



THE NEPAL CHARTERED ACCOUNTANT

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THE NEPAL CHARTERED ACCOUNTANT

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Editorial

The COVID-19 pandemic has led to a huge loss of human life worldwide and is presenting an unprecedented challenge to public health, food supply chain and the world of work. Today, the global economies are passing through excessive stress and strain. Nepal aspiring to graduate itself from a least developed country status, still stands highly vulnerable to the unfolding COVID-19 Pandemic. Due to the effect of the Pandemic, Nepal's gross domestic product (GDP) has witnessed a negative growth rate of 1.99 percent in the last fiscal year, as per Central Bureau of Statistics.

However, the economies of South Asian countries are in a state of rebounding. The report published by the World Bank states that economic growth is set to increase by 7.2 percent in 2021 and 4.4 percent in 2022 in the South Asian region. Nepal's GDP is projected to grow by 2.7 percent in the fiscal year 2021-22 and recover to 5.1 percent by 2023. The improved economic outlook, reflects countries' efforts to keep their COVID-19 caseload under control and roll out vaccine campaigns, and the governments' decisions to transition from widespread lockdowns to more targeted interventions, accommodating monetary policies and fiscal stimuli-through targeted cash transfers and employment compensation programs-have also propped up recovery. Today when we have unlocked the locked, the country needs support from all quarters towards its dream to become middle income country.

The Accounting Profession is an essential part of the national structure and fully realizes that it needs to remain an integral part of mainstream economic activities and contribute to the reversal of any negative fallout on business. Accounting Professionals with their incisive knowledge of the business world are the best suited to assist, guide, participate and promote the economics activities in this tough time.

With new normal, the organizations and companies have had to invest more money to set up ICT departments to leverage digital solutions for business continuity. They have also come up with tech and digital solutions and customized products to suit their clients' needs. The corona Pandemic era has basically necessitated the use of

technology to enable social distancing, while at the same time ensured productivity is boosted.

As professionals, members of ICAN have an invaluable role to play in helping the companies survive during the COVID-19 and its economic after math. With the pandemic and the new normal, every company in Nepal needs proper counsel and practical advice more than ever. The companies our members work with will be looking for advice not only about finance and compliance but also about their future strategy in a changing world. In the challenging times, their services become more critical. The best thing to do is to act in public interest with compassion and help clients make decisions that will improve their financial resilience in the days ahead.

As the economy and education sector was shrouded by the COVID 19, the Institute continued to serve in the best possible manner for the benefits of its students, members and the wider stakeholders. Despite setback, ICAN speeded up all its activities maintaining social distance. Online meeting, seminar, training, workshops, webinars, orientation, revision classes have now become a day-to-day business. It seems, we have been able to get on with these.

However, due to spike in new COVID-19 cases, and resurgence of the virus in new strains, the world is again grappling against this unknown enemy. The Government has been issuing new protocols to deal with this new wave of virus. It is our duty to abide by the Government directions and discharge our duty as a law abiding citizen. Social distancing, masks and sanitizers (SMS) is a must to protect oneself and also to protect others around us. As Nepali New Year 2078 (B.S.) is beckoning, Institute offers warm wishes to all. 'Sarve Santu Niramaya' (May all be free from illness)



President's Message

Dear Professional Colleagues,

At the outset, I would like to express my gratitude to Council members and accounting fraternity for unanimously electing me as 24th President of our prestigious Institute for the period of 2020/21. It is my immense pleasure to give my first communication in the capacity of President before you in the “The Nepal Chartered Accountant” Journal of March 2021 Edition. The year 2077 has been an unprecedented and unpredictable year strewn with numerous ups and downs, yet the lessons we learnt from it are far greater in degree of significance and magnitude. The changing global scenario due to Covid-19 taught us for preparedness for happening unforeseen movement. COVID- 19 affected the countries, businesses, professions as well as individual’s daily routine life. The major sectors are badly affected in the world and still struggling for survival. The corona virus (COVID-19) has touched every aspect of our lives and unfolded an unprecedented healthcare cum economic crisis across the globe.

As soon as we learnt that we have to embrace new normal, we here at ICAN transformed the mode of delivery of all the activities virtually. The ICAN continued it’s services without any interruptions or slackness throughout the period of lockdown. We conducted meetings, Members' Conference, Trainings, Workshops, and Classes through online platform which are now being conducted on regular basis. One of the biggest challenges that we have accomplished during the year is holding of Chartered Accountancy Examination for all three levels successfully during December, 2020 in the pandemic situation by complying with all precautions and social distancing measures.

I feel privileged to share with you some of the major activities that the Institute has recently undertaken.

The Institute has signed the Mutual Recognition Agreement (MRA) with the Institute of Chartered Accountants of India (ICAI) on 22 October, 2020 in a virtual ceremony. The objective of this MRA is to enable qualified Chartered Accountant members of either Institute to join the other Institute by receiving appropriate credit for their existing accountancy qualification. This MRA has facilitated mutual recognition of qualification of both the Institutes and has provided a pathway to obtain membership of either Institute by complying with some pre-requisite conditions. Similarly, the Institute has waived one year internship requirement for the members of Foreign Member Bodies to obtain membership of the Institute.

Further, for the organized and smooth operation of Institute’s activities and decision-making process the Organogram

of the Institute has been revamped by establishing Administrative and Technical Directorate besides some amendments in ICAN Rule 2061.

Disciplinary actions being core to the regulating of the profession, the Council of the Institute has approved Disciplinary Investigation Procedure 2077 for systematic handling of all the cases lodged against the members and it's timely settlement.

The Institute with a view to enhance the competencies of it's members, has been regularly conducting Continuous Professional Education (CPE) Programs, Members Capacity Development Program along with Workshops/ Seminars in joint effort with other regulatory bodies and professional associations. Institute has published CPE Calendar for the F.Y 2077/78. Considering the widespread base of our members CPE programs are being conducted in different parts of the country. CPE trainings are focused on the technical standards guiding our practice, ethical standards, information technology, and contemporary issues.

The Institute has organized different National and International programs in regular interval. Institute has organized Global Webinar on Digitalization of Economy and Accounting Profession, Online IFRS Course (in technical support of CA Sri Lanka), Online Forensic Accounting and Fraud Detection (in technical support of ICAI), Online NAS for NPO's, NFRS for SMEs, Online training on An Insight about IS Audit and IT Control Environment, Online training on Audit Documentation, Online training on Valuation Standards (in technical collaboration with ICAI), Online Training on NFRS Compliant Financial Statements, Online training on School Audit, CPE trainings etc. Similarly, the Institute has started Online Information System Audit Certification Course (in technical support of ICAI) in 30th March 2021.

The Institutional expansion in different location is the area of priority for us. In this regard, the Institute has formed a seven members Branch Coordination Committee for the FY 2077/78 at all branches to have a better coordination of branch activities and to better serve the members, students and stakeholders related to accounting profession.

I would like to bring to your notice that after completing the restructuring process, the Institute has recruited new staffs ranging from Assistant Director to Director Level for

smooth and efficient service delivery to the stakeholders. Creating hassle free work environment for stakeholders at the Institute is equally important. In this connection, the Institute has started online registration of students of CAP I and CAP II level. This can help students to save time which they can devote on educational activities.

For aligning the financial reporting practices with IFRS and following global standards, the Institute has prescribed new date of applicability of Nepal Financial Reporting Standards for Small and Medium Sized Entities (NFRS for SMEs), Nepal Accounting Standards for Not-for-Profit Organizations (NAS for NPOs) and Nepal Accounting Standards for Micro Entities (NAS for MEs) mandatory applicable from July 15, 2021 (Fiscal year 2078/79). The Institute has also decided to carve out some of the Standards in NFRS/NAS applicable to Banking and Financial Sectors for some period to manage the difficulties and challenges prevailed in implementing the Standards with alternative treatment.

The Institute has also signed MoU with the systems supplier Vritti Solutions Limited to facilitate it's practicing members in accessing the technology based system to manage their offices and practices.

As the economies emerge from hibernation, the accounting community should strive to find innovative solutions to support governments and businesses in combating the aftermath of the events that have taken place this year. Once again, I extend my appreciation to the Council members, government authorities, entire membership and stakeholders for reposing trust on me to lead the Institute and assure all of you my level best to further uplift the glory of the Institute and our profession with the support of the council members, members and the staff. Additionally, I would like to appreciate our predecessors for their untiring efforts in bringing the institute at the present stage.

Before I conclude, I wish you all a very happy new year 2078. Stay safe and stay healthy.

With best regards

CA. Madan Krishna Sharma
President, ICAN

Compliance of Anti-Money Laundering and Counter Financing on Terrorism Laws with respect of Accounting Profession

Nepal has made several efforts in order to comply with anti-money laundering and CFT standards. Nepal is working as part of international community and making it's efforts on it's own. Nepal's efforts can be seen in two parts. First, Nepal's international commitment and international solidarity in action and second, efforts made within domestic regime.



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Abstract - This article makes an assessment of duty of accounting professionals in terms of compliance to Anti-Money Laundering (AML) and Counter Finance on Terrorism (CFT) standards which are being upgraded continuously globally and locally. The AML CFT related laws require accounting professionals to comply with it and to make sure that their clients also comply with it. However, there are some rooms where accountants do not have their reach but they are supposed to ensure the compliance in overall. The situation at this point is challenging. We, accountants, are being exposed to the risk increasingly and we might

not have known the risk in many of the occasions. Therefore, we need to reform laws, policies and practices. After making such assessment, this article has made some recommendations for reforms too in the existing laws and regulation related to Anti-Money Laundering (AML) and Counter Finance on Terrorism (CFT).

A. Concept of Money Laundering

Money laundering means the ways in which criminals change “dirty” money and other assets into “clean” money or assets that have no obvious links to their criminal origin.

There are three basic stages of money laundering. They are -

- i. **Placement-** During placement, “dirty” money derived from criminal activities is placed in the financial system.
- ii. **Layering-** To conceal the illegal origin of the placed funds and thereby make them more useful to criminals, the funds must be moved, dispersed, and disguised. Layering is the process of disguising the source of the funds through layers of financial transactions.
- iii. **Integration-** Once the funds are layered and can no longer be traced back to their criminal origins, they are integrated into the financial system and now appear “clean” and available for use by criminals. If layering has been successful, integration places the laundered money back into the economy and financial system in such a way that they appear as clean and legitimate¹.

The Financial Action Task Force (FATF) defines money laundering as “the processing of criminal proceeds to disguise their illegal origin” in order to legitimize the ill-gotten gains of crime².

The preamble of Money Laundering Prevention Act states that it is expedient to provide for legal provisions to prevent laundering of criminally earned money (assets). Therefore, the basic objectives of the Act is to prevent the money laundering activities and stop the financing to terrorism activities within Nepal or Abroad.

Section 3 of Chapter 2 of the Money laundering Prevention Act has given the list of the activities which are regarded as the offence for money laundering. The Act restricts to launder the assets or

cause to launder the assets of illicit origin. The Act describes the following provisions³.

- a. No person shall hide the Assets of illicit origin or transfer such assets to save the person from legal proceedings, involved in offence even after knowing or sufficient reason to believe that such assets were earned from offence.
- b. No person shall hide, change or disguise the right nature, place, disposition, movement, ownership or right on assets even after knowing or sufficient reason to believe that such assets was earned from offence.
- c. No person shall acquire, use or hold the assets knowingly or sufficient reason to believe that such assets were earned from offence.

Chapter 2 (B) of the Money Laundering Prevention Act gives a broad picture about the scope of the definition of the crime under the money laundering Act⁴. According to this provision of the Act, the scope of definition of money laundering is very broad with far and wide scope of it's operation. It is unique that the Money Laundering

³ Money Laundering Prevention Act, 2008.

⁴ (a) Offences under the prevailing arms and ammunitions laws,
 (b) Offences under the prevailing foreign exchange regulation laws,
 (c) Offences of murder, theft, cheating, forgery documents, counterfeiting, kidnap or abduction under the concerned prevailing laws,
 (d) Offences under the prevailing drug control laws,
 (e) Offences under the prevailing national park and wild animals conservation laws,
 (f) Offences under the prevailing human trafficking and transportation control laws,
 (g) Offences under the prevailing cooperatives laws,
 (h) Offences under the prevailing forest laws,
 (i) Offences under the prevailing corruption control laws,
 (j) Offences under the prevailing bank and financial institution laws,
 (k) Offences under the prevailing banking offence and punishment laws,
 (l) Offences under the prevailing ancient monuments conversation laws,
 (m) Other offences under any other law that Government of Nepal prescribes by publishing a notice in the Nepal Gazette.

¹ <https://www.adb.org/sites/default/files/publication/184373/handbook-aml.pdf>

² (<https://www.oecd.org/tax/crime/money-laundering-and-terrorist-financing-awareness-handbook-for-tax-examiners-and-tax-auditors.pdf>)

Prevention Act defines the act of money laundering under other Acts too. Further, this Act also broadens the scope of definition of money laundering under several international instruments.

The list of activities causing money laundering is very long. The Act includes activities related to tax evasion, organized crime, investment in terrorist activities so on and so forth.

B. Concept of Counter Financing of Terrorism

Money laundering has main two aspects. First, it is about the source of money. It concerns from where the money comes? Second, it is about the movement of money. How and why the money moves. Even if somebody has valid source of money and it is parked in a bank or financial institution, the money cannot and should not move without purpose. The money laundering law looks into every purpose of the money why? it is moved and how it is moved. If one owner of money has parked the money in a bank or financial institution and wants to move the money without purpose or without disclosing the purpose, the transaction can be a suspicious transaction. When an owner of money cannot or does not disclose the purpose of the movement of his/her money, such money can be used for any activities including the activities related to terrorism financing. This is the point where an accountant and auditor have to make sure that money in every transaction is moved for a valid and justified purpose.

Terrorist financing involves dealing with money or property that may be used for financing terrorist activities. The funds and property may be from either legitimate or criminal sources. They may be small amounts. Money laundering and terrorist financing are tightly related. The Money Laundering Prevention Act has a long list when an act can be considered as an investment on Terrorist activity. Section 4 (B) of the Act mentions a long list of international conventions⁵ to be complied with for the

purpose of compliance of CFT.

Further, the Act requires to comply with any other convention related to CFT that Nepal may be a party in future. The Act may also be applied for the activities held outside Nepal. The Act prescribes duties for banks and financial institutions for the purpose of compliance of Anti Money Laundering and CFT activities. The Act also prescribes similar duties for non-financial institutions like casino, traders of valuable metals etc. In this way, scope of AML CFT is very wide according to the Act.

C. Position of Nepal with respect to Compliance of Anti- money Laundering and CFT Standards

Nepal has made several efforts in order to comply with anti-money laundering and CFT standards. Nepal is working as part of international community and making it's efforts on it's own. Nepal's efforts can be seen in two parts. First, Nepal's international commitment and international solidarity in action and second, efforts made within domestic regime. The Money Laundering Prevention Act, 2008 has domesticated most of the international commitments and now there is very thin margin between the international and domestic commitments of Nepal in terms of money laundering.

