

NRB issues single borrower limit for ‘recovered’ FIs

Nepal Rastra Bank (NRB) — the central regulatory and monetary authority — has instructed financial institutions (FIs) that were termed ‘problematic’ earlier and have recently resumed operations after NRB’s resolution not to float loan in excess of 10 per cent of core capital of the FI while extending credit to a single borrower.

This provision will be applicable till the ‘recovered’ FIs do not meet the paid-up capital requirement of the central bank. The ‘recovered’ FIs are required to meet hiked paid-up capital requirement within two years of resuming operations after the central bank’s resolution.

Other banks and financial institutions can issue loans up to 25 per cent of their core capital while extending credit to a single borrower. In the cases of loans to hydropower sector, central bank is flexible to some extent in permissible single borrower limit.

After the central bank’s resolution, some ‘recovered’ FIs have resumed operations. These include General Finance (recently changed its name to Best Finance), Arun Finance, Lalitpur Finance and Kuber Merchant Finance Ltd.

The FIs that have resumed operations after ‘recovering their financial health’ have been given two years to meet the paid-up capital requirement of the central bank, as the Monetary Policy of the current fiscal had announced to provide preferential treatment to them.

The finance companies have to meet the paid-up capital worth Rs 800 million within the grace period extended by the NRB.

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A bunch of finance companies are under the resolution process of the NRB and will come into operation after the resolution process concludes, according to officials at Problematic Bank Resolution Division under NRB.

Source: The Himalayan Times, 19th December 2017