the fiscal year 2079/80 (2022/23) 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 have potential to cascade large scale systemic risks to the entire industry. Hence, it has taken into consideration effective risk management from SIPS perspectives along with its business and operational risks. NCHL has formulated and implemented a comprehensive Risk Management Framework for identifying and managing various risks. NCHL's Risk Management Framework is based on the Principles for Financial Market Infrastructures (recommended by Committee on Payment & Settlement Systems - CPSS) and ISO 27001 standards related to Information Security Management System.

## Risk Management Process

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



The risk items that are identified are quantified based on their 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. The key domains are as specified in the Risk Management Framework policy of NCHL.

## 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 upon 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 drill is also conducted based upon it to ensure readiness of the primary and secondary DR site.

## 06 MARKET ANALYSIS

Concerning the ongoing war around the world and the possibility of economic downturn within Nepal, the inflationary risk in Nepal is expected to continue due to extreme uncertainty. However, the adoption of digitization transactions post pandemic and in the current economic situation is expected to increase considerably. Non-cash digital transaction in Nepal during FY 2079/80 has increased by 38% in terms of transaction volume, however it has decreased by 4% in terms of transaction value (excluding cash based ATM transaction and RTGS transactions) against the transactions in FY 2078/79, 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)	54
2	No. Payment System Operators (PSO)*	10
3	No. of Payment Service Providers (PSP)*	27
4	No. of BFIs Branches	6,441
5	No. of Branchless Banking Centers	1,306
6	No. of PSP Agents	14,398
7	No. of ATMs	4,969
8	No. of Mobile Banking Customers	21,691,474
9	No. of Internet Banking Customers	1,887,046
10	No. of Wallet Users	19,540,305
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 Shrawan end 2080

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 has provided 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 during FY 2079/80.

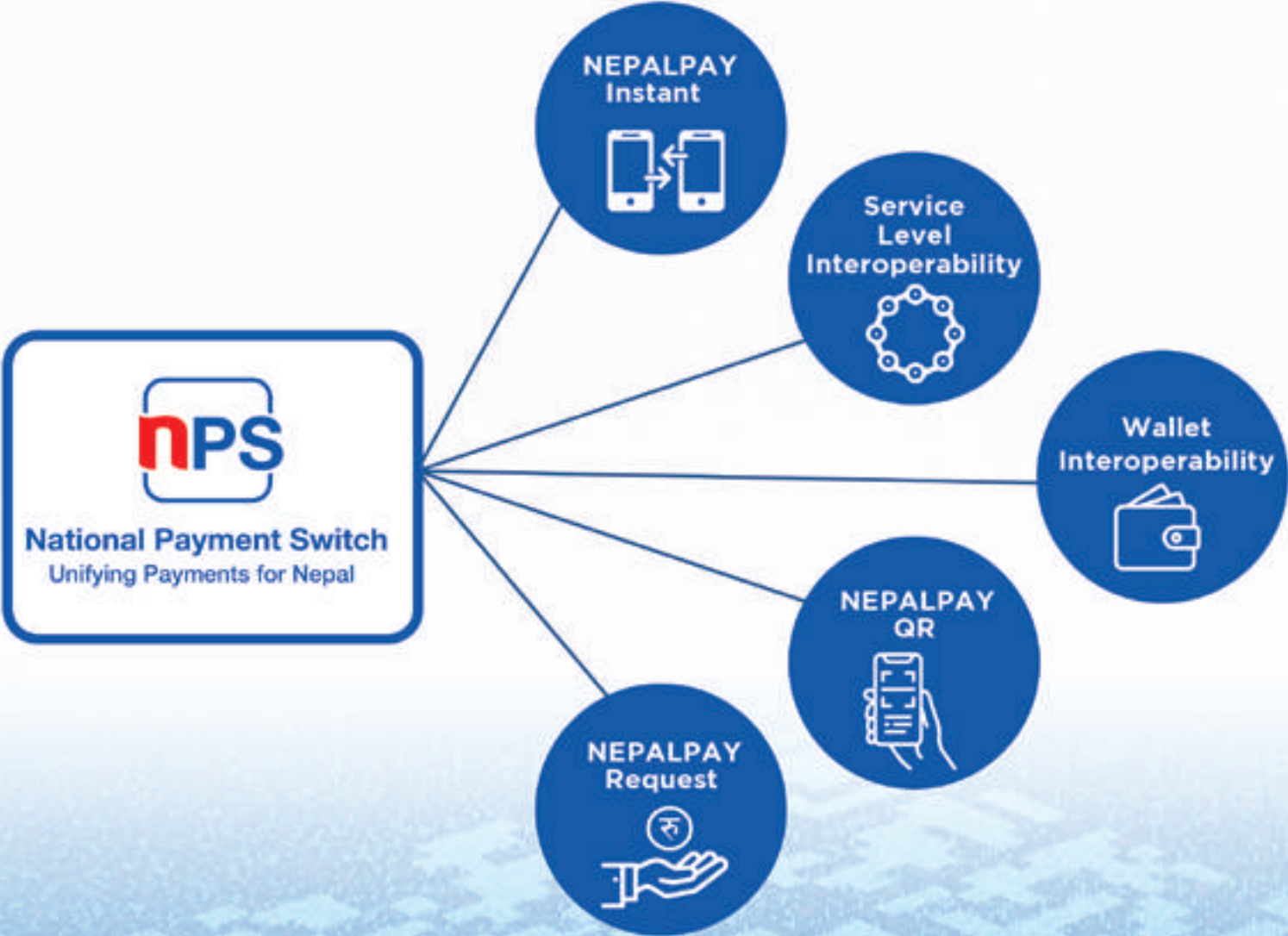
Particulars	Volume	% of Total	Value (In Millions)	% of Total
NCHL-ECC	12,348,969	2%	6,207,167	42%
NCHL-IPS	15,380,696	3%	2,135,704	15%
connectIPS/RPS	50,252,944	9%	4,114,629	28%
Total Cards*	13,335,660	2%	65,109	0.4%
Internet Banking	3,216,663	1%	156,829	1%
Mobile Banking	267,485,409	46%	1,712,298	12%
Branchless Banking	878,368	0.2%	18,050	0.1%
Wallet	213,367,144	37%	219,808	2%
<b>Non-cash Total Transaction</b>	<b>576,265,853</b>	<b>100%</b>	<b>14,629,594</b>	<b>100%</b>

Data from Shrawan 2079 to Asadh 2080; Source: Payment Systems Indicators \*Excluding ATM-Cash withdrawal and RTGS

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 to 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.

Further, Nepal Rastra Bank has taken policy direction for merger/ acquisition of the PSPs and PSOs through increase of capital for such entities and policy indications (amendment of Payment and Settlement Bylaw). Hence, the industry is expected to receive sizeable investments with change of ownership or business model and possible consolidate through merger or acquisition.

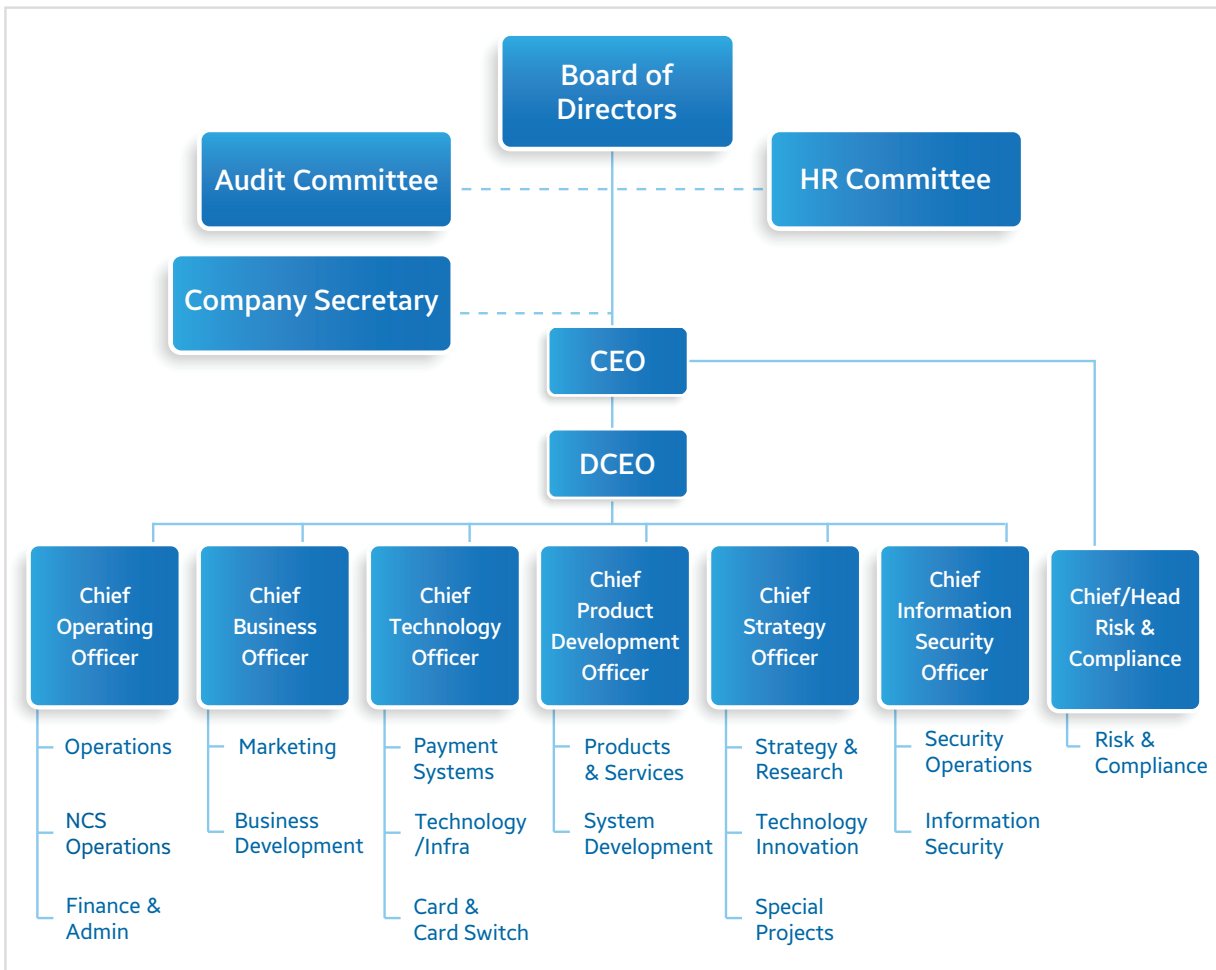
In this context, NCHL has continued to work closely with all relevant stakeholders including BFIs, PSPs, PSOs, service providers in a collaborative approach. The implementation of National Payment Switch will support NCHL and other players also to establish multiple use cases including interoperability, implementation NepalQR standard scheme, internetwork QR, direct debit instruments, wallet to wallet interoperability, etc., which are expected to support the development of the payments industry in Nepal. Similarly, in order to support policy direction of Nepal and help upgrade payments industry in Nepal, NCHL intends to participate in the consolidation process thereby increasing its competitive position in providing infrastructure and services for non-card & card-based transactions



# 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 72 employees at the end of the FY 2079/80 (2022/23), as compared to 59 in the previous year. It directly supports more than 17,000 business users of 53 member BFIs equivalent to supporting 236 average business users per employee. They also support 73 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	20	28%
Male	52	72%
<b>Total</b>	<b>72</b>	<b>100%</b>

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

### Employee Productivity Indicators

Particulars	FY 2079/80 (2022/23)	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)
Number of Employees	72	59	34	33	28
Employee Turnover	12	12	1	3	3
Human Resource Expenses (in NPR '000)	109,425	74,343	47,471	42,222	24,456
Average Expense per Staff (in NPR '000)	1,520	1,260	1,396	1,279	2,132
Staff Expense to Total Operating Expenses	115%	88%	65%	58%	42%
Operating Income per Staff (in NPR '000)	9,460	11,218	14,106	14,534	15,404
Net Profit After Tax per Employee (in NPR '000)	5,233	6,011	7,484	7,711	8,575
Total Staff Bonus (in NPR '000)	55,648	52,344	37,702	27,407	32,026

## 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 2079/80 (2022/23), 25 new employees were recruited and 12 employees have 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 2079/80 (2022/23)	FY 2078/79 (2021/22)	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)
Staff Training Expenses	752	284	201	416	720
Training Expense / Staff Expenses	0.69%	0.38%	0.42%	1%	3%

## 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

Apart from the working days and number of leaves mandated by the Labor Act and Bylaw, NCHL during the fiscal year has implemented 5 work day with Flexi weekend policy, as it 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. NCHL encourages its employee to take planned block annual leaves, which has also helped the company to plan and evaluate contingencies of critical resources.