The Government of Nepal has also made several international commitments in terms of money laundering. In this connection, several efforts have been made from the national and international sector to eradicate the

-
- (2) Hague Convention for the Suppression of Unlawful Seizure of Aircraft, 1970,
 - (3) Montréal Convention for the Suppression of Unlawful Acts Against the Safety of Civil Aviation, 1971,
 - (4) Convention on the Prevention and Punishment of Crime Against Internationally Protected Persons Including Diplomatic Agents, 1973,
 - (5) International convention Against the Taking of Hostages, 1979,
 - (6) SAARC Regional Convention on Suppression of Terrorism, 1987,
 - (7) Any Convention against Terrorist Activities to which Nepal is a party.

5 (1) Tokyo Convention on Offences and Certain Other Acts Committed on Board Aircraft, 1963,

financial investments in money laundering and terrorist activities. In this context the Financial Action Task Force (FATF) has proposed forty recommendations as the measures regarding the investments in money laundering and financial sector. Asia Pacific Region Group (APG) has remained in the form of the institution related to financial investment eradication in money laundering and terrorist activities of the countries of the Asia Pacific Region.

Various conventions have been accomplished in the initiation of the United Nations Organization including the drug abuse control, terrorism suppression, corruption prevention and organized crime. There have been regional conventions regarding to the drug abuse control and suppression of the terrorism also at the SAARC regional level. Regional international agencies regarding the banking, insurance, securities have also developed various measures in order to control the crimes.

The FATF has appreciated Nepal's significant progress achieved in improving its AML/CFT regime and notes that Nepal has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2010. Nepal is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Nepal will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report ⁶.

Nepal faces a number of money laundering (ML) and terrorist financing (TF) risks and threats. Primary predicate crimes in Nepal are drug trafficking, human trafficking, arms trafficking, corruption, counterfeit currency, tax evasion and gold smuggling. Significant vulnerabilities relate to the porous Indo-Nepal border including terrorist activity and TF⁷.

Nepal has criminalized ML in the *Asset (Money) Laundering Prevention Act 2008* (ALPA) but there are significant deficiencies in this offence and the range of

predicate offences is not wide enough to comply with the FATF standards. In addition, ancillary offences do not extend to conspiracy and counseling and possibly do not extend to aiding the commission of a predicate offence. Criminal liability for legal persons, as well, is not clearly enacted nor is it pursued by law enforcement and prosecution authorities⁸.

There is a full range of Designated non-financial business and professional (DNFBPs) conduct business in Nepal including 10 casinos, lawyers, real estate agents (although there is no professional agency for real estate agents), accountants, gold dealers, and dealers in precious metals and stones. There is no independent profession of trust and company service providers. But these services are provided by lawyers and accountants⁹.

Nepal has made several legal provisions for the purpose of complying with anti-money laundering and CFT standards. The followings are the major legislations with respect to AML CFT pronounced by the Government of Nepal other Regulatory Bodies.

1. Money Laundering Prevention Act, 2064 (Amendment 2075).
2. Offence Related Property and Materials (Prohibition, Control and Confiscation) Order, 2070.
3. Money Laundering Regulations, 2073.
4. Terrorist Listing Rules
5. Directives Issued by SEBON for Anti Money Laundering and Counter of Terrorism Financing 2074
6. Directives issued by Insurance Board for Anti Money Laundering and Counter of Terrorism Financing 2074
7. Directives issued by Department of Cooperatives
8. Directives to implement UNSCR 1267 and 1373
9. Directives issued by Nepal Rastra Bank for Non-financial Institutions 2076/06/17
10. Suspicious Transactions Reporting Guidelines issued by FIU effective from January 2020

6 <https://www.knowyourcountry.com/nepal1111>

7 <http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=title&pcPage=6>

8 <http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=title&pcPage=6>

9 <http://www.apgml.org/mutual-evaluations/documents/default.aspx?s=title&pcPage=6>

11. Threshold Transactions Reporting Guidelines issued by FIU effective from January 2020
12. AML/CFT National Strategy and Action Plan 2076-2081

With the promulgation of above-mentioned laws and efforts of the government have changed the whole scenario of money laundering in Nepal. With above mentioned context every sectors of country like banking, insurance, casino, gold, accounting, taxation etc. have to issue the directives and compliance along with a proper mechanism harmonized with the global standards. Recently, the Institute of Chartered Accountants of Nepal (ICAN) is also in process to issue the AML/CFT guidelines.

The AML CFT initiatives of Nepal government are tried to be in consonance with the activities of other countries and international standard. Courts of law have also been assertive in this regard. The Department of Money laundering Investigation has filed total 42 cases against various person claiming NPR. 1,84,74,04,503/- till Ashadh end 2075. Thirty three cases were decided till then out of which 31 cases with total sum of NPR. 51,79,58,035/- were in favor of Nepal Government¹⁰. Nepal Government vs Brajesh Kumar Jayaswal¹¹. Nepal government vs Dipak Manange known as Rajiv Gurung¹².

10 http://www.dmlt.gov.np/assets/uploads/files/वार्षिक_प्रगति_प्रतिवेदन_२०७४-२०७५.pdf

11 Brajesh Kumar Jayswal had incorporated a company in Nepal for trading the food items and opened different bank accounts. Even he had opened several bank accounts in a single day. He had withdrawn suspicious big amount using ATM from India. After looking in the transactions, the government found heavy amount was withdrawn in India without reason and concluded that it was siphoning the Money to India and creating the scarcity of Indian currency in Nepal and filed a case under the Money Laundering Prevention Act. The court after considering all the evidences, imposed a fine of NPR 42,52,740/- and imprisonment of 1 year. See, <http://supremecourt.gov.np/court/public/uploads/073-CR-0114.pdf>

12 A case was filed against the Dipak Manange and his wife claiming NPR 14,73,31,806/- earned from criminal activities and invested in land, building, shares of Company under the Section 4 and 28 of Money Laundering Prevention Act 2064. However, the court denied the such claim in the absence of adequate

Under this situation even Nepal is going to have its National Risk Assessment (NRA) in 2020. The country has a challenge to prove with evidences that our Local laws and standards as well as the compliances meets the international standards in combating the Money laundering and terrorism financing. Nepal is working on all fronts like legislations, policy and practice in terms of compliance of AML CFT standards. The executive, legislature and judiciary are engaged in such activities. The standards are also being updated in tune of international developments and local needs.

D. Exposure of Accounting Profession to AML CFT

For an accountant, it will not be enough to comply with the AML CFT standards by oneself. Rather, an accountant should make sure that his/her client has also complied with the AML/CFT standards. An accountant may be exposed to the risk of compliance every day. The followings are some instances to demonstrate how an auditor can be exposed to the risk of compliance of it's clients.

1. The Reserve Bank of India (RBI) imposed penalties ranging from Rs. 50 lakh to Rs. 3 crore on 22 banks, including State Bank of India, Canara Bank, Punjab National Bank, Deutsche Bank and Kotak Mahindra for violating customer identification and anti-money laundering rules. It also issued warning letters to seven other banks. The probe was launched after investigative website Cobrapost raised charges of widespread flouting of the know your customer (KYC) norms and prevalence of money laundering.
2. India has intensified the crackdown on money laundering and terror funding cases as India carried out to over 1,704 cases.¹³

supporting evidences. <http://supremecourt.gov.np/court/public/uploads/069-CR-0102.pdf>

13 India Probing 1,704 Money Laundering terror funding cases 26 June, 2013 (PTI) <http://www.hindustantimes.com/India-news/NewDelhi/India-probing-1-704-money-laundering-terror->

3. A Lebanese bank accused of being at the center of global money-laundering schemes tied to the militant group Hezbollah has agreed to pay a \$102 million settlement, U.S. prosecutors in New York said. The settlement would resolve a 2011 lawsuit that accused Lebanese Canadian Bank of using the U.S. banking system to launder drug-trafficking profits through West Africa back to Lebanon.¹⁴
4. Money laundering and Accountant - According to the book “The Laundry men”, money laundering was a business started by a practical accountant (and gangster) named Meyer Lansky, who managed the books and money for many of New York’s most well-known national organized crime figures such as Bugsy Siegel and mob boss Lucky Luciano. Lansky became known as the “mob’s accountant” and “the patron saint of money launderers.” He is credited with being the person who convinced organized crime figures to move their proceeds of crime to offshore havens in Switzerland and the Bahamas to avoid detection and forfeiture. All three – Lansky, Siegel and Luciano – were intimately involved in land-based casinos, including building one of the first casinos in Las Vegas. Lansky would wash money through Las Vegas casinos for the mob.

According to an ACAMS article on Lansky, he helped the mob avoid being detected as money launderers by: (a) filing their taxes on time all the time because all money launderers file on time to avoid attention being drawn to them; (b) using offshore tax havens, preferably Switzerland; (c) avoiding lavish spending; and (d) using shell companies.

5. Tax Havens

Probably the most famous accountant in the world, a man named Walter Diamond, now deceased, who was a bank examiner and advisor to the US government, wrote

a text book of questionable content called “Tax Havens of the World”, updated annually for 25 years, in which he promoted the use of offshore tax havens to defeat law enforcement and government oversight. In his book, he extolled the virtues of offshore tax havens and wrote that they are useful to cloak bank accounts in secrecy (because of the anonymity of shareholders of private companies incorporated in offshore tax havens); to shift investments offshore without being taxed; to make sure financial dealings and financial assets remain private (to avoid taxes); and to avoid government control.

6. Bitcoin

Not to be left out, Bitcoin people have accountants too that have used their financial talent for inappropriate purposes. An accountant, Renwick Haddow, was indicted in the US for operating a fake Bitcoin trading platform and taking US\$38 million from consumers in several countries. He subsequently pleaded guilty. Among other things, Haddow opened bank accounts for the Bitcoin exchange and acted as its authorized representative with the banks, and managed what amounted to a Ponzi scheme.

7. An interesting Case with accountant

In a lawsuit made public at the Montreal Courthouse Monday, Jocelyne Therrien, 59, argues she was “unjustly and illegally” charged after a “negligent” investigation that left her traumatized by her experience with the justice system. “The charges were brought and maintained in a malicious fashion, with no expectation of success, and clearly not for the purpose of applying the law but for other reasons instead,” the suit claims.¹⁵ It is an interesting case how accountants are often exposed to risks.¹⁶

E. Challenges of Accounting Profession towards compliance of AML CFT

The Accounting profession in Nepal is accelerated after the country opted the liberal economy. As the business and profession grew up with the liberalization policy after the

[funding-cases/Article1-1082772.aspx](https://www.funding-cases.com/Article1-1082772.aspx)

14 <http://www.reuters.com/article/2013/06/25/us-lebanesebank-settlement-idUSBRE95O17P20130625> By Nate Raymond. NEW YORK | Tue Jun 25, 2013 3:34pm EDT

15 <https://montrealgazette.com/news/local-news/acquitted-accountant-sues-over-arrest-in-montreal-organized-crime-case/>

16 <http://www.antimoneylaunderinglaw.com/2019/06/the-un-talked-about-sector-in-mone>

political changes in 2046 BS, the accounting profession has been one of the charming profession. As such in our context this profession is regulated by the Institute of Chartered Accountant of Nepal (ICAN). The members of ICAN practicing in the profession after obtaining the license from it, is monitored and supervised. The member who does not hold licenses to practice are also supervised and has to follow the Code of Ethics issued by ICAN which is in line with the International standards.

There are other accounting professionals also in the market who are providing the accounting and financial and other advisory services just by opening a limited liability company. While incorporation of the company, they have to take approval from the concerned authority to carry out the operation as precondition of such incorporation certificate. However, this does not happen or we can say they are not in the ambit of any regulatory regime. These types of service provider may or may not have the technical knowledge as there is no direct authority to look after this matter. This unregulated area is significant and vulnerable in terms of money laundering and terrorism financing. Even there is a big question on the compliance and knowledge of compliance requirement in the area of money laundering and terrorism financing.

The accountants are loosely termed as audit and auditors in Money Laundering Prevention Act with amendment in 2075/11/19 BS and categorized under DNFBP.

Section 2 'DHA' of the Act defines the Non-financial business and professionals as;

- 1 Casino or internet Casino business person
- 2 Real state (land building) purchase or sale business person
- 3 Specified precious metal or goods business person
- 4 Notary public, Auditor, Accounting professionals or similar type of professionals involved or involved in preparation or engaged on behalf of customers in following activities :
 - a. Land building purchase and sale
 - b. Management of customers money, securities or other assets

- c. Management of bank, saving and securities
- d. Management of contribution and investment of legal person while incorporation or operation
- e. Creation, Incorporation, registration and management of legal person or legal arrangement
- f. Purchase or sale of business concerns.

The Money laundering Prevention Act has clearly covered the Accounting Professionals under its regime with the legal duty of compliance of this Act, maintain the record and report to the competent authority for suspicious transactions. The non-compliances of this Act attract the sevier punishment of fine as well as imprisonment.

The Accounting professionals while carrying out the audit services are never involved or prepare or carryout the acts as stipulated in the section 2 'DHA'. Even they are prohibited for such involvement through the Code of Ethics and other auditing standards. So the auditing profession as such is not exposed to risk unless the accountant violets the code of ethics issued to the professional accountants by ICAN and involves directly in such activities.

However, the professional accountants rendering consulting services like accounting services, financial advisory or managing the accounts and finance as well as representing, preparing or managing on behalf of the client, the purchase sale of land, securities, bank, saving, investment etc. fall under the purview of this Act. Therefore, accounting professionals whether regulated or not is vulnerable area of money laundering and exposed to the risk of non- compliance due to the absence of awareness or mechanism to trace the money laundering and terrorism financing activities.

F. Reforms required for better compliance of AML CFT with respect to Accounting Profession

The regulated sectors of accounting profession is little bit more safeguarded to the extent of auditing practices due to strong ethical and standards compliances. Many aspects of AML CFT compliances are also the requirement

of auditing standards and code of ethics which were the subject of Quality Assurance (QA) reviews. QA mechanism is supported by adequate legislation, rules, procedures and manual. Quality Assurance Board (QAB), an independent Board is set up to direct, supervise and control the QAB operations.

QAB has authority to make aware the poor performing practicing audit firms and to recommend restriction for audit if the audit quality is severely compromised. Compromise of audit quality covers serious violations of Nepal Standards on Auditing, Code of Ethics and applicable laws and regulation (including AML CFT Guidelines)

Membership Affairs Directorate, as a department, carries out the functions relating to granting membership, license (COP), and their renewal. There are staffs experienced to carry out these functions since long ago. Accordingly, there are no possibilities for non-qualified person to get the membership and license.

However, the unregulated sectors of accounting profession has no particular rules, regulations and ethical standards. In the absence of regulatory regime, there is no one to guide, supervise, facilitate those sectors in terms of compliance requirement of AML CFT. Therefore, this area of accounting profession is knowingly or unknowingly exposed to risk of non-compliance in the absence of reporting requirement except as provided in Money Laundering Prevention ACT itself applicable to all.

The Money laundering Act itself is not very clear to define the accounting profession. It mentions the auditors and accounting profession but does not clearly defines when and at what context the auditors are responsible for such compliances.

As a regulator of accounting profession ICAN has to lobby for the amendment in Anti money laundering act to clarify and clearly describe the role of Professional Accountant. The Act includes auditors however they are never engaged in managing or involved in client business.

Only when the professional accountants are managing, operating or executing the sale purchase of land and building or assets, it shall be applicable. This clarity is required in the umbrella Money Laundering Prevention Act itself.

In the Context of the jurisdiction of ICAN, the laws of ICAN shall be revisited. As such accounting profession is not defined in the ICAN Act. It is not clear whether ICAN is responsible for regulating the Accounting practices of members only or whether it should also take over the responsibilities of unregulated sectors engaged in accounting profession through limited liability company or in other capacity.

As such the Money laundering Prevention Act is placing more responsibilities and reporting requirement, the cost of accounting professional increases to meet such reporting and documentation criteria. Therefore again the agenda of minimum fees for different professional assignments shall be well discussed and implemented based on the time spend for executing those assignments.

G. Conclusion and recommendations

Accounting profession is being vulnerable all over the world due the exposure of the risks as mentioned above. Accountants are supposed to contain the risks and also assist the measures related to AML CFT. For this purpose, the accounting profession should be regulated more comprehensively. The capability of accountants should be enhanced accordingly so as to deal with risk associated with AML CFT. The government, private sector and international agencies should work together for this purpose. Cross border cooperation should also be increased. The national risk assessment task force is coordinating with ICAN recognizing it as the sole regulator of accounting profession in the country and its duty of ICAN to regulate the Accounting sector by initiating appropriate regulatory apparatus.

Similarly, the syllabus of professional accountants should include the subject matter of Money laundering and terrorism financing so that it can contain the challenges

as mentioned above. The Chartered Accountants Act, 1997 should be revisited accordingly. It is high time to consider the criteria for experience requirement to open a firm or to obtain an audit qualification, and for minimum infrastructures the firm should have and the minimum fees to be charged for being able to provide the accounting services in compliance with all laws including AML CFT directives. A separate and clear guideline should be developed to regulate professional accountant. The area of unregulated sectors of accounting profession, as a temporary measure, can be covered by issuing a general guideline as a public reference resource.

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NAS 18 Revenue Perspective- An Opportunity and Challenge for E-Commerce Business in Nepal

E-Commerce in Nepal dates back to 90's with an aim of letting Nepalese residing abroad send gifts to their families, friends, and relatives living in Nepal. Since then, E-commerce business in Nepal is growing rapidly every year. E-commerce businesses have immense growth potential which is evident from countless e-commerce businesses that have started in Nepal.



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Background

The countries across the world are fighting to curb the dreaded COVID 19 pandemics since last one year. On December 8, 2019, the Government of Wuhan, China, announced that health authorities were treating dozens of new virus cases, identified as coronavirus disease. On 11 March 2020, the World Health Organization (WHO) officially declared the COVID-19 outbreak a Pandemic, the highest level of Health Emergency. Since then the COVID-19 has significantly changed the lives of many people and operations of organizations

worldwide. It has gravely wounded the world economy with serious consequences impacting business, communities and individuals. But at the same time it has given some ample opportunity for many business sectors and one of them is E-Commerce Business.

Electronic commerce or E-commerce means commercial transactions conducted electronically on the Internet. Every time individuals and companies are buying or selling their products and services online they're engaging in E-commerce. The scope of the e-commerce is unlimited. Practically every thinkable product or service nowadays is offered

through e-commerce. E-commerce has made it simpler to purchase a wide variety of products and get it delivered directly at your doorstep.



E-Commerce System in our Context

E-Commerce in Nepal dates back to 90's with an aim of letting Nepalese residing abroad send gifts to their families, friends, and relatives living in Nepal. Since then, E-commerce business in Nepal is growing rapidly every year. E-Commerce businesses have immense growth potential which is evident from countless e-commerce businesses that have started in Nepal. The notable ones are Daraz, SastoDeal, Meroshopping, SmartDoko, Muncha and MetroTarkari. Apart from online shopping, other service-oriented E-Commerce business being operated in Nepal are Tootle, Pathao, food delivery service i.e., foodmandu, foodmario, bhojdeal, are also growing. They are primarily focused in Kathmandu valley. Many online shops are also starting to operate outside Kathmandu. Daraz has delivery networks over Butwal, Biratnagar, Pokhara and some major cities. Also, many businesses have their own stand alone E-Commerce system in place like Bhatbhatenionline, 911foodexpress, ugcakes, etc.

Looking at E-Commerce system in our country it is expanding in fast pace. Here is one example of Daraz 11.11 which is a 24-hour online shopping campaign organised annually across all Alibaba markets on the 11th of November, to show the opportunities that lies in E-commerce sector in Nepal. Despite COVID-19, Daraz broke all it's previous Daraz 11.11 records. Within the first hour of the campaign launch, Daraz registered sales worth Rs 25.2 million, a 60 per cent increase from last year's first hour. In addition, Daraz reported 520,000 users during the entire one-day campaign. Overall, 7000-plus sellers participated in 11.11, selling to 27 different cities across the country. Altogether 60-plus global and domestic brands and more than 500,000 products

were listed for sales. As the markets remain down due to the Pandemic, Daraz 11.11 proved to be a boon for many businesses, especially Small and Medium Sized Enterprises (SMEs). Around 23 per cent of total orders during 11.11 were generated by SMEs who went online during the Pandemic.

With e-commerce booming in Nepal, Dolma Impact Fund had earlier in June 2020 made an additional investment of one million dollars in Sastodeal.com towards reaching Sastodeal's milestone target of achieving Rs 1 billion in annual revenue. Similarly, Flipkart which is Walmart Owned and e-commerce giant in India also has entered into a strategic partnership with Sastodeal where Sastodeal will host merchandise from sellers on Flipkart's marketplace in over 5,000 categories such as audio devices, baby care and kid's items, women's ethnic wear, men's clothing, and sports and fitness and others. This shows that there is huge potential for Ecommerce business in Nepal.

Type of E-Commerce - Some of the types of e-commerce business modules are given below:

- i) B2B: In B2B (Business to Business) E-commerce, trade takes place between two businesses such as between manufacturer and wholesaler or wholesaler and retailer. For example, www.nepalibazar.com, www.nepalb2b.com are a B2B market platform in Nepal.
- ii) B2C: B2C (Business to Customer) E-commerce means offering the goods and services directly to the customer. In this type own goods and services are sold online though website or other available means. For Example, A Bakery Chef is selling Cakes through own exclusive website. Examples of B2C e-commerce are yourkoseli.com, Daraz, Sastodeal.
- iii) C2C: C2C (Customer to Customer) E-commerce brings customers together on a platform to buy and sell from each other. Here buyers and the sellers are gathering on a platform – e market place - to buy or sell their goods and services. Best example of C2C e-commerce is hamrobazaar.com in Nepal.
- iv) C2B: C2B (Customer to Business) E-commerce is a platform that facilitates customers to contact the businesses to buy the goods and services. Examples of C2B e-commerce are merojob.com, upwork.com and cj.com

- v) Hybrid E-Commerce: This is where the platform combines two or more of the above-mentioned forms. Amazon is a perfect example.

Nepal has Ranked 113th out of 152 Countries in the Global E-Commerce Index 2020

The Global E-Commerce Index is prepared by the United Nations Conference on Trade and Development

(UNCTAD). The UNCTAD B2C E-commerce Index measures an economy's preparedness to support online shopping. The index consists of four indicators that are highly related to online shopping and for which there is wide country coverage.

Table 1. UNCTAD B2C World E-commerce Index, 2020

S.N	Economy	Share of individuals using the Internet (2019 or latest)	Share of individuals with an account (15+, 2017)	Secure Internet Servers (normalized, 2019)	UPU Postal Reliability Score (2019 or latest)	2020 Index Value	2020 Rank
Top 10 Countries							
1	Switzerland	97	98	92	97	95.9	1
2	Netherlands	96	100	94	93	95.8	2
3	Denmark	97	100	100	81	94.5	3
4	Singapore	89	98	94	97	94.4	4
5	United Kingdom	96	96	84	98	93.6	5
6	Germany	93	99	90	91	93.4	6
7	Finland	95	100	88	91	93.4	7
8	Ireland	88	95	92	98	93.4	8
9	Norway	98	100	84	88	92.6	9
10	China, Hong Kong SAR	92	95	88	92	91.8	10
SAARC Countries E-Commerce Index							
1	India	34	80	49	65	57.1	71
2	Sri Lanka	34	74	48	36	47.8	91
3	Nepal	34	45	43	14	34.3	113
4	Bhutan	48	34	51	2	33.6	114
5	Bangladesh	13	50	39	21	33.3	115
6	Pakistan	24	21	35	50	32.5	116
7	Afghanistan	18	15	29	7	17.1	143

Nepal is currently ranked to 113th Rank in 2020 according to 'UNCTAD Business-to Consumer (B2C) E-commerce Index'.

Accounting

In Nepal, accounting of E-commerce companies are guided by the Accounting Standards pronounced by The Institute of Chartered Accountants of Nepal in exercise of power conferred by Section 11(m) of Nepal Chartered Accountants Act, 1997 (2053). As of now, Nepal Accounting Standard NAS 18 "Revenue" is applicable to recognize the revenue for E-commerce Business in Nepal. NAS 18 Revenue will continue to be effective until superseding standard NFRS 15 "Revenue from Contracts with Customers" will come into force on July 16, 2021. Then after NFRS 15 "Revenue

from contracts with customer” will be applicable for E-commerce companies. Presently, there is no specific Accounting Standard issued by ICAN for “Accounting for E-commerce”.

Revenue Recognition

As prescribed by NAS 18 Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

So as per NAS 18, in case of selling of goods, revenue will be recognized only when the ownership/ control of the goods is transferred and there is no uncertainty on the realization of payments from the customer. In the case of sale of goods through e-commerce, an option of return is given which impacts the revenue of the e-commerce.

If the entity retains significant risks of ownership, the transaction is not a sale and revenue is not recognised. In the case of sale of goods through e-commerce, an entity may retain significant risk of ownership which impacts the revenue of the e-commerce. For example

- a) when the goods are shipped subject to installation and the installation is a significant part of the contract which has not yet been completed by the entity;
- b) when the buyer has the right to rescind the purchase for a reason as specified in website/online platform and the entity is uncertain about the probability of return.

If an entity retains only an insignificant risk of ownership, the transaction is a sale and revenue is recognised. For

example, an online seller may retain the legal title to the goods solely to protect the collectability of the amount due. In such a case, if the entity has transferred the significant risks and rewards of ownership, the transaction is a sale and revenue is recognised. Another example of an entity retaining only an insignificant risk of ownership may be an online sale when a refund is offered if the customer is not satisfied. Revenue in such cases is recognised at the time of sale provided that the seller can reliably estimate future returns and recognises a liability for returns based on previous experience and other relevant factors.

As per NAS 18 in case of selling services also revenue will be recognized only when the services are provided and there is no uncertainty on the realization of payments from the customer.

Recognition of Customer's Liability

Customer's liability means the amount that belongs to the customer until the service/ goods are not provided, but this amount cannot be treated as an advance in case the e-commerce is not the actual Seller.

For Example, if an e-commerce platform in Nepal is providing online digital content from a registered seller to a particular customer and that E-commerce is accepting only prepaid orders. Till the time content for customer is not delivered by the seller, the amount received by the platform will be lying in a nodal account named as “Customer's Liability”.

When the seller transfers the content to the customer only then e-commerce platform will transfer the amount from Customer's Liability Account to Seller's Account after booking its service income for providing e-commerce platform.

Challenges in E-commerce

There are various challenges that have been emerged with the expansion of ecommerce industry and some of the challenges are can be discussed below:

1. Customer and Order Management

E-commerce had made buying quite simple and easy for the customers. Customer is expecting services related to the product, delivery, refund, return, replacement, warranty, copyright, and other similar issues on priority. High level Expectations by customers makes customer management extremely complex and critical task. The

only way of customer management is “minimal human interventions” and “more automation”.

Every order is important, and it should be delivered on time is the key to success in e-commerce but on the contrary order management is the also biggest challenge for e-commerce. Only way to handle this challenge is to treat “Every Customer as GOD” and treat every order on maximum priority without thinking about any other factor like order value, order volume, order margin etc.

2. Product Warehousing and Logistics

Most of the e-commerce websites fail to manage the product's stock. They sell the same products in physical stores as well. Sometimes it's hard to manage the product if it is already sold in store. Due to lack of integration, sometime products that are out of stock still show available on the websites. Lack of availability of the products in the warehouse may create trust issues to the online customer. In case e-commerce does not manage warehouse and logistics than at every order e-commerce have to confirm the seller about the inventory and wait for seller to confirm the product as “ready to ship” and then fully depend on logistics partner to pick up the order and deliver on timely basis but even after so much struggle e-commerce cannot guarantee delivery on time. Hence risk associated with product warehousing and logistics management.

3. Lack of Proper Address System

The fundamental goal of the e-commerce business is to get the products delivered on time to the doorsteps. With a complex and incomplete address structure in Nepal, delivery is always an issue for Ecommerce business. The best online business organizations can do is make a call during delivery and approval to meet at a specific known spot. Nepal presently can't seem to tackle this issue.

4. Data Privacy and Security

In Nepal this is one of the major challenges as we often get news about data breach and customer data being hacked. Customer's shares various personal data while transacting on e-commerce platform. Personal data is private information of the customer merely shared for completing such transaction. Customer's data could be compromised even after having a secure database due to reasons like hacking, cyber-attack, security failure, and

malware, etc. and could be used for spamming, identity theft and unsolicited marketing.

5. Product Assortment

Product assortment means picking the right product and services to offer to the buyer. E-commerce gives option to choose from countless alternatives but also limits the way of buying, that is by viewing the images of the products and reading the description of product and services. Hence product assortment is a new challenge to offer only those products and services that fit best to the customer.

6. Pricing Model

Best pricing is a strategy that will bring back the buyer to the website. But what is the best price is the biggest question. E-commerce provides effortless price comparison option which makes “Best Pricing” more important to sustain in the market. Also, e-commerce refrains the right to bargain from the customer. In Nepal, people still prefer to see and feel the goods before buying them. They want to inspect the goods closely, bargain and then buy them. Accordingly, Pricing Model in Ecommerce should be designed in way that makes the buyer satisfied with the prices even without bargain.

7. Customer Loyalty

Customers are more loyal towards the brands not towards the e-commerce services. Customer can easily switch to competitors because every e-commerce provides the same product or services what customer buys.

8. Lack of trust

The significant challenge of most e-commerce businesses in Nepal is convincing the people that they can be trusted. This is one thing an online business has failed to achieve in Nepal. Due to poor management systems, people strongly believe that they don't get the actual qualitative product as they see on the internet. Imagine purchasing shirt that look marvellous in the photo however actually dull when delivered, it will not give a nice sentiment. Also, the working culture of Nepal is misleading, especially, in the case of time. Nepalese people usually are not punctual at times. There is a famous metaphor “Nepali Time” where there is always 15-30 minutes delay than the actual time. These things make it hard to accept online shopping. It takes a lot of time to gain trust.

9. Lack of E Commerce Legislations

In Nepal, there are no adequate laws to govern e-commerce. It is full of regulatory complexities with issues related to data privacy, consumer protection, delivery, cyber security, market access regulation, and digital payment. Government of Nepal has approved National Strategy on Development and Use of E-commerce in Nepal, 2019 (2076) which specifies to develop legislation and infrastructure for the promotion of e-commerce in order to govern the ecommerce business in Nepal. Nepal Government's Department of Commerce is in the process of formulating the legislation related to ecommerce and online business.