### Glimpses of HR Activities



AN ANNUAL OUTING PROGRAM OF NCHL STAFF AT DHULIKHEL

**NCHL MANAGEMENT TEAM**



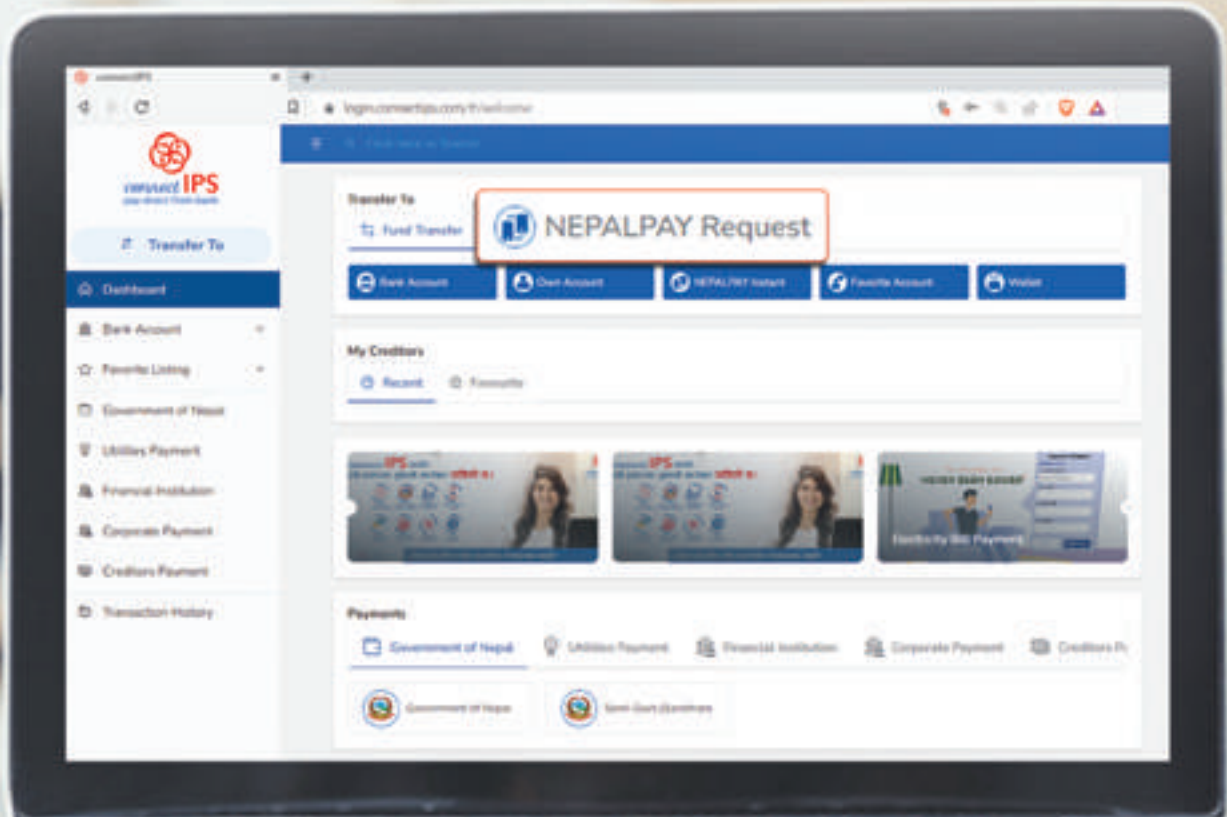


National Payment Switch  
Unifying Payments for Nepal



## NEPALPAY Request

मार्फत आफ्नो मोबाइल नम्बरद्वारा  
भुक्तानी प्राप्त गर्न Request पठाउनुहोस् ।



Powered by:





Integrating NepalQR

# NEPALPAY QR Scan

गरी सजिलै भुक्तानी गर्नुहोस् ।



Powered by:



National Payment Switch  
Unifying Payments for Nepal

---

# 08 FINANCIAL AND RELATED INFORMATION

---

## DIRECTOR'S REPORT AND DISCLOSURE

As per Section 109 of Company 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 twelfth 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 2079/80 (2022/23).

### 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:

Last year has been difficult year for the world economy amid the ongoing war in various regions of the world and its direct impact on inflation resulting in the interest rate increase. Nepal was no different due to which the economic activity in Nepal was slow impacting the overall transaction of the financial sector. The direct impact of this slowdown was seen in the decrease transaction volume and value of NCHL-ECC resulting into decrease in revenue compared to last FY from the system. In spite of all the global setbacks and its domestic impacts, consumers adoption of digital platforms for retail financial transactions has led towards an increase in overall transaction volume by 16% for the company in the fiscal year 2079/80 through NCHL-IPS and RPS (*connectIPS*). The total operating income have increased by 3% compared to last FY with major contribution in revenue from NCHL-IPS and RPS (*connectIPS*).

Encouragement and adoption of electronic payments by the Government has 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 operation with engagement of majority of the BFIs and the increase in transaction volume through RPS is very encouraging. The Phase II of NPS, related to card switch and domestic card scheme is under implementation phase. Success of this project is very critical for the company with high investment already committed to establish this national infrastructures. The support of NRB, GoN, BFIs and PSPs/PSOs will be very important for its successful implementation.

The merger of the BFIs continued during the review period with merger of 6 commercial banks. Similarly, 4 member insurance companies, who were Indirect members, were also merged during the review period. The reduction in the annual membership fees is expected to continue due to the recent merger policy of the PSOs and PSPs with continued merger policy of the BFIs and insurance companies with some of the merger approval already in progress.

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 its technical partners. With addition of the NPS infrastructure, where all the cost of hardware and software are also linked with USD, the appreciation of USD against NPR 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, with the increasing products and services and increased business lines NCHL has given utmost priority to increase skill and competency of its existing manpower 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 commercial banks and addition of Independent Director. 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:

- Following the merger policies of the NRB and the Nepal Insurance Authority with the requirement of increase in the capital base, merger of the BFIs and insurance companies is expected to continue. With merger of PSPs and PSOs or reduction in number of such licensed entities in the coming years, it is expected to reduce potential and existing members, which will directly impact the annual membership fee-based income for NCHL. However, due to the increased usage of the digital platforms and the customer base, the transaction volumes in NCHL-IPS and RPS are expected to increase. Also, the focus of NCHL has also been to increase Indirect and Technical members.
- Increase in the adoption of digital payments by general public has supported to increase transaction in RPS (*connectIPS*), CORPORATEPAY and NPI, which are expected to further grow in the coming years. However, the continuous pressure to decrease the transaction fee and other fees is directly impacting the increase in revenue despite augmented efforts in the transaction growth.
- NPS is a one of the flagship national payments infrastructure for introducing multiple retail instruments and to establishing interoperability. Since the project is being funded completely by NCHL, the sustainability of operations will be challenging. Hence, NCHL have been strategically collaborating and coordinating with all the stakeholders for the acceptability and rollout of the system.
- Although the licensed PSOs/PSPs has increased innovation and supported in expanding digital ecosystem in Nepal, due to the number of such entities, competition has also increased with overlapping in multiple systems and services. NCHL has taken a strategic direction to collaborate with all such 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. The rate of turnover has decreased compared to the previous fiscal year but it could aggravate if it is not handled appropriately.

#### **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:**

28.5% of the paid-up capital amounting to NPR 223,262,100 (rounded for the decimal share) has been proposed as bonus shares and 1.5 % on paid-up capital amounting NPR 11,750,637 has been proposed as cash dividend for tax purpose from the profit of the fiscal year 2079/80 (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 2080/81 (2023/24) 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, RPS (*connectIPS*) systems and various instruments under NEPALPAY including NEPALPAY QR for the members and their customers to increase transactions. The focus shall be to increase B2B and P2P retail payments by enhancements in the retail channels, instruments and with introduction of new and innovative use cases.
- Focus on increasing Indirect/ Technical members through NPI.
- Coordinate and facilitate GoN for disbursements of all Social Security Benefits directly to the beneficiary's bank



account through NCHL systems, which was piloted last year and deposit of TDS (GTAX) on all payments of GoN at all levels from Central, province and local level. Continue facilitation for integration with the BFIs, various GoN, Semi-GoN and other large institutions for their onboarding into the digital payments ecosystem.

- Complete the establishment and rollout of the interoperable National Card Switch and National Card Scheme as part of the Phase II of the National Payment Switch project. The procurement process for Switch, Back Office system and AI based Fraud Risk management system and Card Scheme has been completed and is currently under implementation phase.
- Initiate discussion and coordinate with other clearing houses and international network operators for facilitation and possibility of cross border transactions in different regions. Project for cross border transaction between Nepal-India is already in implementation phase and discussion with other partners in different countries are in-progress.
- Enhance and extend features to cover various business use cases of bank branch assisted, online and mobile channel based payment services. Rollout various use cases of RPS relating to non-card retail payment systems including QR scheme.
- Increase transactions in CORPORATEPAY system, as an alternate platform for the business and institutional customers of the BFIs.
- Improve risk management of the payment systems and their operations.
- Continue providing training and orientation programs to the members and other institutions.
- In line with the merger policy initiation of NRB and to support in the implementation of NPS (Phase 2), initiate for merger or acquisition of potential Payment System Operator (PSO), without material change in the stake of NCHL by NRB and BFIs.
- Explore in establishing a subsidiary company for research and development of innovative technology, systems and software in the financial and payments sector.

#### Detail of management expenses incurred during the year

The details of the management expenses are as follows:

Particulars	FY2079/80 (2022/23)	FY2078/79 (2021/22)	FY 2077/78 (2020/21)	FY 2076/77 (2019/20)	FY 2075/76 (2018/19)
Staff Expenses	75,697,727	60,980,075	39,690,567	32,183,495	24,456,266
Other Admin Expenses	41,670,349	51,741,743	21,736,760	48,091,550	29,928,353
<b>Total</b>	<b>117,368,076</b>	<b>112,721,818</b>	<b>61,427,327</b>	<b>80,275,045</b>	<b>54,384,619</b>

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

Members of the Audit Committee are:

1. Mr. Mahesh Sharma Dhakal      Chairperson
2. Mr. Amit Shrestha              Member
3. Mr. Jagadish Dahal              Member
4. Mr. Kshitiz Adhikari            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 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 **
Ram Bahadur Manandhar	735,000	7/7
Dayaram Sharma Pangen <sup>i</sup> *		10/10
Ujjal R. Rajbhandary		14/17
Mahesh Sharma Dhakal		14/15
Srijan Krishna Malla		14/17
Samaj Prakash Shrestha*		17/17
Til Bahadur Gurung		16/17
Amit Shrestha		0/0
Jagadish Dahal		6/7

\*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 7,140,000 as salary and allowances, NPR 1,220,150 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 28.5% amounting to NPR 223,262,100 (rounded for the decimal share) and Cash Dividend of 1.5% amounting NPR 11,750,637 have been proposed from the profit earned from the FY 2079/80 (2022/23), subject to the approval of the Board. There exists no any outstanding dividend payable from FY 2079/80 (2021/22).

### 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



# सरकारी राजस्व भुक्तानी अनलाइनबाट सजिलै गर्नुहोस् ।

भुक्तानी गर्ने माध्यमहरुः



[www.ird.gov.np](http://www.ird.gov.np)



[connectips.com](http://connectips.com)  
mobile app



CORPORATEPAY



NEPALPAY QR



वालेटबाट



कुनैपनि बैंक/वित्तीय संस्थाको  
शाखाबाट



बैंक/वित्तीय संस्थाका  
mobile/internet banking बाट

System provided by:



NEPAL  
CLEARING  
HOUSE



**AUDITED FINANCIAL STATEMENTS**  
**NRB APPROVAL OF THE AUDITED FINANCIALS**



**नेपाल राष्ट्र बैंक**  
**भुक्तानी प्रणाली विभाग**



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

पत्रसंख्या : भु.प्र.वि./ओ.सा.१/०८०/८१  
चलानी नं.: १७४

मिति : २०८०/०७/२४

श्री नेपाल क्लियरिङ हाउस लिमिटेड,  
कमलादी, काठमाडौं ।

**विषय: वार्षिक वित्तीय विवरण प्रकाशन सम्बन्धमा ।**

महाशय,

त्यस संस्थाले पेश गरेको आर्थिक वर्ष २०७९/८० को वार्षिक वित्तीय विवरण, बाह्य लेखापरीक्षकको प्रतिवेदन र सो उपर व्यवस्थापनको प्रतिक्रिया तथा संस्थाको वार्षिक गैरस्थलगत निरीक्षण प्रतिवेदन-२०८० समेतका आधारमा देहाय बमोजिमका निर्देशनहरु शेरधनीको जानकारीका लागि वार्षिक प्रतिवेदनको छुट्टै पानामा प्रकाशित गर्न तथा सोको कार्यान्वयन गर्ने गरी वार्षिक साधारणसभा प्रयोजनको लागि त्यस संस्थाको आर्थिक वर्ष २०७९/८० को वार्षिक वित्तीय विवरण सार्वजनिक/प्रकाशन गर्न स्वीकृति प्रदान गरिएको व्यहोरा निर्णयानुसार अनुरोध गर्दछु ।