Despite Challenges Nepal Leading Towards a Bright Future in E-Commerce Sector

COVID 19 pandemic has accelerated the uptake of digital solutions, tools and services. The regular consumers have changed their habits to visit shops and markets physically as a result of the COVID-19 Pandemic to Online Shopping. Online shopping saves time, money and energy amid intolerable traffic jams in the city like Kathmandu. COVID 19 Pandemic has also compelled us to stay home and resort to online shopping. With the availability of fast and affordable internet, Nepalese people are slowly developing a culture of using the internet a part of their daily life. From contacting relatives, friends and business partners to paying bills, ordering food from restaurants, online shops, grocers and so on people are saving time, money and energy with a few clicks. With this change in people's day to day life, online shops are gradually becoming more and more popular. E-commerce business has changed numerous conventional habits of the transaction and got a progressive change to the economy. Nepalese people are currently upgrading their way of life utilizing the internet.

Suppliers can now get orders from consumers from the internet and also can save much of their time by

doing online trade. A significant number of commercial activities of large corporations as well as supermarkets are using the website to receive orders from consumers and sending particular goods to them. In order to make it sustainable both Government and entrepreneurs need to be more conscious and take proper steps. Usage of business intelligence is also helping the E-commerce businesses to dive deep into the needs to customers. If E-commerce companies can ensure security and provide the best quality and quickest service to their customer the industry will grow immensely fast.

Conclusion

We all have witnessed evolution of e-commerce in Nepal and fancied their financial and economic model. E-commerce has transitioned to become a high growth industry in Nepal covering variety of goods and services. It has also helped the manufacturers, big and small to reach out customers in every nook and corner of the country. Just like traditional commerce businesses e-commerce businesses have their own opportunity, challenges, advantages and risks that go together. E-commerce has also entered the financial sector in a big way. Banking services, investments, loans, share transactions, digital payment and many more services are being delivered using internet. No one can escape and avoid the E-Commerce as it will adapt to the market either today or tomorrow. Every business will have to adapt and think about their online existence in the future depending on the nature of business. Time has come to take the business online and sell online. With technologies evolving at phenomenal speed and with the potential of Nepalese Economy, E-Commerce business shall continue to grow in Nepal. So, it is expected that the government will be serious to formulate the legislations to govern the ecommerce business practice in the country.

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Potential Areas for Reforms in Tax Regime in Nepal

A team of professional must be set up and conduct the research on how to develop and implement the system that would be best suited for Nepal, that would be efficient, and that would lead to the increased trust of stakeholders – whilst increasing the government revenue as well.



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Background

In every country across the world taxation is introduced to generate revenue to undertake the development activities and bear the government operational expenditure. Therefore, tax is referred as compulsory financial charge imposed upon the taxpayers by the government or the state. Economist Plehn has defined tax as, “Taxes are, in general, compulsory contribution of wealth levied upon persons, natural or corporate, to defray the expenses incurred in conferring a common benefit

upon the residents of the state.” Historically, tax would be levied for sale of goods in a country, and sometimes taxes on property would be levied to finance war. From the ancient Greece, to Roman era, then to Middle Ages, sales tax, custom duty (as a custom to pay tax to the King for allowing the traders to sell goods), land revenue, excise duty etc. used to be levied as tax for the collection of revenue. Julius Caesar had for the first time introduced sales tax at rate of one percent (called as *centesimarumvenalium*) on the sales. On the other hand, withholding method of tax collection had begun

in France, United States, and Great Britain during the World War II (WWII). In the post- World War II period, the regularization as well as systemization of taxation took place where the income tax became the mass tax leaving the ticket of upper – class tax.¹

In Nepal, before 1950s, the main source of government revenue was land tax and tariff on foreign trade. In 1960s, taxes like sales tax, import and export tax, business tax etc. were introduced in order to generate the government revenue. For the first time remuneration and business profit tax was introduced through Finance Act, 2016 and tax rate were ranging from 5-25 percent. Despite of practice of levying taxes in Nepal, there was no formal Act to govern the same. Formally, the then government of Nepal had framed the Income Tax Act, 2019 (1962) in order to levy the tax in standard manner. Income Tax Act, 2031 (1974) replaced the existing Act with various additional features. However, the Act of 1974 was not holistic, and it got replaced by the Income Tax Act, 2058(2001)². The prevailing Act was believed to have covered the shortcoming of the previous Acts, and would be comprehensive. Any law could be good, and function properly only if the people complying with the law are robust and understand intention of the lawmaker. However, due to recent advancement in information and technology sector, it is required to make some major reforms in the tax laws of Nepal to function within their core spirit, as well to become globally competitive. Foreign Investors prefer to invest in the country where there exists highest level of transparency and ease of compliance of laws. Further, the less frequency of travel to tax office in person, the less would be the level of corruption, and more would be the level of transparency.

Without much delay, it is time for discussing the major reforms that are needed in our taxation system (direct and indirect) for increasing government revenue, enhancing transparency and accountability, raise the trust of the stakeholders, increasing the flow of foreign investment,

and enhancing the health of overall financial system as well:

1. Staff Recruitment:

Implementation of tax laws depends on various institutional infrastructures and capability of the staff. Management of large government organization like IRD requires professional and qualified staff for administrative review of the income tax returns filed by the taxpayers. The law will not be effective as it is in the texts until the implementation is robust. Looking at the qualification of the present policy of recruitment of staff of Internal Revenue Department needs to be improved. The person with Bachelor's Degree can apply for the job; due to this reason the person with non – commerce or management background having graduated in science and technology, or any other non – commerce background are eligible for getting recruited based on the fact that they had cleared the recruitment requirements³. Income tax is a complex domain. It is not easy to say that all the transactions are taxable or not, that's why the tax personnel should be qualified and competent dealing with the tax issues and fair interpretation of the law. Collection and administration of revenue of the government is a very challenging job all over the world; hence, developing and implementing the policy of hiring specialized human resource is of paramount importance. In this context, professionals like Chartered Accountants, Commercial and Taxation Lawyers, management graduates are best suited for the job of formulating and implementing the revenue laws and policy. Even if it is difficult to hire such professionals, they must be empanelled as outsider consultant and trainer for the staffs of revenue department.

2. Leadership:

The leader of an organization needs to be rationale and well versed with it's the core business activities. The current flaw in revenue collection is non – proprietary attitude of some of the staffs in Internal Revenue Department.

1 Source: <https://www.britannica.com/topic/taxation/History-of-taxation>

2 Source: <https://ird.gov.np/about/background>

3 According to the syllabus of Revenue section of government officials, anyone with a bachelor's degree in any stream can apply for the job. (source: <https://psc.gov.np/category/course>)

They see the job as the job instead of responsibility that they hold for the entire nation. And, another hurdle the taxpayers have to face is the practice malpractices of law. It is not uncommon to see news about taxes frauds due to such practices. We believe that this is not the fault of the officials; our system is such – what could they do? If they tried to break this custom, they would be left out. Hence, a robust leadership training and coaching is required for eliciting this malpractice. A sense of responsibility must be sprouted, and the current salary scale is required to be increased.

3. Increasing the Use of Information Technology System:

Internal Revenue Department has adopted information and technology systems to offer its services however, the Department must adopt the information technology in every aspects of its job – except where human intervention is required (like in investigation, search and seizure, etc.). Adopting IT system would result in benefits such as:

- a. Reducing time of the official by randomly selecting the files for full audit, based on some preset criteria like: loss return, 30% of Large Tax Payers, 20% of Medium Tax Payers, 10% of Small Tax Payers, return with various exemption availed, return with refund claim, return with set off and carry forward of losses, etc.
- b. Reduce the physical contact between tax officers and the taxpayers; it will definitely help curbing the current malpractice.
- c. IT systems will automatically do the routine work, and released the time of officers to focus on tasks like scrutiny, investigation, research, and policy level thinking.
- d. Taxpayers will get the faster service, and it would increase their trust on the system.

4. Linking Every Bank Accounts with PAN:

It is not impossible to link every bank account with Permanent Account Number (PAN) issued u/s 78 of the Income Tax Act, 2058. Because, in the previous year only millions of new PANs were issued – by introducing the

policy of mandatory PAN to claim deduction of salary expense vide Section 21 (1) (d1) of the Act: it proves that taxpayers are not against paying taxes, they are afraid of malpractices prevailing in the system, they are ready to adopt any productive change with a zeal. IRD might get benefit of linking PAN with Bank accounts in the following ways:

- e. Tax officials can now directly view every bank accounts linked with a certain PAN and it is crucial during the time of full audit.
- f. Tax officials can improve their analysis; because, now the taxpayers can't hide their loans, business deals, and their turnover.
- g. A portal must be developed between banks and IRD for viewing associated bank accounts of any taxpayer.

5. Stringent Implementation of the Law

Law will only become effective after its proper implementation. We can find various provisions in different revenue legislations that are not complied with strictly by the taxpayers and as a result of which taxpayers are enjoying the benefit without any trouble, and it has been leading to the leakage of revenue of the government, and accumulation of unaccounted wealth by the people. If PAN were linked with bank accounts, IRD could easily detect such taxpayers requiring to get registered under VAT; and it will definitely increase the government revenue as well.

6. Increasing the Number of Offices of IRD:

Presently, taxpayers are facing hassle to reach their respective Internal Revenue Office (IRO) to get the work done. There are only 45 Inland Revenue Offices, 39 Taxpayer Service Offices, one large taxpayer office, and one medium level taxpayer offices in Nepal⁴. It has become burdensome for taxpayers to comply with the law due to the distance they have to travel to respective offices. Instead, they chose to remain out of the ambit of the tax laws. So it is required to open IRO or service centers in most of the local levels across the country to

⁴ www.ird.gov.np/about/jurisdictionsnepali

increase the accessibility of taxpayers for paying their tax liability.

7. Filing of Income Tax Return:

Section 97 (1) (e) of the prevailing Income Tax Act, 2058 it is voluntary to file income tax return by natural person having income from the source other than the income from business and profession. Paying the tax and filing income tax return are two separate functions. If such limit conditions is removed and a small bar of exemption to file return is provided up to say Rs. 5 Lakh or 10 Lakh, the number of people filing return would increase, and there would be the proper calculation of total income of a person.

For example; if a person leaves a job and start a new job during any financial year, he might be able to avail the benefit of limit of minimum amount not chargeable to tax i.e. Rs. 4 Lakh or 4.5 Lakh twice in a single financial year. This clearly reflects a flaw of our system leading to probability of massive revenue leakage. Therefore, a portal for online filing of return (by filling a simple form) must be developed, and the number of taxpayer filing the return must be increased.

8. Income Tax Return as Supporting Document for Obtaining Loan:

As people adopt the practice of filing income tax return, banks can extend loan to them based on the income tax return filed. Present documentations like salary certificate, rental agreements, certification from local authority, etc. are not required and the genuineness of those documents needs not to be verified. This will definitely, increase the quality of banking assets as well.

9. Developing Technical Manpower to Assist Small Taxpayers:

Large and medium tax payers can hire professional to assist them in legal matters. However, small taxpayers must be assisted by developing a force of technical manpower to support such taxpayers in various compliances requirement, and save the taxpayers from the hassle. This will lead to the creation of employment for the commerce graduate, and better compliance of law

by the small taxpayers. In India, Tax Return Prepares are groomed and developed so as to assist small tax payers in complying with the law.

10. Mandatory Maintenance of Books of Accounts:

Our biggest weakness in financial system is that – businesspersons do not know how to keep books of accounts, and they do not hire technical manpower to do the same (except for large and medium taxpayers). They do not give emphasis on it because it is not mandatory: if IRD steps in and makes it compulsory to keep books in electronic manner, it would be the game changer for all the stakeholders. The current malpractice like-under-invoicing, untraceable cash transactions, and risk of multiple financial statement of the same fiscal year would automatically get eliminated. There is a paramount requirement of teaching businesspersons about the book keeping and its importance. Of course, there must be relaxations for keeping the small taxpayers out of its ambit.

11. Mandatory Tax Audit by Professional:

It would be appropriate in making mandatory to submit a tax audit report along with income tax return might significantly reduce the burden of tax officers and save their valuable time. It is difficult to comply with it; hence, certain criteria must be set to leave aside the small taxpayers from another regulatory requirement.

12. Increasing Deduction/Exemption/Investment to Attract Return Filers:

The current level of deduction up to Rs. 3 Lakh or Rs. 5 Lakh for the contribution made to Social Security Fund as stated in Rule 21 of the Income Tax Rules, 2059, for natural person is meager. So there is a need to provide diversified opportunities to claim deduction/exemption to the tax payers. Provision of deduction/exemption for investment in certain government bonds, certain productive sectors (infrastructure, manufacturing, export etc.), charitable contribution (for natural person), etc. must be introduced such that the number of tax return filer will increase.

13. Different Rate of VAT Depending upon the Nature and Use of Goods:

The current provision of 13% VAT provided as per Section 7 (1) of the VAT Act, 2052 on every eligible transaction is not efficient, and that's the reason people avoid getting registered under VAT and customers avoid obtaining VAT bills either. The classification of goods/services and differentiating in the rate of VAT according to the classification is necessary. It will increase the number of registered business, and the scope of revenue will also be increased automatically.

14. Reducing the Limit of Cash Transaction

In the age of information technology, providing the limit of cash transaction of Rs. 50,000 is defeating⁵. It must be reduced so as to support small petty expenses only, and certain exemption should be provided for rural areas. Increase in number of banking transaction will increase transparency and eventually increase government revenue.

⁵ Section 7 (2) of the Income Tax Act, 2058

15. Enhanced Presumptive Taxation for Small Taxpayers

The option of opting to presumptive taxation must be widened, and the limit must be increased at least up to Rs. 100 Lakh. It will save the hassle for the small taxpayers, and IRD could focus on transactions above Rs. 100 Lakh.

Conclusion:

These suggestions are only the examples: a team of professional must be set up and conduct the research on how to develop and implement the system that would be best suited for Nepal, that would be efficient, and that would lead to the increased trust of stakeholders – whilst increasing the government revenue as well. In my experience, taxpayers are not against paying taxes – rather they are against the current system of tax practice in Nepal.

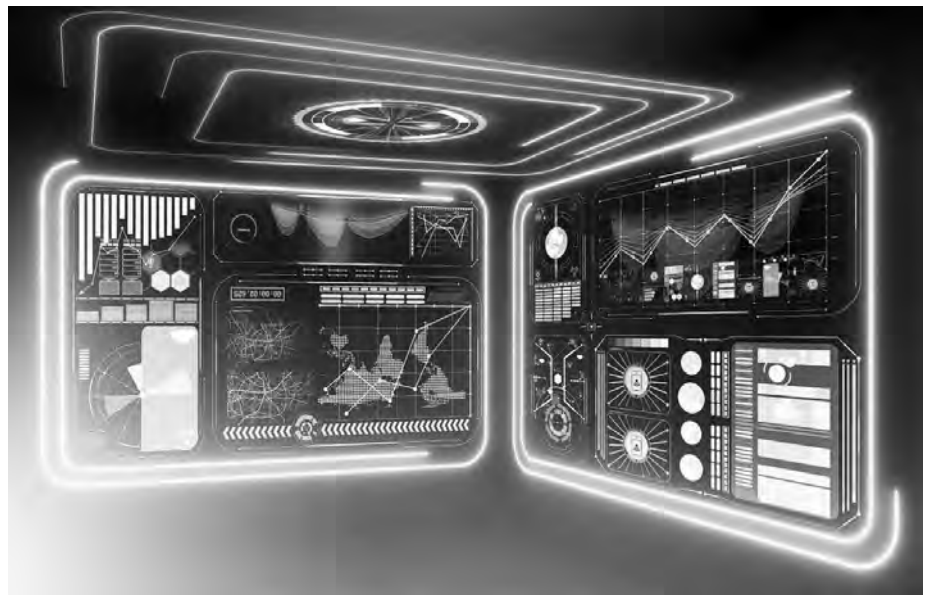
Digital Financial Ecosystem: Concepts and Components

Greater access to financial services can contribute to (i) poverty reduction, by decreasing vulnerability (ii) an increase in the productivity of micro, small and medium enterprises (iii) greater formalization of firms. At the macro level, there is also evidence that an increase in access to financial services has positive effects on the stability of the financial system, the effectiveness of the monetary policy, growth and inequality reduction.



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Concepts

The digital economy is defined as an economy which functions primarily employing digital financial services with specific technologies, especially electronic transactions made using the internet. It can provide a high quality of ICT infrastructure and harness the power of ICTs to benefit of consumers, businesses and government. The digital economy plays a significant role in accelerating global economic development, enhancing the productivity of existing industries, cultivating new markets and industries and achieving inclusive and sustainable growth. At the same time, the digital economy

is becoming a powerful catalyst and a driver of inclusiveness, by linking communities to each other in a sort of “global village”, sharing information, ideas and products and allowing countries to raise the value chain.

The digital financial services (DFS) ecosystem consists of users (consumers, businesses, government agencies and non-profit groups) who have needs for digital and interoperable financial products and services; the providers (banks, other licensed financial institutions, and non-banks) who supply those products and services through digital means; the financial, technical,

and other infrastructures that make them possible; and the governmental policies, laws and regulations which enable them to be delivered in an accessible, affordable, and safe manner. It aims to support all people and enterprises within a country. It should also be oriented to support national goals including financial inclusion, economic health, and the stability and integrity of the financial systems.

Financial inclusion means the sustainable provision of affordable financial services that bring the poor into the formal economy. An inclusive system includes a range of financial services that provide opportunities for accessing and moving funds, growth of capital, and reducing risk. Such services may be provided by banks and other traditional financial services organizations, or by non-bank providers.

Greater access to financial services can contribute to (i) poverty reduction, by decreasing vulnerability (ii) an increase in the productivity of micro, small and medium enterprises (iii) greater formalization of firms. At the macro level, there is also evidence that an increase in access to financial services has positive effects on the stability of the financial system, the effectiveness of the monetary policy, growth and inequality reduction. It can be concluded that financial inclusion contributes to the development goals of poverty reduction, economic growth and jobs, greater food security and agricultural production, women's economic empowerment and health protection.

Goals of Digital Financial Services

The main goal of the availability of digital financial services is to contribute to reduce poverty and deliver on the recognized benefits of financial inclusion in developing countries.

The digital financial services ecosystem includes the following benefits of financial inclusion:

- **Safety and security:** Poor people will be capable of storing and managing the value without needing to protect cash as a physical asset.
- **Speed and Transparency:** Cash payments are subject to delay, "leakage" (payments that do not reach the recipient in full), and "ghost" (fake) recipients

under the condition of liquidity and transactional anonymity of cash. By moving to digital payments, the traceability of the payment process is improved through more stringent identification procedures, direct transfers that skip current intermediate hands, digital record-keeping, and more immediate funds transfer.

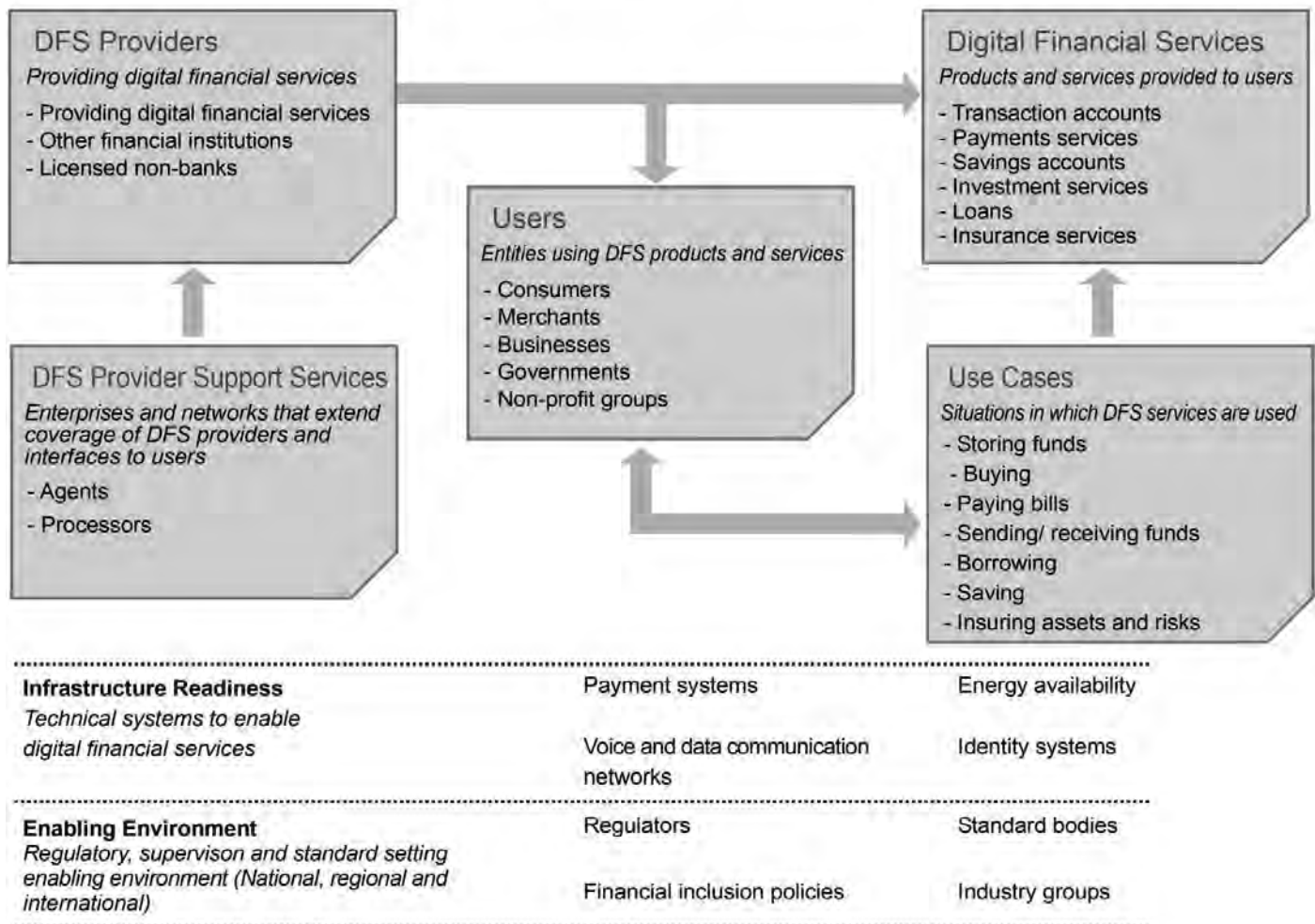
- **Increased Flexibility:** Digital financial services can reduce costs and increase the coverage of remittances transfers, making remittances of small amounts viable. Moreover, digital financial systems can enable remitters to direct funds directly to savings, health, education fees, or other types of targeted accounts that ensure funds are being spent as intended. The increased flexibility of digital systems also allows the poor to pay for goods and services on lay-away, pay-as-you-go, or through other payment options that more closely match their ability to pay.
- **Savings Incentives:** Digital technologies can make available data analytics on users' financial lives and therefore increase the willingness to save. It facilitates access and interfaces to saving products. Similarly, the digital payment system creates the opportunity to embed poor people in a system of automatic deposits, scheduled text reminders, and positive default options that help people overcome psychological barriers to saving.
- **Credit Histories:** Digital payment mechanism creates records, allowing transaction histories that can support borrowing by poor consumers and merchants.
- **Women's Empowerment:** Remittances, both domestic and international, through a digital financial system also help to empower women within their households. The digital nature of the payment enables the recipient to keep financial transactions private, even within a family.

Components

The financial actors and services are the constituents of the DFS Ecosystem. There are two fundamental support structures for DFS ecosystem. They are as follows:

The Digital Financial Services Ecosystem

Enabling financial inclusion and building the digital economy through availability, affordability, convenience and quality



Source: International Telecommunication Union: Focus Group Technical Report, 2016

(1) Infrastructure Readiness: It consists of the following components:

- Payments Systems-**The DFS made payment systems available for the transaction between and among end-users, including consumers, merchants, businesses and governments. These payment systems may be available for public, semi-public, or private as a form of either “closed-loop” or “open-loop”. Security of payments systems is the pre-requisite for infrastructure readiness.
- Voice and Data Communication Networks-**They are required to support financial messaging among

end-users and providers. Quality and security of communication network must be maintained at a certain level for infrastructure readiness.

- Energy-** Availability of energy at a sufficient level is also considered as pre-requisite to support the users of a digital financial ecosystem.
- Identity Systems-** Effective identity systems must be developed to identify end-users and their providers. Authentication systems are also capable of recognizing and validating these identities. These systems may be national ID’s, sectorial ID’s (e.g. financial industry identifiers, bank account numbers,

cell phone numbers) or private sector ID's (e.g. WeChat or PayPal identifiers). National ID's with a biometric system is expected to become a significant part of the ecosystem.

(2) Enabling Environment: It consists of the following components:

- i. **Laws and regulations-** They include the basic permissions given to financial institutions, the authority of financial regulators, and regulation and permissions given to non-bank financial services providers. Law and regulation about competition and consumer protections are also significant in their impact on the development of the ecosystem.
- ii. **National policies-** Policies especially related to financial inclusion enables DFS ecosystem.
- iii. **Standards setting bodies-** Establishment of standard-setting bodies like ITU, ISO, ANSI, etc. is also the pre-requisite of DFS ecosystem.
- iv. **Industry groups- Specific** industry groups like GSMA, Mobile Forum etc. creates the environment for providing financial services on behalf of large numbers of individual providers.
- v. **International institutions** - International Development Organizations and NGO'S working to implement DFS ecosystems, like World Bank, CGAP, UNCAD, the Bill & Melinda Gates Foundation are also the foundation of DFS ecosystem.

The DFS ecosystem also incorporates other stakeholders, like consumers, businesses, and governments that are involved in the use and provision of digital financial services. This includes:

- **Users** – They consists of all entities which are users or consumers of digital financial services. They are consumers; merchants, billers, and other payments acceptors; businesses; governments; and non-profit agencies.
- **DFS Providers** – They consists of all entities which provide digital financial services to end-users. It includes both so-called traditional financial services providers (banks, savings institutions, credit unions, and other chartered financial institutions) and non-bank providers or entities, which may include e-Money operators, postal authorities, and a variety

of different commercial providers. **DFS Providers Support Services** – They consist of all entities which provide services to DFS providers like, processors, platform providers, and a wide range of software and hardware (e.g. terminals, ATM's) providers. It also includes agents (who may work on behalf of either bank providers or non-bank providers).

The end-users and providers of the digital financial ecosystem meet in the provision and use of the actual digital financial services: these services then support the use cases within the ecosystem.

Digital Financial Services include:

- **Transaction Accounts:** These include both bank accounts and e-money accounts. Deposits into a bank account create liability by the bank to the account holder: this liability is often guaranteed or insured by government agencies. Deposits into an e-Money account (by definition from a non-bank provider) create liability by the provider to the account holder: this liability is usually covered by a regulatory requirement that the provider hold funds, in aggregate, in an escrow or trust account at a bank. e-Money accounts and bank accounts are both considered "Transaction Accounts" within the ecosystem
- **Payments Services:** The ability to transfer money into or out of an account: this may be done through a variety of different payments systems and providers. Remittances, transfers, merchant payments, bill payments, etc. are all examples of payments. Payments may be domestic or cross-border. For this report, we concentrate on digital payments: payments initiated or processed electronically, rather than by paper. Bank ACH and RTGS systems, e-Money transfers, and card payments are considered to be digital payments.
- **Savings Accounts:** Services designed to allow consumers to set aside some funds in storage for intended later use. Savings products typically offer some type of interest rate or return. Some savings services have shared or club-like characteristics.
- **Investment Services:** They are designed to allow consumers or businesses to invest for future financial return.

- **Loans:** They encompass a broad variety of services to extend credit to consumers or businesses. Micro-finance, secured and unsecured lending, and mortgage financing are all included.
- **Insurance Services:** It encompasses a broad variety of services to enable consumers and businesses to protect lives and assets.

Use Cases

Consumers and firms require to use a variety of digital financial services. Many use cases have two end users: for example, in a “paying bills” use case, either consumers or business firms paying the bill, and the biller receiving the payment, are involved. Use cases include the following components:

- **Storing Funds** – It helps to keep funds safely.
- **Paying for Purchases** –It implies the ability to pay for goods and services purchased.
- **Paying Bills** – It indicates the ability to pay for services delivered upon receipt of a bill.
- **Sending or Receiving funds** – It indicates the ability to transfer funds to and receive funds from another end-user (person or business).
- **Borrowing** – It means the ability to borrow funds for later repayment.
- **Saving and Investing** –It indicates the ability to have a short term liquid to semi-liquid investment such as an e-Money account, savings account or group savings, and the ability to invest funds for future financial return.
- **Insuring Assets** –They determine the ability to insure lives or assets.
- **Trading** – The stakeholders must be able to participate in international trade through the use of digital financial services

Nepal's Narrow-Based Securities Market and its Implications

Nepal's securities market could be called a one-sector show as long as the financial institutions heavily dominate the securities market and non-financial institutions (excepting the power sector which has been gradually picking up) feel shy of entering the market in a distinctly visible way. Financial sector thrives and gets sustenance when the other sectors that it deals with are growing in leaps and bounds. When the other sectors are stagnating, we cannot expect the financial sector to flourish as expected.



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1. Predominant Role of Financial Sector in Nepal's Securities Market

Since the time when share market transactions started in the Nepal Stock Exchange, the financial sector has continued to occupy its predominant position. In terms of the amount of capital raised (primary market) as well as the volume of market transactions (secondary market), Nepal's stock exchange relies heavily on the financial sector (commercial banks, development banks, finance companies, micro-finance development banks, and insurance companies) while the non-financial sector (manufacturing and processing, hotel, trading,

hydro-power, and others) distantly follows the financial sector in the above respects. As an example, the share percent of the amount raised in the primary market by the hotels and manufacturing and processing companies has just remained one percent of the total. Also, the share percent of these companies in other stock exchange-related transactions has been quite bleak. In comparison, companies from banking and insurance sector comprise almost three quarters of the securities market transactions (Table 1). As a point of small satisfaction, the hydro-power sector has been slowly rising, with its listed number at 35, accounting for 16.5 percent of

the total listed companies (viz., 212) and 6.6 percent of the total market capitalization in mid-November 2020. The predominance of the financial sector over the non-financial sector evidences an example of acute imbalance in the development pattern of these respective sectors in Nepal's securities market. This raises serious concerns about the prospects of realizing the balanced, stable, and sustainable growth outcomes in Nepal's securities market.