(अ) स्थलगत निरीक्षण प्रतिवेदन, २०७९ मा रहेका कैफियतहरुमध्ये कार्यान्वयन हुन बाँकी निम्न बमोजिम ३ वटा कैफियतहरु कार्यान्वयन गरी यस विभागलाई जानकारी दिनुहुन:

(क) भुक्तानी प्रणाली सम्बन्धी एकीकृत निर्देशन-२०७९, अ.प्रा. निर्देशन नं. १३/०७९ को बुँदा नं. (११) मा व्यवस्था भए बमोजिम संस्थाको वेबसाइट, सर्वसाधारणसँग गरिएका सम्झौता तथा मोबाइल एप्लिकेसनहरु नेपाली भाषामा समेत उपलब्ध हुने व्यवस्था गरी सोको जानकारी गराउनु हुन ।

(ख) संस्थाको विद्यमान संगठनात्मक संरचना अनुसार Deputy CEO लगायतका अन्य रिक्त पदहरुमा कर्मचारी नियुक्ति गरी जानकारी गराउनु हुन ।

(ग) संस्थाको डाटा सेन्टर तथा डिजास्टर रिक्भरी साइट समान भूकम्पीय क्षेत्र (Same Seismic Zone) मा नपर्ने व्यवस्था मिलाई जोखिम न्यूनिकरण गर्नु हुन ।

(आ) लाभांश कर तिरेको प्रमाणपत्रको प्रतिलिपि यस विभागमा पेश गर्नुहुन ।

(इ) संस्थाको बाह्य लेखापरीक्षकको प्रतिवेदनमा औल्याइएका निम्न बमोजिम कैफियतहरु सुधार गर्नुहुन ।

(क) संस्थाले सामाजिक सुरक्षा कोष ऐनमा दर्ता भएतापनि सामाजिक सुरक्षा कोषमा हालसम्म योगदान गरेको पाइएन ।



# नेपाल राष्ट्र बैंक

भुक्तानी प्रणाली विभाग

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

(ख) संस्थाले विनिमय दरको कारण विदेशी विनियम कारोबारमा देखिएको फरकमा शुल्क लगाई नाफा नोक्सान खातामा देखाउनु पर्नेमा फरक रकम समायोजन गर्दै आएको देखियो ।

भवदीय,

(गुरुप्रसाद पौडेल)  
कार्यकारी निर्देशक

# M.B. SHRESTHA & CO.

Chartered Accountants  
Sankhamul Road  
New Baneshwor

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

15 Kartik 2080

## 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 2023 (Corresponding to 31 Ashad 2080), 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 2023 (i.e. 31 Ashad 2080) 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. Key Audit Matters

5. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:


#### Key Audit Matters

##### Investment Valuation, Identification and Impairment

The Company's investment portfolio includes Debentures and fixed (term) deposits. These investments are initially recognized and measured at their fair value. Subsequently, these investment are measured at amortized cost, as the business model of NCHL is to hold these financial assets till maturity to collect contractual cash flows.

Given there are different methods recommended for the treatment of investments based on the nature of cash flow, the business model adopted, complexity of calculation and the significance of amount involved in such investments, same has been considered as Key Audit matter.

#### How our Audit addressed the key Audit Matters

Our audit approach regarding verification of process of investment valuation, identification and impairment included:

- ✓ Review of the company's investment and its valuation having reference to NFRS.
- ✓ Review of the transaction fee if any charged on the acquisition of the investment.
- ✓ For investment valued at amortized cost, on test check basis, we checked the effective interest rate (EIR) and amortization schedule.

#### D. Other Information

6. The company's management is responsible for the preparation of the other information. The other information comprises the information included in the Management Report, Report of the Board of Directors and Chairman's statement but does not include the financial statement and our auditor's report thereon.
7. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
8. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### E. 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.

**F. Auditor's Responsibilities for the Audit of Financial Statements**

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




relationships and other matters that may reasonably be thought to bear our independence and where applicable, related safeguards.

#### G. Report on Other Legal and Regulatory Requirements

8. As per Companies Act, 2063, based on our audit carried out on sapling basis, we report that:
- 8.1 We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit as per NSA.
- 8.2 The statement of Financial Position as at 31 Ashad 2080 (i.e. 16 July 2023), 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 (hereafter 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:** 231101CA00117wrc60

## AUDITED FINANCIAL STATEMENTS

### Statement of Financial Position

As at Ashadh 31, 2080 (16 July 2023)

Particulars	Notes	Ashad 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	4.8	84,703,663	84,752,377
Intangible Assets	4.8	36,477,084	40,081,387
Right of Use-Asset	4.8	43,383,751	-
WIP Projects	4.8	118,266,874	10,662,924
<b>Financial Assets</b>			
Investment and Placements	4.4	607,953,000	1,061,604,000
Settlement Guarantee Fund Deposits	4.6	154,518,183	148,717,955
Deferred Tax Assets	4.7	8,517,823	4,290,651
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,053,820,378</b>	<b>1,350,109,295</b>
<b>CURRENT ASSETS</b>			
Inventories	4.2	58,072	86,608
Current Tax Assets	4.5	5,745,617	188,849
<b>Financial Assets</b>			
Cash and Bank Balances	4.1	28,664,981	24,370,462
Investment and Placements	4.4	875,000,000	187,000,000
Other Assets	4.3	119,694,112	97,430,942
<b>TOTAL CURRENT ASSETS</b>		<b>1,029,162,782</b>	<b>309,076,861</b>
<b>TOTAL ASSETS</b>		<b>2,082,983,160</b>	<b>1,659,186,155</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Provisions	4.9	16,577,059	13,581,504
Settlement Guarantee Fund Liabilities	4.7.1	60,000,000	60,000,000
Lease Liability	4.11	36,908,667	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>113,485,726</b>	<b>73,581,504</b>
<b>CURRENT LIABILITIES</b>			
Provisions	4.9	55,648,024	52,343,853
Lease Liability	4.11	12,367,645	-
<b>Financial Liabilities</b>			
Other Liabilities	4.10	91,423,913	87,065,606
<b>TOTAL CURRENT LIABILITIES</b>		<b>159,439,582</b>	<b>139,409,459</b>
<b>TOTAL LIABILITIES</b>		<b>272,925,308</b>	<b>212,990,963</b>
<b>Equity</b>			
Share Capital	4.12	783,375,800	567,663,600
Reserves & Surplus	4.13	1,026,682,052	878,531,591
<b>Total Equity</b>		<b>1,810,057,852</b>	<b>1,446,195,191</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,082,983,160</b>	<b>1,659,186,155</b>
<b>Significant Accounting Policies and Notes to Accounts</b>	1-5		

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

Amit Shrestha  
Director

Jagadish Dahal  
Director

Date: 31-Oct-2023

Place: Kamaladi, Kathmandu, Nepal

## Statement of Profit or Loss

For the Period Ending Asadh 31, 2080

(Corresponding to 17 July 2022 to 16 July 2023)

Particulars	Notes	Ashad 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Operating Income :</b>			
Revenue	4.14	681,134,113	661,619,546
Software License - Members		-	253,000
<b>Operating Expenses :</b>			
Operating Expenses	4.15	95,534,709	84,896,041
Cost of Software License - Members		-	-
<b>Gross Profit</b>		<b>585,599,404</b>	<b>576,976,504</b>
Add: Interest Income		144,471,242	97,252,623
Add: Other Income		3,763,053	1,511,864
Less: Administrative Expenses	4.16	41,670,349	51,741,743
Less: Human Resources Expenses	4.17	75,697,727	60,980,075
Less: Finance Cost (Actuarial and Lease Liability)	4.18	5,806,182	-
<b>Operating Profit</b>		<b>610,659,441</b>	<b>563,019,173</b>
Depreciation Expenses	4.8	37,155,385	24,913,366
Amortization Expenses	4.8	17,023,818	14,667,275
Staff Bonus Provision		55,648,024	52,343,853
<b>Profit before Tax</b>		<b>500,832,215</b>	<b>471,094,678</b>
Income Tax Liability		128,801,958	119,268,575
Deferred Tax Expenses (Income)		(4,765,376)	(2,797,419)
<b>Profit for the period</b>		<b>376,795,633</b>	<b>354,623,522</b>
Basic/Diluted Earnings Per Share (EPS)		48.10	62.47

**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

**Amit Shrestha**  
Director

**Jagadish Dahal**  
Director

Date: 31-Oct-2023

Place: Kamaladi, Kathmandu, Nepal

## Statement of Comprehensive Income For the Period Ending Asadh 31, 2080

(Corresponding to 17 July 2022 to 16 July 2023)

Particulars	Notes	Ashad 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Profit for the period</b>		<b>376,795,633</b>	<b>354,623,522</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		2,152,816	(4,357,391)
Deferred Tax Income/(Expenses)	8.9	(538,204)	1,089,348
<b>Net Other Comprehensive Income that will not be reclassified to profit or loss</b>		<b>1,614,612</b>	<b>(3,268,043)</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>378,410,245</b>	<b>351,355,479</b>

**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

**Amit Shrestha**  
Director

**Jagadish Dahal**  
Director

Date: 31-Oct-2023

Place: Kamaladi, Kathmandu, Nepal

## Statement of Changes in Equity

As at Asadh 31, 2080 (16 July 2023)

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 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	-	-	-	-	-	-	-	-	-
<b>Restated Balance</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>
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-	-	-	-
Net Profit for Period	-	-	-	-	-	-	-	354,623,522	<b>354,623,522</b>
Bonus Share Capital FY 2078/79	156,313,200	-	-	-	-	-	-	(156,313,200)	-
Cash Dividend FY 2078/79	-	-	-	-	-	-	-	(8,227,011)	<b>(8,227,011)</b>
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)	-	<b>(3,268,043)</b>
Issue of Share Capital	-	-	-	-	-	-	-	-	-
Balance as at 16 July 2022 (Ashadh 32, 2079)	<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>
Adjustment/Restatement	-	-	-	-	-	-	-	-	-
<b>Restated Balance</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>
Surplus on Revaluation of Properties	-	-	-	-	-	-	-	-	-
Deficit on Revaluation of Investment	-	-	-	-	-	-	-	-	-
Current Translation Difference	-	-	-	-	-	-	-	-	-
Net Profit for Period	-	-	-	-	-	-	-	376,795,633	<b>376,795,633</b>
Bonus Share Capital FY 2079/80	215,712,200	-	-	-	-	-	-	(215,712,200)	-
Cash Dividend FY 2079/80	-	-	-	-	-	-	-	(11,353,274)	<b>(11,353,274)</b>
Transfer to Technology Enhancement Reserve	-	-	-	75,359,127	-	-	-	(75,359,127)	-
Transfer to Land & Building Reserve	-	-	-	-	37,679,563	-	-	(37,679,563)	-
Transfer to Cyber Risk Reserve	-	-	-	-	-	1,883,978	-	(1,883,978)	-
Reserve for Actuarial Gain/(Loss)	-	-	-	-	-	-	1,614,612	-	<b>1,614,612</b>
Issue of Share Capital	-	-	-	-	-	-	-	-	-
Lease Expenses (Adjustment as per NFRS 16)	-	-	-	-	-	-	-	(3,194,310)	<b>(3,194,310)</b>
<b>Balance as at 16 July 2023 (Ashadh 31, 2080)</b>	<b>783,375,800</b>	-	-	<b>359,286,998</b>	<b>159,022,805</b>	<b>4,929,413</b>	<b>(1,293,577)</b>	<b>507,930,722</b>	<b>1,810,057,852</b>

## Statement of Cash Flows

For the Period Ending Asadh 31, 2080

Particulars	Ashad 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Net Profit/(Loss) Before Tax</b>	<b>500,832,215</b>	<b>471,094,678</b>
<b>Preliminary &amp; Pre-operating (Expenses)/Surplus</b>		
<b>Add/(Less) : Adjustment</b>		
Depreciation Expenses	37,155,385	24,913,366
Amortization Expenses	17,023,818	14,667,275
Superannuation/Gratuity Provision (incl. Actuarial Gain/Loss)	(3,035,799)	4,260,473
Leave Provision	2,202,115	1,687,026
Staff Bonus Provision	55,648,024	52,343,853
Bonus Paid	(52,343,853)	(37,701,539)
Adjustment as per NFRS 16	(3,194,310)	-
<b>Cash Flow from Operation Before Working Capital</b>	<b>554,287,594</b>	<b>531,265,133</b>
Increase(Decrease) in Current Tax & Other Liabilities	53,634,619	8,487,923
Decrease (Increase) in Inventories, Current Tax, Other Assets	(21,809,348)	(17,523,802)
Decrease (Increase) in Settlement Guarantee Fund	(5,800,228)	(5,141,606)
Less: Tax Provision	(128,801,958)	(119,268,575)
<b>Cash Flow from Operating Activities</b>	<b>451,510,679</b>	<b>397,819,073</b>
Purchase of Fixed Assets	(93,916,568)	(55,130,240)
Sale or disposal of Fixed Assets	6,632	-
Project WIP	(107,603,950)	(5,449,504)
Investment in FD/Debenture	(234,349,000)	(323,500,000)
<b>Cash Flow from Investing Activities</b>	<b>(435,862,887)</b>	<b>(384,079,744)</b>
Interest on Loan	-	-
Increase(Decrease) in Loans	-	-
Share Capital	-	-
Dividend Paid	(11,353,274)	(8,227,011)
<b>Cash Flow from Financing Activities</b>	<b>(11,353,274)</b>	<b>(8,227,011)</b>
Net Increase(Decrease) in Cash & Cash Equivalents	4,294,519	5,512,318
<b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>	<b>24,370,462</b>	<b>18,858,143</b>
<b>Cash &amp; Cash Equivalents at the end of the Year</b>	<b>28,664,981</b>	<b>24,370,462</b>