Table 1: Listed Companies and Their Share (%) in Total Market Capitalization as in Mid-November, 2020

Sector	No. of Listed Companies	Share (%) Total Listed Companies	Share (%) of Market Capitalization
Financial Institutions, of which	144	67.9	73.3
Commercial Banks	26	12.3	43.9
Development Banks	18	8.5	3.3
Finance Companies	24	11.3	1.3
Micro-finance Companies	50	23.6	8.3
Insurance Companies	26	12.3	16.4
Manufacturing & Processing	19	9.0	3.6
Hotels	4	1.9	1.1
Trading	4	1.9	0.5
Hydro-power	35	16.5	6.6
Others	6	2.8	15.0
Total	212	100.0	100.0

Source: Macro economic and Financial Situation based on four months of 2020/21, November 2020, Nepal Rastra Bank

According to Table 1, out of 212 companies listed in the Nepal Stock Exchange as in mid-November 2020, 144 (67.9 percent) comprise financial institutions while the rest 68 (32.1 percent) are from the non-financial sector. With respect to the share of market capitalization, the share of financial institutions comprised 73.3 percent and that of the non-financial institutions remained at 26.7 percent. The share percent of market capitalization of hydro-power, manufacturing and processing, and hotels comprised 6.6 percent, 3.6 percent, and 1.1 percent respectively.

2. Why the Financial Sector is in the Forefront of Nepal's Securities Market?

Financial intermediation is the process of mobilizing resources from surplus units and providing finances to the deficit units. The financial sector helps the economy by

providing such intermediation process on a competitive and sustained basis which is possible if the interest of all the stakeholders of the transaction as well as the overall economy has been given adequate consideration. One obvious reason for the predominant presence of the financial institutions in the Nepalese securities market remains the standards of their regulation. As the central bank and monetary authority of the country, Nepal Rastra Bank (NRB) regulates and also supervises the commercial banks, development banks, finance companies, and micro-finance development banks by applying internationally acceptable and prudent approaches, norms and techniques. The non-compliance of the directives issued to the banks and financial institutions (BFIs) by the NRB invites strict penalties to avoid which the BFIs would conform to the directives. Similar is the case for insurance companies regulated by the Insurance Board. Another reason for the BFIs being in the comparatively better position has been the positive effects being brought about in their working environment by the central bank role of maintaining macroeconomic stability and ensuring financial sector stability as mandatory objectives enshrined in the central bank legislation. The central bank actions designed to create, restore, and maintain stability in the macroeconomy of the nation creates and fosters for the BFIs a conducive environment for restoring confidence and creating a sense of certainty for the BFI performance. Of course, these actions of the central bank also benefit the insurance companies in their pursuit of sound working. As the formal financial sector is closely regulated by the regulatory body, the efficiency and effectiveness of regulation largely determines the health, soundness, and overall worth of the financial institutions. In a sense, the attractiveness of the investors and the predominance of the financial sector in the Nepalese securities market could be attributable to a comparatively better regulatory framework and process put in place by the concerned regulatory body. The result has been the crowding of the investors for the shareholding of the financial institutions. However, the financial institutions need to comply with the elaborate regulatory provisions issued by the regulatory body from time to time so that the institutions could tide over the emerging risks, vulnerabilities, and unfavorable unanticipated events. This could affect the amount of profits available for distribution among the shareholders, thereby reducing the rate of return on investment. Thus, the over-appreciation of equities could make investment in these institutions less yielding over a longer-term.

3. Other Determinants of the Securities Market Development

As outlined above, better the quality of the regulatory framework and process in place, the better the corporate functioning and performance outcomes leading to their increased attractiveness among the investing community. Besides the regulatory environment, the production structure of the economy is a determinant of the securities market development. Greater level of industrial products and higher pace of industrialization supported by companies with massive investment by shareholders/bondholders fosters securities market development. However, due to an adverse industrial climate attributed to the unfavorable tariff, industrial relations, export, and governance/administrative issues, industrial sector of the economy is on the decline. During the period of 19 years (2000/01), industrial sector (mining and quarrying, manufacturing, electricity gas and water, and construction) output as percent of gross domestic product (GDP) fell at an annual average rate of 1.0 percent, from 17.3 percent in 2000/01 to 14.3 percent in 2019/20. During the same period, agricultural GDP as percent of overall GDP fell at an annual average rate of 1.5 percent, from 36.6 percent in 2000/01 to 27.6 percent in 2019/20. On the other, service sector GDP as percent of overall GDP increased at an annual average rate of 1.2 percent, from 46.1 percent in 2000/01 to 58.1 percent in 2019/20. Sub-sectorwise, manufacturing output as percent of GDP contracted to 5.1 percent in 2019/20 from its level at 9.0 percent in 2000/01. The energy sector (electricity, gas and water) as percent of GDP declined to 1.4 percent in 2019/20 from 1.8 percent in 2000/01. In 2019/20, as percent of GDP, the service output in wholesale and retail trade, financial intermediation, and hotels & restaurants comprised 13.9 percent, 6.6 percent, and 1.4 percent respectively compared to the corresponding levels at 16.4 percent, 2.7 percent, and 2.0 percent in 2000/01. These data are portrayed in the following table.

Table 2: Sector Output as Percent of GDP in 2000/01 and 2019/20

Sector	2000/01	2019/20
Agriculture	36.6	27.6
Industry	17.3	14.3
Manufacturing	9.0	5.1

Energy (Electricity, Gas, and Water)	1.8	1.4
Services	46.1	58.1
Wholesale and Retail Trade	16.4	13.9
Hotels and Restaurants	2.0	1.4
Financial Intermediation	2.7	6.6

Source: National Accounts of Nepal-2019/20, Central Board of Statistics, April 2020

According to Table 2, 13.0 percentage point decrease in the GDP share of agriculture and industry combined was made up by the 13.0 percentage point increase in the GDP share of services between 2000/01 and 2019/20. In other words, as percent of GDP, services sector gained the same percentage point which was lost by the agriculture and industry during the 19 years' period. Such heavy battering in the output share of tradable commodities discourages investment in the producing units resulting in their further stagnation. In such an environment, the concerned companies will shy away from expansion as they will lose incentive to raise resources through the securities market.

4. GDP Sectors and Market Capitalization: Skewed and Contrasting Information

Table 3 depicts the statistics portraying share percent of GDP and that of the market capitalization across the different sectors of production. The table reveals contrasting information. Financial intermediation that occupies 6.6 percent of GDP in 2019/20 takes up a whopping 73.3 percent of the market capitalization. Manufacturing and processing accounting for 5.1 percent of GDP shares 3.6 percent of market capitalization while the energy sector that represents 1.4 percent of GDP captures 6.6 percent of market capitalization. Hotels and restaurants that occupy 1.4 percent of GDP share 1.1 percent of the market capitalization. Wholesale and retail trade that shows a share of 13.9 percent of GDP signals 0.5 percent of the market capitalization. Many important components of the GDP do not find place in the securities market. Agriculture is not represented in the securities market and so is the private-sector led commercially booming sectors like education, health, and real estate. Further, it is an irony that sectors like mining, construction, and transport have also not yet found their place in the securities market.

Table 3: Share Percent of GDP and Market Capitalization in 2019/20

Sector	Share (%) of GDP	Share (%) of Market Capitalization
Agriculture	27.6	
Industry	14.3	
Manufacturing	5.1	3.6
Energy (Electricity, Gas, and Water)	1.4	6.6
Services	58.1	
Wholesale and Retail Trade	13.9	0.5
Hotels and Restaurants	1.4	1.1
Financial Intermediation	6.6	73.3

Source: National Accounts of Nepal-2019/20, Central Board of Statistics, April 2020 and Macroeconomic and Financial Situation based on four months of 2020/21, November 2020, Nepal Rastra Bank

Thus, there is a disproportionate development of the securities market with respect to the various production sectors of the economy. Some components of the GDP are under-represented while the financial intermediation component is excessively represented. So, the securities market transactions are not compatible and consistent with the sectoral characteristics and composition of the GDP. This implies that the securities market changes do not significantly depend upon changes in the investment and production atmosphere and outlook of the economy. This means that the often cited rhetoric that the stock exchange movements serve as the barometer of the economy would not carry any significant meaning.

5. Sound Regulatory Mechanism for Non-Financial Institutions

For the emergence of a balanced, broad-based, and sustainable development of the securities market which could work as the dependable framework for mobilizing long-term resource for the rapid industrialization and sustainable economic development of the country, there is the need for putting into action effective regulatory mechanism for non-financial institutions like those from agriculture, manufacturing, hydro-power, construction, wholesale and retail trade, hotels and restaurants, transport, real estate, education, health, etc. These regulatory bodies should match the role, capacity, and power presently vested in the dedicated regulatory bodies overseeing the financial institution. Consequently, investing community's confidence and trust in the non-

financial institutions would foster with the increased professionalization, transparency, corporate governance, and disclosure brought about by the efficient working of the specialized regulatory bodies dedicated to the non-financial institutions. Only then the non-financial institutions would be able to mobilize increased resources and channel these resources toward their optimum utilization through offering competitive incentives to the participants in the securities market.

6. Conclusion

Nepal's securities market could be called a one-sector show as long as the financial institutions heavily dominate the securities market and non-financial institutions (excepting the power sector which has been gradually picking up) feel shy of entering the market in a distinctly visible way. Financial sector thrives and gets sustenance when the other sectors that it deals with are growing in leaps and bounds. When the other sectors are stagnating, we cannot expect the financial sector to flourish as expected.

In addition to the financial sector, there should be the balanced growth of different participating sectors in the securities market. Unbalanced and skewed development of the securities market would not make the securities market instrumental in discharging its designated role and contribution in the nation's economic transformation. Rather, such imbalanced development would be a cause for increased risk and vulnerability which will jeopardize the process of smooth and stable development of the entire economy. The structural imbalance characterizing the evolutionary process of the Nepalese securities market would worsen if the same could not be earnestly and effectively addressed in time.

To remedy such unfavorable events and outcomes, the government needs to prioritize the securities market reform agenda, encompassing the components like establishing and activating the dedicated regulatory bodies to cater to the problems and prospects of all the sectors in the economy. Besides the regulatory dimensions, improvements could be made in the existing structure of the securities market by reforming the sectoral features. Likewise, the government needs to provide tax and non-tax incentives for extensively popularizing the company form of business organizations as well as for their listing in the Securities Board of Nepal as a pre-requisite to the sustained, all-round, and stable growth of the securities market.

Nepal Rastra Bank's Initiative towards Easing Refinance Procedure

Considering the increased necessity of refinancing, NRB has issued comprehensive guidelines on refinance which clearly explains the categorization of refinance, maximum amount of interest to be charged by the BFIs, limit of such facility, eligibility requirements of loan to avail refinance facility etc. Based on the guidelines, NRB has been providing bulk amount of refinance facility to the BFIs.



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Background

In a bid to ease the refinancing procedure and make it more systematic and effective, the Nepal Rastra Bank (NRB) issued 'NRB refinancing Procedure, 2020' on January 15, 2020 (2076 Magh 1). It was the NRB's maiden attempt to systematize the refinancing procedure. Before issuance of this Procedure, some refinancing arrangements were contained in Bank's United Directive. Various policy arrangements have been made in the Procedure for streamlining the refinance process. The purpose of this article is to enrich the knowledge of Chartered Accountancy students, members and stakeholders on refinance guidelines issued by Nepal Rastra Bank in readable and understandable manner.

Definition of Refinance

A refinance refers to the process of revising and replacing the terms of an existing credit agreement, usually as it relates to a loan or mortgage. When a business or an individual decides to refinance a credit obligation, they effectively seek to make favorable changes to their interest rate, payment schedule, and/or other terms outlined in their contract. If approved, the borrower gets a new contract that takes the place of the original agreement. Borrowers often choose to refinance when the interest-rate environment changes substantially, causing potential savings on debt payments from a new agreement.

It is a provisioning of providing loans at concessional interest rates for the expansion of the activities. Such loans are provided to the existing borrowers by fixing the interest rate to be collected from the customer and the borrower for a limited period. Refinancing are the loans provided by Nepal Rastra Bank (NRB) to banks and financial institutions (BFIs) licensed by NRB at cheap interest rate. Such loans are then distributed to the borrower by BFIs.

The main purpose of refinance is to provide loan facilities to needy borrowers at cheaper interest rate. It aims to provide relief and restore the businesses that are affected due to natural disaster like earthquake and pandemic like COVID-19. Refinance focuses to promote the micro, cottage and agricultural based industries. It helps to uplift the living standard of women, *madhesi*, *dalit*, differently abled person etc. through availing the loans at concessional interest rate. It also attempts to promote entrepreneurship and trying to engage person returning from foreign employment in business activities.

Legal Provision of Refinance in Nepal

Section 49 of the Nepal Rastra Bank (NRB) Act, 2058, states the provision of Refinance to Commercial Banks and Financial Institutions. It says, NRB may, subject to the terms and conditions prescribed by it, make available loan and refinance to commercial banks and financial institutions for a maximum period of one year against the security. NRB has issued Refinance Guidelines, 2077 on Shrawan, 2077 under the power conferred to frame rules and by-laws in NRB Act 2058.

Refinance Fund

The bank (NRB) shall have a refinance risk management fund which comprises of the amount from existing Development Fund of the bank, amount from other funds as prescribed by the Board of the bank, amount received from donor agencies which is approved by Government of Nepal and the amount provided by Government of Nepal.

Categorization of Refinance

Refinance provided from bank has been categorized into following three headings:

1. **Micro, Cottage and Small Business Refinance:** It is a refinance provided to the micro business where the

entrepreneur himself has been engaged in business operation and businesses that are availing the loan up to Rs. 15 lakhs.

2. **Special Refinance:** It is a type of refinance provided to specific sector giving special priority by the bank. The business related to the export, business operated by woman, differently abled person etc. comes under this category.
3. **General Refinance:** All refinance other than those of category 1 & 2 comes under this category.

Interest Rate of Refinance

The interest rate to be received by the Nepal Rastra Bank from Banks and Financial Institutions (BFIs) and the interest rate to be charged by the BFIs from borrowers will be as decided by the bank from time to time. Following is the existing interest rates on refinance:

S.N.	Category of Refinance	Interest rate to be charged by NRB from BFIs (%)	Interest rate to be charged by BFIs from borrowers (%)
1.	Micro, Cottage and Small Business Refinance	2	5
2.	Special Refinance	1	3
3.	General Refinance	3	5

Duration of Refinance Facility

Those refinance facility which is provided to BFIs on a bulk basis will have a duration not exceeding 1 year and those loans will not be renewed. Similarly, refinance facility which is provided to BFIs on clientwise basis will have various duration depending upon affected level of respective borrower's business by COVID-19. Those businesses which are highly affected and moderately/least affected will have a refinance facility for a period not exceeding 1 year and 6 months respectively. Refinance facility under Clientwise basis may be renewed as prescribed by NRB Act, 2058.