# Capital Market सम्बन्धी भुक्तानी सजिलो छ ।

Collateral  
Load



Share Trade  
Payment



DMAT/  
Meroshare  
Renewal



  
**connect IPS**  
pay direct from bank

Dividend  
Payment



Bonus Tax  
Payment



# SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the Period Ended 31st Asadh 2080

## 1. GENERAL INFORMATION

### 1.1. Legal and Domicile Form

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), which shall implement interoperability of card-based transactions through the rollout of the Interoperable Card Switch and Domestic Card Scheme for Nepal. During FY 078/79, National Payment Switch (NPS) Phase I (Sub-project 3) was officially launched on 11<sup>th</sup> Chaitra 2078 as Retail Payment Switch (RPS) which enables non-card-based transaction interoperability for routing and settlement of transactions along with the establishment of NEPALPAY QR scheme. Whereas the second phase of NPS related to National Card Switch and NEPALPAY domestic card is still under implementation.

### 1.2. Objectives, Products and Members

NCHL as per its strategic objectives to establish multiple payments, clearing and settlement systems in Nepal is currently operating Electronic Cheque Clearing (NCHL-ECC), Interbank Payment System (NCHL-IPS), Retail Payment Switch (RPS), *connectIPS* e-payment system, CORPORATEPAY, *connectRTGS*, Nepal Pay QR and National Payment Interface (NPI).

NCHL entered into agreement for NCHL-ECC with 159 members, out of which, 53 members (Nepal Rastra Bank, Nepal Infrastructure Bank Ltd., 20 commercial banks, 16 development banks and 15 finance companies) are now in operation till Ashadh end 2080. 6 members commercial bank were reduced due to merger during the fiscal year 2079/80.

Similarly, for NCHL-IPS System, NCHL entered into agreement with 200 members, out of which, 146 members (Nepal Rastra Bank, Nepal Infrastructure Bank Ltd., 20 commercial banks, 16 development banks, 15 finance companies and 93 Indirect/Technical members) are in operation till Ashadh end 2080. 26 new Indirect/Technical members including live and subscribed were added into the system and 6 members commercial bank and 4 Indirect/Technical Members (Insurance) merged during the fiscal year 2079/80. 33 indirect/technical members who have subscribed for the service are yet to come into operation.



For RPS/ connectIPS, 126 members are live (20 commercial banks, 16 development banks, 15 finance companies, NIFRA and 73 Indirect/Technical members) till Ashadh end 2080. 6 members commercial banks and 4 Indirect members (Insurance) merged during the fiscal year 2079/80. 23 Indirect/Technical members who have subscribed for the service are yet to come into operation. NCHL has also facilitated its 53-member BFIs for needed integrations of their core banking system (CBS) with various payment systems as NPI Banks integration.

NCHL has entered into agreement for NPI with 156 members, out of which, 20 commercial banks, 12 development banks, 13 finance companies and 65 indirect/technical members are live till Ashadh end 2079. 20 Indirect/Technical members have subscribed but are yet to go live. 52 BFIs have entered into integration partnership agreement with NCHL for connectRTGS, out of which, Nepal Infrastructure Bank Ltd., 19 commercial banks (after 6 merged in FY 2079/80), 11 development banks and 12 finance companies have gone live. 2 BFIs who have entered into agreement for connectRTGS are yet to go live. NCHL has entered into agreement for CORPORATEPAY with 50 BFIs, out of which, 19 commercial banks (after 6 merged in FY 2079/80), 9 development banks and 5 finance companies have gone live. 11 BFIs who have also entered into agreement for CORPORATEPAY but are yet to go live.

Under National Payment Switch (NPS) for RPS, 64 members (20 commercial banks (after 6 merged in FY 2079/80), 7 development banks, 15 finance companies and 16 indirect/technical members) has entered into agreement with 47 members went live with at least one of the instruments or use case of RPS till the end of fiscal year 2079/80.

### 1.3. 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 31<sup>st</sup> Ashadh 2080 is given below:

Particulars	No. of Shares	Value in NPR	Shareholding %
Nepal Rastra Bank	783,375	78,337,500	10%
Commercial Banks	5,968,449	596,844,900	90%
Development Banks	571,342	57,134,200	
Finance Companies	510,592	51,059,200	
<b>Total</b>	<b>7,833,758</b>	<b>783,375,800</b>	<b>100%</b>

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 2.1. Statement of Compliance

The accompanying Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRSs)-2018, pronounced for implementation by The Institute of Chartered Accountants of Nepal.

The Financial Statements comprise the Statement of Financial Position, Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, and Notes to the Financial Statements, comprising significant Accounting Policies and other explanatory information. The significant accounting policies applied in the preparation of financial statements are set out below. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

### 2.2. Reporting Period and Authorization for Issue of Financial Statement

The reporting period of NCHL covers a twelve-month period from 1<sup>st</sup> Shrawan 2079 (17<sup>th</sup> July 2022) to 31<sup>st</sup> Ashadh 2080 (16<sup>th</sup> July 2023). The comparative figures in Statement of Financial Position, Income Statement, Statement of Other Comprehensive Income, Statement of Cash Flows, and Statement of Changes in Equity are presented for the year ended 31<sup>st</sup> Ashadh 2079 (16<sup>th</sup> July 2022).

Accompanied financial statements are prepared under the responsibility of the management and adopted by the Board of Directors on its meeting held on 31<sup>st</sup> October 2023 with necessary recommendation for approval by the shareholders in the upcoming Annual General Meeting.

### 2.3. Operating Cycle

Based on the nature of its activities, NCHL has determined its operating cycle as 12 months for the purpose of classification of its Assets and Liabilities as current and non-current.

### 2.4. Functional and Presentation Currency

The Financial Statements of NCHL are presented in Nepalese Rupees (NPR), which is the NCHL's functional currency. All the financial information presented in Nepalese Rupees have been rounded to the nearest rupee, except otherwise indicated.

### 2.5. Use of Estimates, Assumptions and Judgements

For the preparation of Financial Statements, management has made critical accounting judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable but actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis with historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revision to accounting estimates is recognized prospectively in current and future periods.

Information about significant areas of estimate, uncertainty, and critical judgments in applying accounting policies that have the potential material impact on the amounts recognized in these financial statements are included in the following notes:

- Determination of useful life of property, plant and equipment
- Determination of useful life of intangible assets
- Measurement of employee benefits and liabilities (Actuary Valuation)
- Provision and contingencies (if any)
- Key assumption used in discounting of future cashflows.

### 2.6. Going Concern

The Financial Statements have been prepared on going concern basis, as the management is satisfied that NCHL has, at the time of authorization of financial statement, have adequate resources to continue its operation for the foreseeable future and the management is not aware of any material uncertainties that may cast significant doubt upon NCHL's ability to continue as a going concern.

### 2.7. Classifications and order of Financial Statements

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.

### 2.8. Statement of Cash Flows

The Statement of Cash Flows, as per Nepal Accounting Standard (NAS 7), is a financial statement that provides a summary of an organization's cash inflows and outflows during a specific reporting period. Statement of Cash flows is prepared segregating the cash flows from operating, investing and financing activities. NCHL has presented Cash flow from operating activities using indirect method.

**Operating Activities:** These are cash flows directly related to an entity's core business operations, including receipts and payments from activities such as sales and purchases of goods and services. It encompasses activities that are not classified as investing or financing activities.

**Investing Activities:** This category includes cash flows from the acquisition and disposal of long-term assets, such as property, equipment, and investments. It highlights the changes in an organization's investment portfolio and capital expenditures.

**Financing Activities:** Cash flows in this category result from transactions with the entity's owners and creditors. Examples include obtaining loans, issuing shares, and paying dividends. It reflects changes in the entity's capital structure.

## 2.9. Materiality and Aggression

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are presented separately unless they are immaterial.

## 2.10. Previous Year Figure

Previous year's figures have been grouped or regrouped wherever necessary to facilitate comparison of figures in financial statements.

## 3. 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 line items 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
3.1	Inventories	4.2
3.2	Financial Assets	
3.2.1	Cash & Bank Balances	4.1
3.2.2	Receivables, Pre-paid Expenses, Other Advance Payments and Deposits	4.3
3.2.3	Staff Loan	4.3
3.2.4	Investments	4.4
3.2.5	Settlement Guarantee Fund Deposits	4.6
3.3	Financial Liabilities	
3.3.1	Other Liabilities	4.10
3.3.2	Settlement Guarantee Fund Liabilities	4.6.1
3.4	Impairment of Financial Assets	-
3.5	De-recognition of Financial Instruments	-
3.6	Off-setting of Financial Instruments	-
3.7	Fair Value measurement of Financial Instrument	-
3.8, 3.9	Property Plant and Equipment (PPE), Intangible Assets	4.8
3.11	Current Tax	4.5
3.12	Deferred Tax	4.7
3.15	Share Capital	4.12
3.16	Reserve & Surplus	4.13
3.22	Provisions, Contingent Assets & Liabilities	4.9
3.23	Operating Income	4.14
3.24	Other Income	
3.25	Operating Expenses	4.15
3.26	Administrative Expenses	4.16
3.27	Human Resources Expenses	4.17
3.28	Subsequent Events	-
-	Finance Cost	4.18

### 3.1. Inventories

Inventories are valued at cost, being weighted average cost, or net realizable value whichever is lower as per "NAS-2. 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.

## FINANCIAL INSTRUMENTS

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized when NCHL becomes a party to the contract embodying the related financial instruments.

All financial assets and financial liabilities are initially measured at transaction cost, and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income statement) are added to or deducted from the fair value measured on initial recognition of a financial asset or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through income statement are immediately recognized in the income statement.

### 3.2. Financial Assets

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through Income Statement of Profit or Loss, transaction costs that are attributable to the acquisition of the financial asset.

For subsequent measurement at each reporting date, financial assets are classified in three categories:

- Financial assets at fair value through Income Statement
- Financial assets at fair value through Other Comprehensive Income
- Financial assets at amortized cost.

NCHL currently holds only financial assets subsequently measured at amortized cost mainly comprising receivables, Staff advances, cash and cash equivalents, term deposits with BFIs and investment on debentures issued by BFIs.

#### 3.2.1. Cash and Bank Balance

Cash & Bank Balances are short term and liquid placements in banks and financial institutions that are readily available and which are subject to insignificant risk of changes in value.

#### 3.2.2. Receivables, Pre-paid Expenses, Other Advance Payments and Deposits:

- 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. Trade and other receivables are initially measured at their carrying value which is approximate to their fair value due to short term maturity and subsequently measured at amortized cost.

- Prepaid Expenses 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.
- 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.
- Deposits are initially recognized at fair value and subsequently carried at amortized cost. Deposits include refundable deposits; however, the tenure of deposit is neither fixed nor cancellable, hence fair value is considered to be carrying amount.

### 3.2.3. Staff Loan

- NCHL provided Staff loan to employee as per NCHL Human Resource Plan and are measured at fair value, which is calculated by discounting the future cash flows by using the 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.
- The fair value loss which is the difference between the present value of cash flows and the actual transaction amount is recognized 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.

### 3.2.4. Investments

The investments of NCHL are related to the investments in Fixed Deposits & Debentures. These investments are initially recognized and measured at their fair value. Subsequently, these Investment are measured at amortized cost, as the business model of NCHL is to hold these financial assets till maturity to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest on the investment and return of principal amount invested on the maturity of investment period. The amortized cost is computed by using Effective Interest Rate (EIR), which 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.

Investments are managed as per NCHL-Investment Policy (December 2015) and amended 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 Equivalentents	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 in operation for the issuer.
- Counterparty shall be in profit for at least last two years with positive net worth.