Limit of Refinance Facility

Limit of the Refinance facility is prescribed as follows:

S.N.	Types	Total Limit to BFI's (% of Total Refinance Facility)	Limit Per Borrowers (Rs.)
1.	Bulk refinance facility to A,B & C Class Institutions	70%	5 Crores
2.	Clientwise to BFI's	20%	20 Crores
3.	Bulk refinance facility to Micro-finance Institutions	10%	N/A

Process to provide Refinance Facility

A. Under Bulk Refinance Facility

NRB has provisioned two types of refinance facility. One of them is bulk refinance facility which is provided to the BFI's. NRB makes announcement for the refinance facility under bulk basis to BFI's and they shall submit the application including types of refinance with minimum of 5 borrowers from each branch of BFI's. After receiving the application, NRB will decide to provide the refinance facility within one month from the expiry of announcement date for such facility. Such refinance may be approved fully or partially. After approval, refinance facility will be made available to BFI's on installment basis on different time period considering the market condition, liquidity position of respective BFI's etc. The representative of BFI's shall sign the refinance deeds. The authority to sign such deeds shall be the Chief Loan Officer or any officer above the Chief Loan Officer. After fulfillment of all above processes and receipt of amount under refinance facility by BFI's, BFI's shall charge concessional interest rate to their borrowers till the validity of such refinance facility period.

B. Under Client wise Refinance Facility

Another type of refinance is clientwise refinancing. Such facility is provided to BFI's considering the financial position of the borrowers by the bank. BFI's shall submit the required documents related to their borrowers in order to avail the refinance facility. BFI's shall submit application submitted by the borrower for refinance facility, audited financial statements of last three years, tax clearance certificate or tax submission certificate of last year, details from credit information center related

to company, system generated customer liability report showing existing interest rate. In case of export refinance, documents related to export like last year's export, earnings of foreign currency etc., shall be submitted. If borrowers had availed refinance facility earlier, documents disclosing the same shall be submitted. Likewise, self-declaration of borrowers that s/he has not availed the refinance facility from other BFI's and brief summary of company's contribution to create employment, earning of foreign currency is necessary to submit to NRB.

Basis of approving the Refinance Facility

After receiving the applications along with other documents from BFI's, NRB shall ensure whether the required documents and process has been fulfilled or not and initiate the approval process of refinance facility. NRB shall check whether all financial information of borrower has been submitted or not, the financials submitted by the borrower and details submitted to inland revenue office has been tallied or not, the borrower has maintained debt to equity ratio has been maintained or not. Similarly, NRB shall analyze whether the business/project of borrower do contribute in economy or not, whether it is appropriate to provide concessional interest from refinance considering the business/project of borrower or not and whether the BFI's and borrower fulfills the prescribed terms and conditions or not.

Eligibility of loans for Refinance Facility

Refinance Procedure, 2077 has set an eligibility criteria in order to availing the refinance facility.

A. Loans eligible for Micro, Cottage and Small Business Refinance

Loans eligible for Micro, Cottage and Small Business Refinance includes the loan to businesses in operation up to Rs. 15 lakhs, loan to businesses which are currently closed but were in operation before natural disaster or pandemic and have business potentialities in future up to Rs. 15 lakhs, additional loan provided to micro, cottage and small businessmen for restoration/revival of business affected due to natural disaster. Similarly, it also includes the loan provided to entrepreneurs who have returned back from foreign employment, loan to agricultural production and processing, animal husbandry, hatchery, fisheries etc., loan to agricultural tools and machines production and distribution, loan to cottage industry and

agricultural & forestry related industry as prescribed and other loan categorized as Micro, Cottage and Small Business loan by the bank.

B. Loans eligible for Special Refinance Facility

Loans eligible for special refinance facility includes the loan provided to export based industries/businesses which are in operation, loan to business operated by low income woman, indigenous, *madhesi*, *dalit*, differently abled person, loan to sick industry and to those sector affected by natural disaster, loan disbursed to person who goes to foreign employment, loan to those sectors prescribed as highly affected sectors from COVID-19 by bank.

C. Loans eligible for General Refinance Facility

Loans eligible for General Refinance Facility includes the loan to hydropower project, agricultural project, animal husbandry and fisheries, industry run by youth returned from foreign employment/education, production based industry, tourism industry, construction industry, education, health, communication, entertainment, aviation, public transportation, medicines industry, diagnostic center, teaching hospital, hospital, garbage processing related industries, etc. Similarly, it covers the loan provided to develop infrastructure of potential tourism destinations as prescribed, loan disbursed to entrepreneurs whose business has not been able to operate in full capacity due to COVID-19 and pandemic of other infectious diseases, and other industries as prescribed in annex-4 of refinance guidelines.

Refinance Procedure, 2077, has also clearly stated the types of loans which are not eligible for refinance facility. Such loans include loan disbursed for personal purpose like overdraft loan, home loan, vehicle loan, margin loan, gold/silver loan, social loan and other loans that are provided for personal purpose not for entrepreneurship. However, if BFIs believe that the loans are disbursed in personal name but utilized for self-employment like taxi driving, electronic tempo driving etc., then those loans are eligible for refinance facility. Similarly, loans provided under concessional interest facility and other subsidized loans, loan to industries/businesses having Return on Equity (ROE) more than 20% in the last financial year and loan to cigarette, *bidi*, cigar, tobacco & other tobacco related industries/businesses and alcohol & alcohol related industries/businesses etc, are not eligible for the refinance facility.

Current Scenario

Refinance facility has been a key relief tool for the borrowers affected from natural disasters and pandemic like COVID-19. Considering the necessity of current situation, the government has announced a large amount of concessional loan facilities and directed NRB to provide refinance facility in large scale.

As on Poush end, 2077, NRB has approved a total refinance facility of Rs. 83.31 arba. It has approved Rs.50.07 arba under bulk refinance and Rs. 33.24 under Clientwise refinance. Out of the total approved amount of bulk refinance, Rs. 23.63 arba, Rs.8.63 arba and 18.38 arba has been approved for the micro, cottage & small business refinance, special refinance and general refinance respectively.

Similarly, under Clientwise refinance, Rs. 12.72 arba has been approved for hotel sector, the most affected sector due to COVID-19. Likewise, Rs.3.15 arba, Rs.2.69 arba, 2.54 arba and Rs. 2.4 arba has been approved for the construction, manufacturing, medicine and education sector respectively.

As total amount of approved refinance is Rs. 83.31, a disbursement of Rs. 69.44 has been made till poush end, 2077. Out of the total disbursement, Rs. 47.37 arba and Rs. 22.07 arba has been disbursed under bulk refinance and clientwise refinance respectively. A difference in approved and disbursement amount is due to two major reasons. One is because of processing delays and another is due to less existing loan liabilities of borrower shown under customer liability reporting than approved loan limits.

Responding the Impact of COVID 19 in Economy

Recently, in order to respond the impact of COVID 19 on economy, NRB has made first amendment on 2077/11/18 in the Procedure by increasing the access in refinancing to support the industry, profession and business making the refinancing procedure further systematic and effective. Some of the new provisions made in the existing Procedure that includes the loan made in small hydroelectricity projects below 10 Megawatt shall be treated as special refinance loan, under special loan; the Governor might modify the limit of the refinance facility on the basis of demand, requirement and rationality;

recommendation of BFIs in financial analysis process of refinance requirement of hydroelectricity projects below 10 Megawatt and the investment made in hydroelectricity projects below 10 Megawatt shall be treated eligible for refinance. It is expected that the new policy arrangement will help for small investors under refinance system.

Conclusion

Considering the increased necessity of refinancing, NRB has issued comprehensive guidelines on refinance which clearly explains the categorization of refinance, maximum amount of interest to be charged by the BFIs, limit of such facility, eligibility requirements of loan to avail refinance facility etc. Based on the guidelines, NRB has been providing bulk amount of refinance facility to the BFIs. As a result, BFIs charge concessional interest

rate to those borrowers who are eligible for such facility as per guidelines. The ultimate objective of refinance facility is to provide relaxation on credit interest rate to the borrowers and hence it is expected that the maximum number of borrowers affected by COVID-19 will be benefitted from such facility which ultimately helps the economy to restore and revive.

Sources:

1. *Investopedia*
2. *Nepal Rastra Bank Act, 2058.*
3. *Refinance Procedure, 2077 issued by NRB.*
4. *Data provided by Nepal Rastra Bank, Bank and Financial Institution Regulation Department and Banking Department.*

Impact of COVID 19 on Insurance Business (COVID-19 VS AML/CFT)

Money laundering typically takes place through three steps: placement, layering and integration. Normally, the money launderers buy the high value property from the illegally obtained money and then take insurance coverage for it. Later on, they put fraudulent claim in insurance companies and receive the claim amount which is now converted to legitimate money. This is only one case and there are many others. Moreover, various investment type life-insurance products are vulnerable to money laundering.



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Unlike the other financial institutions, insurance companies are new to the AML and CFT world. Although, the insurance companies have been subject to the AML regulation for many years, there had been very little regulatory focus on such matters. However, with the enforcement of FATF policies, regulators have been enforced for strict compliance on such matters.

The ongoing spread of the coronavirus has become one of the biggest threats to the global economy and financial markets. No **Doubt** world's economy has been estimated to have been contracted by whopping 20% this year as compared to that of year 2009 by 0.1% (as per the report of IMF).

With the fear of degrading economy, the prospective and ever-growing Insurance business is also in the line of threat. Economic impact on the any business is very obvious in the pandemic state. But along with it, threat can be seen in the day to day transaction of Insurance business.

Let's focus on effect of corona virus on **Anti Money Laundering and Countering of Financing of Terrorism (AML/CFT)** aspect of **insurance companies**.

According to PwC's 2018 Global Economic Crime Survey, 62 percent of respondents from the global insurance community said that their firms had been exposed to fraud or financial crime within the previous 24 months, compared to 37 percent in 2016 and 35 percent in 2014.

What is AML?

Simply speaking, anti-money laundering is an attempt to prevent the criminal from **converting** their **black money into white money**. AML regulations target criminal activities including corruption, trafficking, tax evasion, smuggling and many more. These people often try to “launder” the illegally obtained funds so that they can’t be tracked and punished. Money launderers often try to conceal the origin of money obtained illegally by passing it through a legitimate cash business such as banking transfers and other commercial transactions. Thus, they are able to convert illegal fund to legal fund. So, the main objective of **AML/CFT regulations** is to prevent such criminals to commit the activities related to money laundering and terrorism financing.



Now, the question is ‘How does money laundering takes place in Insurance Companies?’

Money laundering typically takes place through three steps: placement, layering and integration. Normally, the money launderers buy the high value property from the illegally obtained money and then take insurance coverage for it. Later on, they put **fraudulent claim** in insurance companies and receive the claim amount which is now converted to legitimate money. This is only one case and there are many others. Moreover, various **investment type life-insurance products** are vulnerable to money laundering. The launderers purchase many life insurance policies and often cashed out policies

prematurely, despite penalties for the early withdrawals. Thus, it becomes prime responsibility for the insurance companies to properly identify all their customers before or even after entering into transactions.



Who regulates the activities of money laundering in Nepal?

Asset (Money) Laundering Prevention Act, 2064 and Asset (Money) Laundering Prevention regulations, 2073 have been enacted in Nepal with the motive of controlling the activities related to money laundering and financing of terrorism. A special unit named as **Financial Information Unit (FIU)** is formed in Nepal Rastra Bank for collection and analysis of information relating to offence of money laundering and financing of terrorist activities.

The **regulatory authority of insurers** of Nepal, **Insurance Board** has also issued directives related to Money Laundering and Financing of Terrorism Prevention for regulating the transactions of all insurance companies.

What does the AML/CFT regulations urge to do?

The Act and regulations have required any bank, financial institution or non-financial institution (called as **reporting entities**) to maintain clear record of identity of a person while establishing any kind of business relationship with such person or while transacting the amount above **the threshold** as prescribed by Nepal Rastra Bank from time to time. For this purpose, KYC is developed. **KYC (Know Your Customer)** is the process that institutions must take in order to verify their customers’ identities before entering into service agreement with them.

Customer Due Diligence

Customer due diligence is the process of identifying customers and checking the reliability of the information and details supplied by them about themselves. The process is very essential for KYC. The CDD Rule

requires the reporting entities to **identify** and **verify the identity** of their customers and the beneficial owners of the transaction. This includes various processes such as obtaining identification information from the customer, verifying the identity using reliable sources, purpose and nature of the transactions, keeping the details of



customers updated, etc. Moreover, **Enhanced Customer Due diligence (ECDD)** is mandatorily to be performed on **high risk customers** such as **politically exposed persons (PEPS)**. The name list of **PEPS** is also to be maintained by the reporting entities as per the requirements of AML related regulations. The essential documents/ information to be obtained from the customers (before providing the services) are clearly mentioned in the directives issued by Insurance Board. For example, in case of transactions with **individuals**, the information to be obtained at minimum include full name, name of father/mother, name of spouse, name of grandfather, permanent address, current address, date of birth, contact number, source of income, citizenship copy, photograph, signature, etc.

Effect of COVID-19 on AML compliance of Insurers

Considered as one of the effective measures to combat the spread of the novel coronavirus disease (COVID-19) pandemic, the government of Nepal had extended the



nationwide lockdown leaving the people clueless about frequency of such extensions. Though the nationwide lockdown have been ended now, but the effects of such situation can still be seen in the smooth operation of business activities. In that situation, the insurance companies were not able to carry out their operations **smoothly** from their offices. The movement of limited number of vehicles and officials had created obstacle in their effective operations. However, **Insurance Board** had **directed** the insurance companies to **renew** the expired policies on the basis of **written request** (including those received from the electronic means) from the insured. Even then policies could be issued during the lockdown period upon the request from prospective client.

The insurance companies were receiving all the required documents from the emails and accordingly issuing the new policies. This procedure had imposed serious issues on **AML matter**. It had become very difficult for the companies to collect required amount of information from the customers as they were **not** in position to **personally meet** the customers. They were not able to maintain/have the KYC (Know Your Customer) and Proposal form signed/ stamped from the insured in those lockdown periods. The **authenticity** of the documents received from the insured through electronic means could not be examined and verified in those **situations**. The proposers requested the insurer to make available of the required documents only after the end of this lockdown situation. The insurance companies had no any options other than relying on the information/ details received from phone calls or e-mails. Regarding renewal policies, it was difficult to update any change in the details of customers previously provided. Thus, money launderers may had found that time as **perfect to launder their assets**. Moreover, there was high chance of lodging **fake and fraudulent claims** at that time when surveyors were not in condition to be appointed for the investigation and inspection. So, the question is whether all the required documents have been obtained and updated now?

On the other hand, **threshold transaction reporting (TTR)** and **suspicious transaction reporting (STR)** were also affected due to the above cases. TTR obligation for insurance business occurs when there is transaction of purchase of life insurance policy with an annual premium of Rs. 1 lakh or more and purchase of non-life insurance

policy with an annual premium of Rs. 3 lakhs or more, irrespective of whether paid once or multiple times in a year. Similarly, a suspicious transaction must be reported to as soon as possible but no later than three working days after detection of the initial suspicion or the receipt of the information being reported on. These both reporting is to be made to FIU.

What should be done to resolve the issues created then and now too?

Though filling KYC form is not only the ultimate medium for detecting the launderers however it's the first step for investigation of the transactions. Now, regarding the above matter, first and foremost insurance companies should **focus on checking/ examining the authenticity** of the documents received from the customers as soon as the lockdown period ends. The insurers should still request the insured all the required documents and information for identification even through the electronic mediums if it is practically possible. The following procedures should be implemented **in addition** to resolve the above problems:

- The companies should **strengthen their internal policies**, procedures and controls to monitor for and report suspicious customers and transactions.
- **Risk based approach** should be adopted.
- There should be **mechanism** to check whether regulatory reporting guidelines are followed and monitored or not.
- The **FATF Recommendations** should be strictly followed.
- **Online identity verification** is the starting point for AML compliance in this technology friendly world. Also, **watchlist feature** helps organizations minimize their exposure to the risk of financial crime and enables them to comply with increasingly complex domestic and international legislation and regulation. For this, **GoAML software** should be made mandatory for all the insurance companies at the earliest.