- iii. For investments in banks and financial institutions, their capital adequacy ratio (CAR) shall be 1% better than as prescribed by Nepal Rastra Bank and non-performing loan equal or less than 4%, both for at least last one year.
- iv. Investment allocation in banks and financial institutions shall be as follows.
  - Commercial Banks : 60-80%
  - Development Banks : 10-20%
  - Finance Companies : 10-20%
- 3. Single counterparty (other than Government/NRB) exposure shall not exceed 25% of the investible fund. For the computation of counterparty exposure, investments in all asset categories shall be considered. However, if the limit exceeds due to the market revaluation or cash movements, it shall be rebalanced in the next review period or at the time of the maturity of the investment.

### 3.2.5. Settlement Guarantee Fund Deposits

1. Settlement Guarantee Fund (SGF) is established to guarantee the settlement between the participating members in order to mitigate the possible settlement risks that may arise due to the deferred net settlement arrangement for real time or immediate credit products. The main objective of establishing the SGF is to utilize the fund as the last resort after having exhausted all available opportunities for the members that are unable to settle its obligation for the transactions backed by SGF at the time of settlement.
2. A separate non-interest-bearing account at Nepal Rastra Bank (NRB) is maintained and operated by NCHL, whereby the contribution to the fund is made by NCHL, other sources and contribution from the participating members. The contribution from the transaction fees is 5% for the first 2 years and 2.5% for next 3 years (net of corporate tax). NRB has approved the Operating Procedure for Settlement Guarantee Fund on 21<sup>st</sup> Falgun 2076 and additional SGF Operating Process has been issued in 4<sup>th</sup> Jestha 2080 for the member BFIs to make additional guarantee (bank guarantee) and cash contribution in SGF as per the member bank's business requirement. Such bank guarantee is allowed up to the 75% of the total requirement, subject the availability of the total fund.

### 3.3. Financial Liabilities:

Financial liabilities of NCHL are initially recognized at fair value and subsequently measured and classified at amortized cost.

#### 3.3.1. 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.

#### 3.3.2. Settlement Guarantee Fund Liabilities

Settlement Guarantee Fund Liabilities represents the SGF contribution funded by Sakchyam Challenge Fund through Grant project (during period 2076/01/18 to 2078/04/16). 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.

### 3.4. Impairment of Financial Assets

NCHL currently holds only financial assets subsequently measured at amortized cost. Impairment testing and impairment calculation of financial assets have been done in accordance with Carve-Out issued by ICAN on NFRS 9 that is applicable until FY 2080/81. NCHL assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash

flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss. During the period, there were no any situations and indications regarding Impairment loss. Hence, no impairment loss is recognized for any financial assets.

### 3.5. De-recognition of Financial Instruments

NCHL derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset, and the transfer qualifies for de-recognition under NFRS 9. On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of derecognition and the consideration received is recognized in a statement of profit or loss. Similarly, financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. The difference in the respective carrying amounts is recognized in the statement of profit and loss. During the period, there has not been any de-recognition of financial assets and/or financial liabilities.

### 3.6. Off-setting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

### 3.7. Fair Value measurement of Financial Instrument

Fair value (NFRS-13) is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. NCHL uses the fair value hierarchy with the highest priority to Level 1 inputs and the lower priority to Level 3 inputs.

## PROPERTY, PLANT & EQUIPMENT, INTANGIBLE ASSETS AND WIP PROJECTS

### 3.8. Property, Plant and Equipment (PPE)

1. PPE is recognized as per "NAS 16 Property, Plant and Equipment", when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the asset can be measured reliably. PPE is stated at original cost, net of tax/duty credits availed, if any on the initial recognition. NCHL follows cost model for the initial recognition of PPE and on subsequent measurement, accumulated depreciation and any accumulated impairment losses are deducted. Cost comprises the purchase price and any attributable costs of bringing the asset to its working condition for its intended use as estimated by the management. Any trade discounts and rebates are deducted in arriving at the purchase price.
2. Subsequent expenditures relating to PPE is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost 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.
3. An item of property, plant and equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the property, plant and equipment is de-recognized. 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.
4. Tangible Assets are depreciated on Straight Line Method (SLM) on the basis of useful economic 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%

Depreciation is calculated as per the rate and procedures defined in Income Tax Act, 2058 (Amended) for income tax purpose.

- Asset value of NRs. 5,000 or less are expensed off in the same year of purchase during the fiscal year. However, items like phones and labelling machines which are non-durable are expensed off during the fiscal year.
- The ongoing construction activities of the office space until the assets is brought into a useful condition are also capitalized under the Project WIP.

### 3.9. Intangible Assets

- Intangible Assets are recognized as per "NAS-38 Intangible Assets", when it is probable that the future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably. Intangible Assets are stated at original cost net of tax/duty credits availed, if any, on the initial recognition. NCHL follows cost model for the initial recognition of intangible assets and on subsequent measurement, accumulated amortization and cumulative impairment losses are deducted. The cost includes directly attributable cost necessary to create, develop, produce and/or prepare the intangible assets that are incurred in 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 development (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.
- Subsequent costs are included in the intangible asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.
- Intangible Assets are amortized on Straight Line Method (SLM) on the basis of useful economic life of the assets decided by the Board. Accordingly, assets are amortized on the basis of completed month applying the following rates based on approved class of assets. However, amortization 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>Intangible Assets:</b>		
Software	5 years	20%

Amortization is calculated as per the rate and procedures defined in Income Tax Act, 2058 (Amended) for income tax purpose.

- 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.

#### 3.9.1. Research and Development Expenditure

- Revenue expenditure on research is expensed under respective heads of account in the period in which it is incurred.



2. Development expenditure on new products is capitalized as intangible asset, if all the following conditions are duly fulfilled:
  - i. The technical feasibility of completing the intangible asset so that it will be available for use or sale.
  - ii. The entity has intention to complete the intangible asset and use or sell it.
  - iii. The entity has ability to use or sell the intangible asset.
  - iv. The manner in which the probable future economic benefits will be generated including the existence of a market for output of the intangible asset or intangible asset itself or if it is to be used internally, the usefulness of intangible Assets.
  - v. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
  - vi. The entity has ability to measure the expenditure attributable to the intangible asset during its development reliably.
3. Development expenditure that does not meet the criteria listed above is expensed in the period in which it is incurred.
4. The expenditures that are made during development and implementation of a Project/Intangible assets but not commercially rolled out are identified as Project Work-in-Progress and are presented separately under the Project WIP. They will be capitalized from the month they are brought into commercial use.
5. The *connectIPS/ Retail Payment Switch (RPS)*, *National Payments Interface (NPI)*, *connectRTGS* and *CORPORATEPAY* systems and/or payment interfaces 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.

### 3.10. Impairment of Assets

An asset (Tangible and Intangible) is impaired when its carrying value exceeds its recoverable amount as per "NAS 36 Impairment of Assets". At the end of each reporting period, NCHL reviews the carrying value of all assets recognized and assesses whether there is any indication that an asset may be impaired and/or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recovered. If any such indication exists, NCHL makes an estimate of the recoverable amount of the asset. The carrying value of the asset is reduced to its recoverable amount if the recoverable amount is less than its carrying amount with associated impairment losses recognized in the statement of profit and loss. During the period, there were no any situations and indications regarding impairment loss. Hence, no impairment loss is recognized for any of the assets classified under PPE.

### 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. Income tax is recognized as per "NAS 12 Income Taxes".

### 3.11. Current Tax

1. Current Tax is measured as the amount expected to be paid to the Tax Authorities in accordance with the provision of Income Tax Act, 2058. The Company offsets, on a year on year basis, the current tax Assets and Liabilities, where it has a legally enforceable right and where it intends to settle such Assets and liabilities on a net basis. 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.

### 3.12. 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.

### EMPLOYEE BENEFITS

Short term employee benefits obligations like Statutory Staff Bonus are measured on an undiscounted basis and are expensed as the related service and is computed as per Bonus Act, 2030, at 10% of the profit before staff bonus. Similarly, Provident fund, Gratuity, Leave and Superannuation are the Post-employee benefit schemes as per the NCHL Employee's Service Rules and as per the prevailing Labor Act 2074 which are accounted as per the "NAS 19 Employee Benefits". There are two types of post-employment benefits i.e. Defined Contribution Plans and Defined Benefit Plans.

### 3.13. Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognized as employee benefit expenses in Statement of Profit or Loss in the period during which the related service is rendered by the employees. Contribution to Employee Provident Fund in which employer and employee both contribute 10% of basic salary to an Approved Retirement Fund and contribution to gratuity at the rate of 8.33% of basic salary as per Labor Act 2074 are accounted as Defined Contribution Plans according to NAS 19. From the FY 2079/80, the accumulated amount set aside and any upcoming amount as per gratuity of 8.33% of basic salary of all employees are deposited in a Citizen Investment Trust (CIT) by opening individual accounts of the employees, to be disbursed to the respective employee at the time of retirement.

### 3.14. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. This plan includes Superannuation and Leave facility. The defined benefit is calculated by an independent actuary using Projected Unit Credit (PUC) method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates denominated in Nepalese Rupees with maturity terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, future salary increment rate, mortality rates, etc. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date by the actuary. Accordingly, the employee benefit liability is based on the actuarial valuation as at end of reporting period. NCHL's accounting policy for Superannuation and Leave benefits is to recognize actuarial gains and losses in the period in which they occur in full in the Statement of Other Comprehensive Income.

Interest is calculated by applying the discount rate to the defined benefit obligation. NCHL recognizes the following changes in the defined benefit obligations to the Income Statement:

- Service costs comprising current service costs and past service costs
- Interest expenses

Any changes in the liabilities over the year due to changes in assumptions or experience within the scheme are recognized in Statement of Other Comprehensive Income in the period in which they arise.

The Superannuation Benefit is provided as per NCHL Employee's Service Rules based on number of years of service. 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 NCHL Employee's Service Rules. Both the superannuation benefit and leave accumulation are measured through the third-party actuary valuation. The eligible fund of superannuation benefit is deposited in Approved Retirement Fund (ARF).

## **LEASES**

NCHL determines whether a contract is (or contains) a lease is based on the substance of the contract at the inception of the lease. As per NFRS-16, NCHL does not have any arrangement related to Finance Lease and NCHL is on the role of Lessee under Operating Lease. Assets taken on a lease are recognized as right-of-use (ROU) Assets and a lease liability at the commencement date.

From FY 2079/80, NCHL has transitioned from NAS-17 to NFRS-16 for accounting of leases. All previously classified operating leases are now recognized as right-of-use assets with corresponding lease liabilities.

NCHL applies depreciation requirements of NAS 16, Property, Plant and Equipment, in depreciating the right-of-use asset and the lease term mentioned in the contract is taken as useful life for calculating the depreciation. ROU assets are depreciated using straight-line method from the commencement date to end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date discounted using the NCHL's incremental borrowing rate. Subsequently, lease liability is remeasured increasing the carrying amount to reflect interest on lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

NCHL transitioned into NFRS 16 in accordance with the modified retrospective approach, therefore previous year comparative figures are not restated. Additionally, the definition of a lease under NAS 17 and its related interpretation has been retained.

NCHL has applied incremental borrowing rate of 7.5% (rounded) based on the judgements and assumptions on historical experience, internal and external data points. The incremental borrowing rate is based on the average rate of Treasury bills issued by Government of Nepal.

## **SHARE CAPITAL AND RESERVES**

Share capital and reserves are different classes of equity claims, which are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of financial performance; plus, contributions from holders of equity claims, minus distributions to holders of equity claims.

### **3.15. Share Capital**

The Authorized share capital of NCHL is one billion rupees. Up to the end of reporting period, the Issued, Subscribed and Paid-up capital are NPR. 783,375,800. The Share Capital in the company is recognized at the par value of NPR. 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.

### **3.16. Reserve & Surplus**

There are different reserves as explained below.

### **3.16.1. 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.

### **3.16.2. Land & Building Reserve**

The company sets aside 10 % of the Profit After Tax of the period for each fiscal year before dividend and General Reserve & Surplus as Land & Building Reserve. The objective of this reserve is to set out separate fund for acquiring NCHL's own premise (Land & Building) in future. The reserve has not been ear-marked in the assets and has been invested as per the prevailing NCHL Investment Policy.

### **3.16.3. Cyber Risk Reserve**

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

### **3.16.4. 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.

### **3.16.5. 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.

### **3.17. Proposed Dividend/Bonus Shares**

Presentation of Financial Statements under NAS 1, requires the dividend/bonus shares proposed after the reporting period are authorized for issue, be disclosed in the Notes to the financial statement. Accordingly, NCHL has disclosed the amount of proposed Dividend/Bonus Shares in Notes, subject to approval of the forthcoming AGM.

### **EARNINGS PER SHARE (EPS)**

NCHL calculates Earnings Per Share (EPS) in accordance with "NAS 33 Earnings Per Share", which has been shown on the face of Income Statement.

### **3.18. Basic Earnings**

This represents earnings for the period attributable to ordinary shareholders. As there was no preference dividend, minority or extra ordinary items, the profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

### 3.19. Weighted average number of Ordinary Shares outstanding during the period

This represents the number of ordinary shares outstanding at the beginning of the year plus the number of shares issued during the period multiplied by a time-weighting factor. The time-weighting factor is the numbers of days the specific shares are outstanding as a proportion of the total number of days in the period.

### 3.20. Basic earnings per share

This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding for the period.

### 3.21. Diluted Earnings Per Share

No diluted EPS is required to be calculated for the period, as there was no scope for dilution during the period under review.

### 3.22. Provisions, Contingent Assets & Liabilities

As per NAS-37, Provision is recognized when an entity has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value unless the effect of time value of money is not affecting materially and are determined based on a best estimate required to settle the obligation at the Reporting date. Provisions are reviewed at the end of reporting period 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. NCHL has made adequate provisions for total amount of NPR 72,000 regarding doubtful recovery of receivables.

Similarly, contingent liability is a probable obligation that arises from past events whose existence will be confirmed by occurrence or non-occurrence of uncertain future events not within the control of the Company or a present obligation that is not recognized because outflow of resources is not likely or obligation cannot be measured reliably. NCHL does not recognize contingent liability and contingent asset but discloses the existence of contingent liability in the financial statements if any.

## REVENUE RECOGNITION

Revenue recognition is applied as per NFRS-15 (Revenue from Contract with Customers) to the extent of its significance on the basis of the nature of NCHL's business. NCHL has recognized the Revenue from contracts with customers when control of services is transferred to the customer at an amount that reflects the consideration entitled in exchange for those services. Revenue is measured at the amount of consideration which NCHL expects to be entitled in exchange for transferring distinct services to a customer as specified in the contract, excluding amounts collected on behalf of third parties (for example taxes and duties collected on behalf of the Government of Nepal).

### 3.23. Operating Income

1. NCHL derives revenue primarily from operating various payment systems in Nepal for member BFIs like NCHL-ECC, NCHL-IPS and Retail Payment Switch/*connectIPS* and payment channels or interfaces like National Payments Interface (NPI), *connectIPS* web, *connectIPS* mobile app, gateway, CORPORATEPAY, *connectRTGS*, NEPALPAY QR. Revenue from such products and services are transaction (volume and value) based and is accounted for all transactions routed during the reporting period. NEPALPAY QR is in operation from FY 2079/80 but merchant discount rate (MDR) has not been made effective.
2. Other Annual charges, Network connectivity and membership/subscription fees (non-refundable) collected from customers/members using NCHL's product and services are recognized as income in the reporting period under accrual basis.

3. A contract liability (Advance Income) is presented in the statement of financial position where a member has paid an amount of consideration prior to NCHL performing by transferring the related service to the customer. Similarly, where NCHL has performed by transferring a service to its member and the member has not paid the related consideration up to the end of reporting period, a contract asset (member receivable) is presented in the statement of financial position, depending on the nature of NCHL's right to consideration. Contract assets (receivables) has been accounted for in accordance with NFRS-9. Any impairment relating to contracts with customers should be measured, presented and disclosed in accordance with NFRS 9, however there were no any indicators of impairment at the end of reporting period.
4. 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.
5. 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.
6. 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.
7. 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 the transaction fee in the remaining payout transactions are fully absorbed by the respective GoN expense handling BFIs. The GoN payment transactions including tax revenue collection for Inland Revenue Department are subsidized and is set at NRs. 2 to 5.
8. connectRTGS integration component have been provide at no additional cost by NCHL 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 2<sup>nd</sup> year of go-live to the member BFIs at uniform rate.
9. 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 RPS including its instruments has been subsidized by NCHL, with segmental reporting of NPS presented separately under notes 9.3.

### 3.24. Other Income

1. In case of other Income, revenue is recognized during the period in which the services are rendered.
2. Interest income on call account in BFIs and Investment in Fixed Deposit and Debentures is recognized on a time proportion basis, considering the amount outstanding and at an effective interest rate, as applicable which is the same interest rate of each investment.
3. Other miscellaneous income includes fees or other income collected towards specific process.

### 3.25. Operating Expenses

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

### 3.26. Administrative Expenses

Administrative expenses include office administration/operation expenses and those expenses that are not directly tied to a specific function and recognized on accrual basis.

### 3.27. Human Resources Expenses

Human Resources Expenses are the remuneration and benefits availed to staff as per NCHL Employee's Service Rules (July 2022), NCHL Human Resource Plan (July 2022) and prevailing Labor Act/Bylaw.

#### 3.27.1. Remuneration and Benefits

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

#### 3.27.2. 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.

#### 3.27.3. 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.

#### 3.27.4. Other Benefits

Other Benefits and facilities, including mobile expense reimbursement, fuel expense reimbursement, shift allowance, holiday allowance, vehicle facility option (VFO), Leave Fare allowance, festive allowance and Performance based variable incentive (PBVI), are recognized in the books of accounts as per NCHL Employee's Service Rules, NCHL Human Resource Plan and employment contract. Other Benefits also include 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

### 3.28. Subsequent Events

Adjusting event are adjusted and non-adjusting events, if any, are disclosed in the financial as per the requirement of "NAS 10 Events after the Reporting Period". 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.

#### 4. 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.

##### 4.1. Cash & Bank Balances

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Cash &amp; Bank Balances</b>		
Nepal Rastra Bank	5,000	5,000
Civil Bank Ltd.	-	8,976
Global IME Bank Ltd.	107,686	8,479
Goodwill Finance Ltd.	496,864	164,647
Guheshwori Merchant Banking & Finance Ltd.	569,217	1,644,459
Himalayan Bank Ltd.	15,749	6,584
ICFC Finance Ltd.	415,836	1,103,973
Jyoti Bikas Bank Ltd.	423,974	312,757
Kumari Bank Ltd.	438,767	1,256,997
Laxmi Bank Ltd.	-	108,107
Laxmi Sunrise Bank Ltd.	2,707,358	-
Machhapuchchhre Bank Ltd.	391,484	443,253
Mega Bank Nepal Ltd.	-	6,478,493
Muktinath Bikas Bank Ltd.	9,485	327,610
Nabil Bank Ltd.	1,294,204	357,638
NCC Bank Ltd.	-	15,565
Nepal Investment Mega Bank Ltd.	681,598	-
NIC Asia Bank Ltd.	11,777,758	1,649,719
NMB Bank Ltd.	162,206	1,035,331
Prabhu Bank Ltd.	1,429,809	964,864
Prime Commercial Bank Ltd.	394,218	901,150
Sanima Bank Ltd.	7,085,941	5,502,044
Shangrila Development Bank Ltd.	195,970	682,793
Siddhartha Bank Ltd.	61,855	319,378
Sunrise Bank Ltd.	-	1,072,646
<b>Total</b>	<b>28,664,981</b>	<b>24,370,462</b>



## 4.2 Inventories

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Fuel Storage	58,072	86,608
<b>Total</b>	<b>58,072</b>	<b>86,608</b>

## 4.3 Other Assets

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Current Assets</b>		
Member Receivables (Direct and Indirect)	70,919,495	72,804,791
Less: Provision for Doubtful Debt	(72,000)	(50,000)
Net Receivables	70,847,495	72,754,791
Deferred Other Benefits	332,756	203,881
Interest Receivable	19,147,071	4,756,887
Prepaid Expenses	23,192,872	14,802,772
Deposits	1,574,587	1,574,587
Staff Advances	4,592,831	3,331,524
Other Advances	6,500	6,500
<b>Total</b>	<b>119,694,112</b>	<b>97,430,942</b>

## 4.4 Investments

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Investments measured at amortized cost</b>		
Opening Balance	1,248,604,000	842,104,000
Addition/disposal during the year	234,349,000	406,500,000
Net amortization changes during the year	-	-
Adjustment/transfer	-	-
<b>Total</b>	<b>1,482,953,000</b>	<b>1,248,604,000</b>
<b>Non-Current Assets</b>	<b>607,953,000</b>	<b>1,061,604,000</b>
<b>Current Assets</b>	<b>875,000,000</b>	<b>187,000,000</b>

### 4.4.1 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	26,548,635	116,300,000	545,000,000	447,953,000	1,135,801,635	62%
Development Banks	629,429	45,000,000	148,500,000	-	194,129,429	19%
Finance Companies	1,481,917	23,700,000	156,500,000	-	181,681,917	19%
<b>Total</b>	<b>28,664,981</b>	<b>185,000,000</b>	<b>850,000,000</b>	<b>447,953,000</b>	<b>1,511,617,981</b>	<b>100%</b>

#### 4.4.2 Details of Investments

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Details of Investments in Debentures</b>	<b>161,953,000</b>	<b>61,604,000</b>
Debenture-Agriculture Development Bank Ltd.	6,275,000	6,275,000
Debenture-Everest Bank Ltd.	31,320,000	-
Debenture-Global IME Bank Ltd.	70,381,000	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
Debenture-Standard Chartered Bank Nepal Ltd.	7,622,000	-
<b>Details of Investments in Fixed Deposits</b>	<b>1,321,000,000</b>	<b>1,187,000,000</b>
FD - Central Finance Ltd.	-	4,000,000
FD - Citizens Bank International Ltd	88,000,000	37,000,000
FD - Goodwill Finance Ltd.	62,000,000	47,000,000
FD - Guheshwori Merchant Banking Finance Ltd.	71,500,000	99,000,000
FD - Garima Bikash Bank Ltd	17,500,000	33,000,000
FD - ICFC Finance Ltd.	46,700,000	87,000,000
FD - Jyoti Bikash Bank Ltd.	53,000,000	41,000,000
FD - Kamana Sewa Bikas Bank Ltd.	27,000,000	-
FD - Kumari Bank Ltd.	50,000,000	70,000,000
FD - Laxmi Bank Ltd.	81,300,000	7,500,000
FD - Lumbini Bikas Bank Ltd.	43,000,000	13,000,000
FD - Machhapuchchhre Bank Ltd.	50,000,000	40,000,000
FD - Nabil Bank Ltd.	99,000,000	40,000,000
FD - NIC Asia Bank Ltd.	107,000,000	63,000,000
FD - NMB Bank Ltd.	42,000,000	60,000,000
FD - Sanima Bank Ltd.	106,000,000	110,000,000
FD - Shangri-la Development Bank Ltd.	23,000,000	86,000,000
FD - Shine Resunga Development Bank Ltd.	30,000,000	20,000,000
FD - Sunrise Bank Ltd.	91,000,000	68,000,000
FD - Prime Commercial Bank Ltd.	17,000,000	48,000,000
FD - Nepal Investment Mega Bank Ltd.	130,000,000	-
FD - Rastriya Banijya Bank Ltd.	41,000,000	-
FD - Everest Bank Ltd.	25,000,000	-
FD - Global IME Bank Ltd.	20,000,000	-
FD - Mega Bank Nepal Ltd.	-	93,000,000
FD - Muktinath Bikas Bank Ltd.	-	50,000,000
FD - Prabhu Bank Ltd.	-	70,500,000
<b>Total</b>	<b>1,482,953,000</b>	<b>1,248,604,000</b>

#### 4.5 Current Tax Assets

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Advance Income Tax	134,547,575	119,457,425
Provision for Income Tax	(128,801,958)	(119,268,575)
<b>Current Tax Assets/(Liabilities)</b>	<b>5,745,617</b>	<b>188,849</b>

#### 4.6 Settlement Guarantee Fund Deposits

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Settlement Guarantee Fund Deposits (NCHL)	154,518,183	148,717,955
<b>Settlement Guarantee Fund Account</b>		
<b>Opening Balance</b>	<b>1,148,717,955</b>	<b>753,576,349</b>
Add: Contribution during the period (NCHL)	5,800,228	5,141,606
Add: Contribution during the period (Members)	2,550,000,000	710,000,000
Less: Deduction during the period (Members)	(1,330,000,000)	(320,000,000)
<b>Closing Balance</b>	<b>2,374,518,183</b>	<b>1,148,717,955</b>
Less: Settlement Guarantee Fund Liability (NCHL)	(154,518,183)	(148,717,955)
Less: Settlement Guarantee Fund Liability (Members)	(2,220,000,000)	(1,000,000,000)
<b>Total</b>	<b>154,518,183</b>	<b>148,717,955</b>

#### 4.6.1 Settlement Guarantee Fund Liabilities

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Settlement Guarantee Fund - Grant SCF	60,000,000	60,000,000
<b>Total</b>	<b>60,000,000</b>	<b>60,000,000</b>

#### 4.7 Deferred Tax

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Deferred Tax Assets	8,517,823	4,290,651
<b>Deferred Tax Assets/(Liabilities)</b>	<b>8,517,823</b>	<b>4,290,651</b>

#### 4.7.1 Details of Deferred Tax

Particulars	Accounting Base	Tax Base	Temporary Difference	Deferred Tax Assets/ (Liabilities)
<b>Deferred Tax through SOPL items</b>				
Fixed Assets	121,180,747	122,531,881	(1,351,134)	337,784
Right to Use Assets	43,383,751	-	43,383,751	(10,845,938)
Provision for Superannuation Benefits	16,180,716	-	16,180,716	4,045,179
Provision for Leave	8,922,114	-	8,922,114	2,230,529
Lease Liability	49,276,312	-	49,276,312	12,319,078
<b>Closing Deferred Tax Assets/(Liabilities)</b>				<b>8,086,632</b>
<b>Opening Deferred Tax Assets/(Liabilities)</b>				<b>3,321,255</b>
<b>Deferred Tax expense/(income) through Statement of Profit or Loss</b>				<b>(4,765,376)</b>
<b>Deferred Tax through SOCI items</b>				
Actuarial Gain/(Loss)	2,152,816	-	2,152,816	538,204
<b>Opening Deferred Tax Assets/(Liabilities)</b>				<b>969,396</b>
<b>Closing Deferred Tax Assets/(Liabilities)</b>				<b>431,192</b>
<b>Deferred Tax expense/(income) through Statement of Other Comprehensive Income</b>				<b>(4,227,172)</b>
<b>Total Deferred Tax Assets/(Liabilities) for this year</b>				<b>8,517,823</b>

#### 4.8 Property, Plant & Equipment, Intangible Assets and Project WIP

Particulars	Data Centre Assets	Office Equipment	Vehicle	Other Fixed Assets	Total Tangible Assets	Intangible Assets	Right to Use Asset	Total Assets	WIP Project
<b>Cost Price</b>									
<b>Opening Balance</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>
Addition during the Period	11,469,684	18,106,912	-	-	29,576,596	13,419,515	50,920,458	93,916,568	107,603,950
Deletion during the Period / Early Period		(6,632)	-	-	(6,632)	-	-	(6,632)	-
<b>Total</b>	<b>180,322,523</b>	<b>52,481,978</b>	<b>8,067,426</b>	<b>50,912</b>	<b>240,922,839</b>	<b>158,592,165</b>	<b>50,920,458</b>	<b>450,435,462</b>	<b>118,266,874</b>
	<b>Accumulated Depreciation</b>								
<b>Opening Balance</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>	-
For the Period	22,682,612	5,990,178	943,408	2,480	29,618,678	17,023,818	7,536,707	54,179,202	-
Deletion during the Period	-	-	-	-	-	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>130,654,218</b>	<b>18,941,632</b>	<b>6,573,239</b>	<b>50,087</b>	<b>156,219,176</b>	<b>122,115,082</b>	<b>7,536,707</b>	<b>285,870,964</b>	-
<b>WDV as on 31 Asadh 2080</b>	<b>49,668,305</b>	<b>33,540,346</b>	<b>1,494,187</b>	<b>825</b>	<b>84,703,663</b>	<b>36,477,084</b>	<b>43,383,751</b>	<b>164,564,498</b>	<b>118,266,874</b>
<b>WDV as on 32 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>

#### 4.9 Provisions

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Non-Current Liabilities</b>		
Provision for Superannuation Benefits	16,180,716	14,907,136
Less: Superannuation Investment Fund	(8,525,771)	(8,045,631)
	<b>7,654,945</b>	<b>6,861,505</b>
Provision for Leave Accumulation	8,922,114	6,719,999
	<b>16,577,059</b>	<b>13,581,504</b>
<b>Current Liabilities</b>		
Provision for gratuity	21,844	6,484,039
Less: Gratuity Investment Fund	(21,844)	(6,484,039)
	-	-
Provision for Staff Bonus	55,648,024	52,343,853
	<b>55,648,024</b>	<b>52,343,853</b>
<b>Total</b>	<b>72,225,083</b>	<b>65,925,357</b>

#### 4.10 Other Liabilities

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Accounts Payable	20,733,395	15,678,923
TDS Payable	2,557,538	2,218,848
Sundry Creditors	19,702,304	16,610,374
Advance Incomes	48,430,676	52,557,461
<b>Total</b>	<b>91,423,913</b>	<b>87,065,606</b>

##### 4.10.1 Details of the Advance Incomes

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Login Id Fee	22,420,500	23,993,594
Network and Connectivity Management	3,947,330	4,284,864
Membership Renewal Fee	3,604,167	4,190,104
Software AMC Fee	4,830,938	5,812,708
NCHL-IPS/NPI Subscription Fee	11,298,575	11,336,519
connectRTGS Annual Fee	2,329,167	2,936,712
NCHL-IPS/connectIPS Creditor Listing	-	2,959
<b>Total</b>	<b>48,430,676</b>	<b>52,557,461</b>

#### 4.11 Lease Liability

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Non-Current Liabilities	36,908,667	-
Current Liabilities	12,367,645	-
<b>Total</b>	<b>49,276,312</b>	-

#### 4.12 Share Capital

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Authorized Capital</b>		
10,000,000 Ordinary Shares of NRs. 100/- each	1,000,000,000	1,000,000,000
<b>Issued Capital</b>		
7,833,758 Ordinary Shares of NRs. 100/- each	783,375,800	567,663,600
Subscribed Capital		
7,833,758 Ordinary Shares of NRs. 100/- each	783,375,800	567,663,600
<b>Paid up Capital</b>		
7,833,758 Ordinary Shares of NRs. 100/- each	783,375,800	567,663,600
Less: Calls in Arrears	-	-
Deposit for Share	-	-
Bonus Share	-	-
<b>Total</b>	<b>783,375,800</b>	<b>567,663,600</b>

#### 4.13 Reserve & Surplus

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
<b>Technology Enhancement Reserve</b>	<b>359,286,998</b>	<b>283,927,872</b>
Opening Balance	283,927,872	213,003,167
Transfer during the Period	75,359,127	70,924,704
<b>Land &amp; Building Reserve</b>	<b>4,929,413</b>	<b>3,045,435</b>
Opening Balance	3,045,435	1,272,317
Transfer during the Period	1,883,978	1,773,118
<b>Cyber Risk Reserve</b>	<b>159,022,805</b>	<b>121,343,242</b>
Opening Balance	121,343,242	85,880,890
Transfer during the Period	37,679,563	35,462,352
<b>Reserve for Actuary Gain/(Loss)</b>	<b>(1,293,577)</b>	<b>(2,908,189)</b>
Opening Balance	(2,908,189)	359,855
Transfer during the Period	1,614,612	(3,268,043)
<b>General Reserve &amp; Surplus</b>	<b>504,736,412</b>	<b>473,123,231</b>
Opening Balance	473,123,231	391,200,094
Less: Bonus Share Capital	(215,712,200)	(156,313,200)
Less: Cash Dividend	(11,353,274)	(8,227,011)
Less: Lease Expenses (Adjustment as per NFRS 16)	(3,194,310)	-
Transfer during the Period	261,872,965	246,463,348
<b>Total</b>	<b>1,026,682,052</b>	<b>878,531,591</b>

#### 4.14 Operating Income

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
ECC Transaction Fees - NPR	119,646,415	140,288,735
ECC Transaction Fees - USD	369,135	209,610
ECC Transaction Fees - EUR	37,965	14,940
ECC Transaction Fees - GBP	43,605	25,755
ECC Transaction Fees - Express	218,721,900	203,109,400
ECC Transaction Fees - Archive	3,345,585	2,407,200
ECC Transaction Fees - High Value	25,500	26,300
ECC Other Fees & Charges	18,329,601	25,645,967
IPS Transaction Fees - NPR	73,833,405	64,878,355
IPS Transaction Fees - USD	44,970	30,070
IPS Transaction Fees - EUR	250	11,445
IPS Transaction Fees - GBP	430	510
IPS Other Fees & Charges	118,270	66,147
connectIPS/RPS Income	309,345,471	274,218,993
Less: Revenue Sharing	(154,672,737)	(137,109,498)
Net connectIPS/RPS Income	154,672,734	137,109,495
connectRTGS Annual Fee	4,757,546	4,383,973
Membership Fee	-	75,000
Membership Renewal Fee	7,429,688	7,781,250
Software AMC Fee	9,498,021	10,022,813
NCHL IPS/NPI Subscription Fee	25,869,194	23,226,215
NCHL-IPS/connectIPS Creditor Listing	2,959	357,644
Login ID Fee	35,256,094	33,728,727
Network Connectivity & Management Fee	9,130,847	8,219,996
<b>Total</b>	<b>681,134,113</b>	<b>661,619,546</b>

#### 4.15 Operating Expenses

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
AMC for ECC Software - NCHL	10,125,264	8,658,719
AMC for ECC Software - BFIs	38,184,536	34,634,877
AMC for IPS Software	4,923,982	4,593,294
AMC for Oracle	10,068,190	9,621,838
AMC & Renewal - Network/Firewall	2,124,099	2,384,074
Network & Data Connectivity Charges	5,302,804	5,207,653
AMC Expenses - Hardware	4,866,795	3,653,962
AMC Expenses - Internal S/w & H/w	3,346,251	2,003,364
Direct Expenses (SMS & Bulk Email)	9,723,384	10,314,911
DR/DC Expenses	3,883,577	3,023,374
Member Training/Orientation Expenses	1,307,873	285,535
Direct Expenses	1,677,954	514,440
<b>Total</b>	<b>95,534,709</b>	<b>84,896,041</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.

#### 4.16 Administrative Expenses

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Advertisement & Public Notice	496,458	471,432
AGM Expenses	637,712	563,305
Audit Expenses (Internal/External/ISO/VAPT/Actuarial)	894,612	1,200,436
Bank Commission	63,952	42,203
Books and Subscription Expenses	27,200	27,850
Business Promotion Expenses	20,761,983	30,459,627
Common Area & Parking Expenses	1,487,126	1,246,583
Consultancy Fee	62,150	173,450
Courier Expenses	64,102	87,421
Doubtful Debt	62,000	50,000
Electricity Expenses	1,998,054	1,649,590
Fine & Penalties	-	305,961
Fuel Expenses	519,669	391,463
Insurance Expenses	3,251,637	1,480,685
Legal Fee	395,095	144,440
Local Conveyance	45,870	7,806
Meeting Allowance & Expenses	1,499,195	1,317,540
Office Expenses	1,573,220	1,286,211
Other Expenses	512,178	616,712
Support Staff Expenses	5,555,317	3,117,273
Printing & Stationery	256,417	230,014
Registration & Renewal	87,350	86,900
Rent - Office Space	-	5,596,367
Repair & Maintenance	443,159	385,828
Telephone Expenses	495,882	606,454
Travelling Expenses	478,694	123,304
Website Development / Hosting Expenses	1,317	72,888
<b>Total</b>	<b>41,670,349</b>	<b>51,741,743</b>

##### 4.16.1 Lease Expenses

Lease Category	Lease Rental Expenses	Lease End Date (in B.S.)	Inflationary Incremental Rate	Cancellation Notice Period
Rent – Kamaladi Complex (Block I)	1,331,433	2087/08/30	5% p.a	180 days
Rent – Kamaladi Complex (Block II)	2,047,777	2089/02/32	5% p.a	180 days
Rent – DD Plaza (1st Floor)	1,793,511	2084/06/16	8%	90days
Rent – DD Plaza (2nd Floor)	1,760,721	2084/06/16	8%	90 days
Rent – DD Plaza (3rdFloor)	1,804,272	22084/06/16	8%	90 days
<b>Total</b>	<b>8,737,714</b>			



#### 4.17 Human Resources Expenses

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Staff - Salary & Allowance Expenses	73,521,473	49,841,184
Staff - Provident Fund Contribution	4,871,204	3,331,805
Staff - Performance Based Variable Incentives	2,737,235	2,300,729
Staff - Tech Allowance	2,643,642	-
Staff - Dashain Allowance	3,310,512	2,326,335
Staff - Gratuity/Superannuation Benefit	7,195,483	5,150,034
Staff - Leave	1,500,480	2,482,851
Staff - Leave Fare Allowance	1,437,232	1,061,975
Staff - Other Benefits	10,571,594	6,867,412
Staff - Training Expenses	752,222	283,682
Staff - HR activity	883,626	696,614
Less: Capitalization - Product Development	(33,726,976)	(13,362,546)
<b>Total</b>	<b>75,697,727</b>	<b>60,980,075</b>

#### 4.18 Finance Cost (Actuarial and Lease Liability)

Particulars	Ashadh 31, 2080 (16 July 2023)	Asadh 32, 2079 (16 July 2022)
Finance Cost-Lease	3,899,260	-
Finance Cost-Superannuation	1,335,023	-
Finance Cost-Leave	571,899	-
<b>Total</b>	<b>5,806,182</b>	<b>-</b>

## 5. DISCLOSURE AND ADDITIONAL INFORMATION

### 5.1. Related Party Disclosure

Following are the related party transactions.

#### 5.1.1. 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. NCHL SGF account and current account balance at Nepal Rastra Bank as of the end of Ashadh 2080 are NRs. 2,374,518,183 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 2080 is NRs. 61,855. The company has debenture amounting NRs. 9,754,000 in the bank. The debenture matures on 26<sup>th</sup> 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 2080 is NRs. 107,686. The company has following debentures as on Ashad end 2080 in the bank.

S. No.	Debenture-Amount	Maturity Date
1.	NPR 8,974,000	10 <sup>th</sup> April, 2024 (2080 Chaitra 28)
2.	NPR 47,026,000	30 <sup>th</sup> August, 2029 (2084 Bhadra 14)
3.	NPR 14,381,000	24 <sup>th</sup> February, 2028 (2084 Falgun 12)
	<b>NPR 70,381,000</b>	

#### 5.1.2. 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 current Board (i.e. Siddhartha Bank Ltd.) were made prior to their representation in the Board.

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

1. Following are the members of the Board of Directors as on 31<sup>st</sup> Ashadh 2080:
  - 1) Mr. Dayaram Sharma Pangen, Chairman - Nepal Rastra Bank
  - 2) Mr. Ujjal Rajbhandary, Director - Himalayan Bank Ltd.
  - 3) Mr. Mahesh Sharma Dhakal, Director - Nepal Investment Mega 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.
  - 7) Mr. Jagadish Dahal - Independent Director
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. During the fiscal year, the company incurred total meeting allowances of NRs. 1,237,500. The details of the Meeting allowances are given below:

S.No.	Meeting	Meeting Allowance
1.	Board Meeting	7,35,000
2.	Audit Committee Meeting	97,500
3.	HR Committee Meeting	172,500
4.	NPS High Level Committee Meeting	210,000
5.	Merger and Acquisition Committee	22,500
	<b>Total</b>	<b>1,237,500</b>

3. The Chief Executive Officer during the fiscal year has been paid NRs. 7,140,000 as salary and allowances, NRs. 1,220,150 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. 316,235 and mobile expenses of NRs. 16,507 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.

## 5.2. Management Committee and Staff Welfare Committee

1. Following are the members of Management Committee as on 31<sup>st</sup> Ashadh 2080:
  - 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. Kshitiz Adhikari, Head - Account & Finance
2. A Staff Welfare Committee was constituted in FY 2071/72 (2014/15) as per the Clause No. 47 of NCHL Employee Service Rules by the Management 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. Kshitiz Adhikari, Head - Account & Finance, Member Secretary
  - 3) Ms. Swosti Ranabhat, Helpdesk Support In-charge, Member

## 5.3. National Payment Switch (NPS) Project

NCHL has prepared a separate reporting schedule of the National Payment Switch (NPS) project based on the project's utilization of the company's resources and reserves. The schedule includes income generated through NEPALPAY QR, NEPALPAY Instant, NEPALPAY Request, Biller Gateway 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	681,134,113	2,309,755
Less: Direct Expenses	95,534,709	4,472,200
<b>Gross Profit</b>	<b>585,599,404</b>	<b>(2,162,446)</b>
Indirect Income	148,234,295	-
Less: Indirect Expenses	41,670,349	11,143,238
Less: HR Expenses	74,855,957	33,726,976
Less: Finance Cost (Lease+ Superannuation+ Leave)	6,680,919	1,202,566
<b>Operating Profit</b>	<b>610,626,473</b>	<b>(48,235,225)</b>
Less: Depreciation/Amortization	54,800,129	8,394,270
Less: Staff Bonus Provision	55,582,634	-
<b>Product PBIT</b>	<b>500,243,709</b>	<b>(56,629,495)</b>

## NPS Reporting - Financial Position

Particulars	Total	NPS Project
<b>Assets</b>		
Fixed Assets & WIP Projects	285,829,419	82,456,682
Cash & Bank Balance (with FDs)	1,511,617,981	-
Settlement Guarantee Fund Deposits	154,518,183	154,518,183
Other Assets	137,121,551	-
<b>Total</b>	<b>2,089,087,134</b>	<b>236,974,865</b>
<b>Liabilities</b>		
Total Liabilities	273,317,550	60,000,000
<b>Total Liabilities</b>	<b>273,317,550</b>	<b>60,000,000</b>
<b>Net Worth</b>	<b>1,815,769,584</b>	<b>176,974,865</b>
Accumulated Reserve	-	(56,629,495)
<b>Total Investment</b>	<b>1,815,769,584</b>	<b>233,604,360</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.

### 5.4. 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:

#### 5.4.1. 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 3rd party service providers for major developments and/or changes thereon as a part of the information security (IS) assessments.

#### 5.4.2. Disaster Recovery and Business Continuity Plan

1. NCHL has set up a fully functional primary Disaster Recovery Site, 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 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.

#### 5.4.3. 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 Retail Payment Switch/ *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 reasons 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 due to recent downward revision, any further revision 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 that not only its objectives are met but is business justified and self-sustaining also.
6. Under the current changing dynamics of the market, there is always a business or market risk for NCHL. As NCHL venture towards a more cashless society, services like the existing payment systems, channels and instruments under retail, institution and government sectors will be the major revenue generators. More innovation and R&D for new products, will be made so as to maintain its competitiveness. Value addition on the existing products will be carried out so as to maintain its leadership in the market. As per our existing risk management framework, NCHL evaluates its Strategic, Compliance, Financial, Operational risks so as to maintain its effectiveness in delivery.

#### 5.4.4. 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 Retail Payment Switch 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 systems, 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 Retail Payment Switch (RPS) is a real time retail payment system for processing of instant payments. It allows a creditor bank to credit its 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 BFIs at the time of settlement of RPS. The cash contribution in the SGF made by NCHL and the participating banks are held at NCHL SGF Account at Nepal Rastra Bank. As an alternate guarantee mechanism, BFIs can also provide bank guarantee to NCHL as alternate contribution to SGF.
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.

#### 5.4.5. Credit Risk

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. Since NCHL has exposure to regulated entities like BFIs, the credit risk is limited. 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. However, it is mitigated by timely monitoring of receivables. NCHL has robust accounts receivable collection mechanism which has ensured insignificant level of credit risk since inception. The investments of NCHL is in high grade investment categories reducing the credit risk exposure to near minimal

#### 5.4.6. 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.

#### 5.4.7. 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.

#### 5.4.8. 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.

#### 5.5. 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 entities. The case is still active and under consideration of the court.

#### 5.6. Profit Appropriation

##### 5.6.1. 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.

##### 5.6.2. Proposed Dividend and Bonus Share

1. The Board of Directors has proposed 28.5% of Bonus Shares (equivalent to 2,232,621 units of shares rounded for the decimal figure) and 1.5% of Cash Dividend for tax purpose (amounting to NRs. 11,750,637) from the Profit of the FY 2079/80, 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

## बाह्रौं वार्षिक साधारण सभा सम्बन्धी सूचना

(पहिलो पटक प्रकाशित हुने मिति २०८०/०७/२६)

श्री शेयरधनी महानुभावहरू,

यस कम्पनीको सञ्चालक समितिको मिति २०८०/०७/२४ मा बसेको २२६ औं बैठकको निर्णय बमोजिम यस कम्पनीको बाह्रौं 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 : २०८० साल मंसिर महिना १७ गते आइतबार (तदनुसार 3<sup>rd</sup> December 2023, Sunday)

स्थान : होटल ज्याडिसन, लाजिम्पाट, काठमाडौं ।

समय : दिउँसो १२:१५ बजे

छलफल गर्ने विषयहरू :-

क. साधारण प्रस्ताव:

१. सञ्चालक समितिको आ.व. २०७९/८० को प्रतिवेदन पारित गर्ने ।
२. लेखापरीक्षण प्रतिवेदनसहितको २०८० आषाढ मसान्तसम्मको वासलात तथा सोही मितिमा समाप्त आ.व. २०७९/८० को नाफा नोक्सान हिसाब तथा नगद-प्रवाह विवरण स्वीकृत गर्ने ।
३. सञ्चालक समितिले प्रस्ताव गरे बमोजिम १.५० प्रतिशत नगद लाभांश (रु.१,१७,५०,६३७) बोनस शेयर वापतको कर प्रयोजनका लागि स्वीकृत गर्ने ।
४. आ.व. २०८०/८१ को लागि वाह्य लेखापरीक्षकको नियुक्ति तथा निजको पारिश्रमिक निर्धारण गर्ने ।

ख. विशेष प्रस्ताव:

१. सञ्चालक समितिले प्रस्ताव गरे बमोजिम २८.५० प्रतिशत बोनस शेयर (दशमलबलाई राउन्ड गर्दा हुन आउने २२,३२,६२१ कित्ता) स्वीकृत गर्ने ।
२. कम्पनीको अधिकृत पूँजी वृद्धि गरी रु. २ अरब पुऱ्याउन स्वीकृत गर्ने । अधिकृत पूँजी वृद्धि गर्न र बोनस शेयर बराबर चुक्ता पूँजी वृद्धि गर्न प्रबन्धपत्रको संशोधन स्वीकृत गर्ने ।
३. प्रस्तावित संशोधनमा नियमनकारी निकायहरूबाट कुनै फेरबदल वा सुझाव प्राप्त हुन आएमा आवश्यक फेरबदल गर्न कम्पनीको सञ्चालक समिति वा सञ्चालक समितिले तोकेको कुनै पदाधिकारीलाई अधिकार प्रत्यायोजन गर्ने अख्तियारी दिने ।
४. अन्य उपयुक्त संस्थासँग गाभन/गाभिन वा प्राप्त गर्न उपयुक्त देखिएमा कम्पनीको शेयर स्वामित्व संरचनामा साविक भैँ नेपाल राष्ट्र बैंक र बैंक वित्तीय संस्थाहरू मात्रै कायम रहने गरी गाभन/गाभिन वा प्राप्त गर्ने कम्पनीको मूल्याङ्कनका लागि मूल्याङ्कनकर्ता नियुक्त गर्ने, गाभन/गाभिन वा प्राप्त गर्ने सम्बन्धी सम्झौता गर्ने तथा सो सम्बन्धी आवश्यक अन्य सम्पूर्ण कार्य अगाडि बढाउन सञ्चालक समितिलाई अख्तियारी प्रदान गर्ने ।
५. वित्तीय तथा भुक्तानी सम्बन्धी प्रविधिमा अनुसन्धान लगायत प्रविधि र सफ्टवेयरको विकास समेत गर्ने उद्देश्यसहित कम्पनीको सहायक कम्पनीको रूपमा छुट्टै पब्लिक लिमिटेड कम्पनी खोल्ने सम्बन्धमा सम्भाव्यता अध्ययन, यस सम्बन्धमा गर्नुपर्ने समन्वय र अन्य आवश्यक प्रक्रिया अघि बढाउन सञ्चालक समितिलाई अख्तियारी प्रदान गर्ने ।

ग. विविध ।

सञ्चालक समितिको आज्ञाले  
कम्पनी सचिव



## साधारण सभा सम्बन्धी अन्य जानकारी

- (१) शेयरधनीज्यूहरूको ठेगानामा हुलाक/कुरियरबाट पठाइने वार्षिक साधारण सभाको प्रतिवेदन यस कम्पनीको वेभसाइट [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 का दफा ७८ बमोजिमको प्रतिवेदन समेतका कागजातहरू कम्पनीको रजिष्टर्ड कार्यालय, कमलादी काठमाडौंमा कार्यालय समय भित्र निरीक्षण गर्न तथा त्यसको प्रतिलिपी माग गरेमा प्रतिलिपी दिने व्यवस्था मिलाईएको छ ।
- (३) सभामा उपस्थित हुने शेयरधनी कम्पनीको प्रतिनिधित्व गर्ने आधिकारिक पत्र साथमा लिई आउनुहुन अनुरोध छ । कथम कदाचित् सो सम्भव नभए 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 १२:१५ बजे देखि सभा चालु रहेसम्म खुल्ला रहनेछ ।
- (६) अन्य कुनै जानकारीका लागि कम्पनीको रजिष्टर्ड कार्यालय, कमलादी, काठमाडौंमा सम्पर्क गर्नु हुन अनुरोध छ ।



नेपाल क्लियरिङ हाउस लिमिटेड

तेश्रो तल्ला, डि. डि प्लाजा, कमलादी, काठमाडौं

पो.ब.नं. २१४००, फोन नं. ०१-५९७००६५

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

# PROXY FORM

## प्रोक्सी फाराम

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

विषय : प्रतिनिधि नियुक्ति गरेको बारे ।

महाशय,

.....जिल्ला.....न.पा./गा.वि.स. वडा नं.....बस्ने म/हामी .....

.....ले त्यस कम्पनीको शेयरधनीको हैसियतले २०८० साल मंसिर महिना १७ गते आइतबारका दिन हुने बाह्रौं 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 शेयरधनी 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:-

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





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

ISO 27001:2013 Certified Company