Though **the punishment** for non-compliance of AML laws and regulations is **very high** as comparison to other

laws which consist of fine up to **5 crore rupees** including suspension or cancellation of the license of the insurers, it has not been seen to be effectively implemented.

Now, **'What is GoAML software and FATF?'**

GoAML is the software built specifically by the United Nations to assist in **combating money laundering** and terrorism financing. Nepal Rastra Bank has already **made mandatory for all the**



commercial banks to report suspicious transactions and transactions above the threshold via the goAML software to the FIU. Installing the software is one of the commitments of Nepal Government to the **Financial Action Task Force (FATF)**, a global anti-money laundering body. FATF is an inter-governmental body that develops and promotes policies to combat money-laundering. The FATF Recommendations are recognized as the global anti-money laundering (AML) and counter-terrorism financing (CFT) standard. Nepal was on the **FATF's 'Grey List'** since 2008 but was **removed** in 2014 after Nepal made progress in establishing a national anti-money laundering strategy, drafting anti-money laundering laws, establishing anti-money laundering institutions, strengthening the Financial Information Unit, and starting risk-based supervision.

As the **Asia-Pacific Group** on Money Laundering, a **regional arm** of the FATF, is conducting an assessment of Nepal's compliance with the FATF's global standards very soon, the government is taking tougher measures to avoid being blacklisted. Due to these reasons, Insurance Board has been **seriously** monitoring the compliance of AML directives these days. In the case as of these days, how will Insurance Board manage to ensure the compliance related to AML related directive from the various insurance companies? **Complexity** can be seen in AML compliances in the days to come.

Thus, Insurers selling life insurance or non-life insurance policies could be involved, **knowingly or unknowingly**, in the activities related to money laundering and financing of terrorism. This exposes them to legal,



operational and reputational **risks**. As the fraudulent activities are on the rise, the insurers need to ensure due diligence procedures are followed, in particular because in-person communication has been shifting to **online communication**. They should follow **alternative proof of identity** processes and obtain only the **certified copies** of documents. **Digital ID** would have been the best option, had it been issued by the government. **Technology** is one of a number of components in an effective global anti-money laundering (AML) compliance framework. By using current technology tools, organizations can improve their ability to mitigate financial crime risk.

Regulatory authorities, together with law enforcement authorities and in co-operation with other regulators, must adequately supervise insurers for AML/CFT purposes to

prevent and counter such activities. It is uncertain how long the current situation will last, so the companies will require **long-term adjustments** to working practices and culture. In essence, reporting entities' responsibilities to comply with AML are **still in force** and still require **greater attention** at the moment.

In conclusion, it can be said that the risk of money laundering in insurance industries, due to its nature, is different than in other industries and therefore the **level and type** of AML and CFT measures should be implemented with **proper analysis**, monitoring and supervision.

Let's work **together** for combating the issues related to **money laundering**.

सि.पि.ई कार्यक्रम तालिका

आ.व. २०७७/७८ मा संचालन हुने तालिमहरु निम्न मिति र स्थानमा संचालन हुने भएकोले ईच्छुक सदस्य महानुभावहरुले उपयुक्त हुने स्थान र मितिमा संबन्धित संस्थासंग सम्पर्क गर्नको लागि यो सूचना प्रकाशित गरिएको छ।

आर्थिक वर्ष २०७७/७८ को सि.पि.ई कार्यक्रम तालिका

क्र.सं	मिति	तालिम संचालन हुने स्थान	तालिम संचालन गर्ने संस्था
१	२०७७ चैत्र ५, ६ र ७	चितवन	ACAN
२	२०७७ चैत्र ६, ७ र ८	काठमाण्डौ	ICAN
३	२०७७ चैत्र १२, १३ र १४	हेटौडा/धनगढी	AuDAN
४	२०७७ चैत्र २०, २१ र २२	दाङ	ICAN
५	२०७७ चैत्र २०, २१ र २२	पोखरा/जनकपुर	AuDAN
६	२०७७ चैत्र २७, २८ र २९	नेपालगंज/भापा/विरगंज	ICAN/AuDAN
७	२०७८ वैशाख ३, ४ र ५	महेन्द्रनगर	AuDAN
८	२०७८ वैशाख ३, ४ र ५	काठमाण्डौ	ICAN
९	२०७८ वैशाख १० र ११	काठमाण्डौ	ACAN
१०	२०७८ वैशाख १०, ११ र १२	काठमाण्डौ	AuDAN
११	२०७८ वैशाख १७, १८ र १९	काठमाण्डौ/नारायणगढ	AuDAN
१२	२०७८ वैशाख २४, २५ र २६	काठमाण्डौ	AuDAN
१३	२०७८ वैशाख २८ र २९	पोखरा	ACAN
१४	२०७८ वैशाख ३१, जेठ १ र २	विराटनगर/काठमाण्डौ	AuDAN
१५	२०७८ जेठ ७, ८ र ९	काठमाण्डौ	ICAN
१६	२०७८ जेठ ७, ८ र ९	भैरहवा	AuDAN
१७	२०७८ जेठ १४, १५ र १६	काठमाण्डौ/सुर्खेत	AuDAN
१८	२०७८ जेठ २१, २२ र २३	काठमाण्डौ	AuDAN
१९	२०७८ आषाढ ४, ५, र ६	काठमाण्डौ	ICAN
२०	२०७८ आषाढ ४, ५, र ६	बागलुङ	AuDAN
२१	२०७८ आषाढ १० र ११	वुटवल	ACAN
२२	२०७८ आषाढ १८, १९ र २०	काठमाण्डौ	AuDAN

विस्तृत जानकारीको लागि सम्पर्क:

नेपाल चार्टर्ड एकाउन्टेन्ट्स संस्था (ICAN) सातदोबाटो, ललितपुर, फोन नं ०१-५५३०७३०, ५५३०८३२

नेपाल चार्टर्ड एकाउन्टेन्ट्स संघ (ACAN) काठमाण्डौ, फोन नं ०१ ४२५३०६८

नेपाल अडिटर्स एशोसिएसन (AuDAN) काठमाण्डौ, फोन: ०१ ४४८७८८३

पुनश्च: प्राविधिक कारणले उपरोक्त समय तालिकामा हेरफेर हुन सक्ने छ। हेरफेर भएको अवस्थामा सूचना मार्फत जानकारी गराइने छ।

NEWS

Activities

New President and Vice President of the Institute

CA. Madan Krishna Sharma and CA. Yuddha Raj Oli have been elected as the President and the Vice President respectively for the 3rd term of 8th Council of the Institute of Chartered Accountants of Nepal. Oath Taking Ceremony of the newly elected President and the Vice President was organized in ICAN building, ICAN Marg, Satdobato, Lalitpur on 16 July, 2020. The program was commenced with welcome remarks of Past President CA. Jagannath Upadhyay (Niraula).

Oath of the President was administered by the Hon'ble Auditor General of Nepal Mr. Tanka Mani Sharma Dangal. Similarly, the newly elected President, CA. Madan Krishna Sharma, administered oath of the Vice President CA. Yuddha Raj Oli. Addressing the ceremony, Guest of Honor, the Hon'ble Auditor General congratulated the Institute for having experienced person in the profession as a President and extended his best wishes for successful tenure of the newly elected President and the Vice President. He also stressed on need of the Institute to strengthen regulatory function and thanked the members of the Institute for their contribution in audit of public sector.

Chief Guest of the Oath Taking Ceremony the Hon'ble Finance Minister and the Minister of Communication and Information Technology Dr. Yuba Raj Khatiwada also virtually addressed the ceremony. In his address, he urged the Institute to contribute on economic growth by strengthening its regulatory function and through coordination with other regulators and Government agencies.

The outgoing President, CA. Krishna Prasad Acharya during his speech highlighted the major achievements of the Institute in the fiscal year 2076/77, which were mainly related to institutional reform undertaken during that period. He also mentioned the areas where Institute has improved services deliver system for students and members and the initiatives for regulating the profession in more efficient fashion. He thanked all the Past Presidents, Council Members, Ministry of Finance, Office of Auditor General, Other Line Ministries, Regulating authorities and staff member of the Institute for extending all corner support during his tenure to achieve the objectives of the Institute.

The Newly elected President, CA. Madan Krishna Sharma, during his acceptance speech, thanked all Past Presidents, Council Members and other stakeholders for their valuable contribution in bringing Institute at this prestigious level. He also assured that during his presidency the Institute would introduce some new initiatives for overall betterment of the profession and will assume existing responsibilities.

The Executive Director, CA. Sanjay Kumar Sinha presented token of love to the outgoing President, CA. Krishna Prasad Acharya for his valuable contribution to the Institute.

The Newly elected Vice President, CA. Yuddha Raj Oli concluded the program with his closing remarks.

Best Presented Annual Report Award 2019

Coinciding with the Oath Taking Ceremony, National Best Presented Annual Report (BPA) Award- 2019 was also organized in virtual presence of the Hon'ble Finance Minister and the Minister of Communication and Information Technology Dr. Yuba Raj Khatiwada and the Hon'ble Auditor General Tanka Mani Sharma Dangal.

The basic purpose of the Best Presented Annual Report Award is to promote better presentation of financial and other pertinent information and disclosures in the Annual Report of the reporting entities. BPA Award, 2019 was held under five different categories. Winners of BPA Award 2019 will also be nominated for South Asian Federation of Accountants (SAFA) level Best Presented Annual Report Award Competition.

Following institutions were declared winners of BPA Award 2019:

Organization	Position	Sector
Standard Chartered Bank Nepal Limited	Winner	Banking Sector (Private and Public Sector)
Mukthinath Bikas Bank Limited	Winner	Financial Sector (Including Development Bank and Finance Companies)
Chilime Hydropower Company Limited	Winner	General Sector – Manufacturing
Bottlers Nepal Limited	Runner Up	General Sector – Manufacturing
Nepal Clearing House Limited	Winner	General Sector- Others
Karja Suchana Kendra Limited	Runner Up	General Sector – Others

The winners of BPA Award 2019 were given with medals and certificates by the Hon'ble Auditor General Tanka Mani Sharma Dangal.

Online Sessions on “International Financial Reporting Standards (IFRS)”

The Institute, continuing with the objective to enhance professional capacity of its members, organized eleven-days online training sessions on International Financial Reporting Standards (IFRS) in technical support of the Institute of Chartered Accountants of Sri Lanka (ICASL) from 7 - 24 July 2020.

These online sessions were facilitated by experts representing from KPMG, Deloitte, Ernest & Young and Senior Professionals of CA Sri Lanka. This training was designed to provide in-depth knowledge of International Financial Reporting Standards (IFRS) and was focused on imparting understanding of conceptual framework, technical issues related to various IFRS standards.

The training was launched with the opening remarks of then the ICAN President (Now the Immediate Past President) CA. Krishna Prasad Acharya and concluded with vote of thanks of the President, CA. Madan Krishna Sharma.

The Members who participated in these online sessions were eligible to accumulate up to 30 Continuing Professional Education (CPE) Credit Hours.

Branch Coordination Committee Formed

The Institute has formed a seven members Branch Coordination Committee for the FY 2077/78 at all branches of the Institute to maintain better coordination of branch activities and to address the expectations of members, students and stakeholders related to accounting profession.

CA. Sheo Hari Sharma, CA. Pawan Kumar Rathi, CA. Arbinda Kumar Khetan, CA. Arjun Goshali, CA. Bishwa Ram Bhandari, and CA. Lokendra Ayer has been nominated as co-ordinator of newly formed branch coordination committees of Butwal, Biratnagar, Birgunj, Pokhara, Nepalgunj and Dhangadi respectively.

Mutual Recognition Agreement (MRA) with the Institute of Chartered Accountants of India (ICAI)

The Institute has signed the Mutual Recognition Agreement (MRA) with the Institute of Chartered Accountants of India (ICAI) on 22 October, 2020 in a virtual ceremony.

The ceremony started with the welcome remarks by Mr. Rakesh Sehgal, Acting Secretary, ICAI. The ceremony was addressed by ICAN President CA. Madan Krishna Sharma and Vice President CA. Yuddha Raj Oli. Similarly, CA. Atul Kumar Gupta, President, and CA. Nihar Niranjana Jambusaria, Vice President, ICAI addressed virtually. Likewise, Mr. Hom Prasad Luitel, Counsellor, Embassy of Nepal in New Delhi, India, Kapidhwaja Pratap Singh, Second Secretary (Commerce)

and Commercial Representative, Embassy of India in Kathmandu and Mr. Manoj Pandey, Joint Secretary, Ministry of Corporate Affairs, Government of India also addressed the participants of the ceremony. Executive Director of the Institute CA. Sanjay Kumar Sinha delivered closing remarks in the ceremony.

The purpose of this MRA is to enable appropriately qualified Chartered Accountant members of either Institute to join the other Institute by receiving appropriate credit for their existing accountancy qualification. This MRA has facilitated mutual recognition of qualification of both the Institutes and provided a path way to obtain membership of either Institute by complying with some pre-requisite conditions by the members.

This MRA is from 22 October, 2020 and members of either Institute can avail benefit of this MRA from this date.

International Accounting Day Celebrated

The Institute celebrated “International Accounting Day” in the memembrance of Father of Accounting, Luca Pacioli virtually on 10 November 2020.

The program started with the welcome remarks by ICAN President CA. Madan Krishna Sharma and under scored the importance of accounting and accounting education. Hon’ble Finance Minister, Mr. Bishnu Prasad Paudel was the Chief Guest of the program, Hon’ble Auditor General, Mr. Tanka Mani Sharma (Dangal), Financial Comptroller General, Mr. Madhu Kumar Marasini, and Prof. Dr. Dilli Raj Sharma were the Special Guest and the Guest of Honors respectively. Similarly, ICAN first President CA. Komal Bahadur Chitrakar, ACAN President CA. Ananda Raj Sharma Wagle and AuDAN President RA. Mohan Raj Regmi were the Guest Speakers in the program. Hon’ble Finance Minister, Mr. Bishnu Prasad Paudel, during his opening remarks, said that after the political change economic development has been the major concern of the nation. He further stated that transparency and integrity are the major indicators of the accounting business, and stressed to play constructive

role by the Institute and the accounting professionals for the economic development of the country.



Hon'ble Finance Minister Bishnu Prasad Paudel delivering Speech on the Occasion of International Accounting Day.

Hon’ble Auditor General Mr. Tanka Mani Sharma (Dangal), Financial Comptroller General Mr. Madhu Kumar Marasini and Dean, Faculty of Management, TU Prof. Dr. Dilli Raj Sharma presented on Accounting – Crux to Economic Growth of Nation, Streamlining of Government Accounting System – Role of Professional Accountants and Mapping of Accounting Education at University Level respectively. ICAN Vice President CA. Yuddha Raj Oli concluded the program by summarizing the views of speakers expressed in the program and thanking the Chief Guest, Special Guests and participants. This program was attended by the members, students of ICAN, staffs of ICAN, stakeholders, and other professionals.

Discussion on Carve-out on NFRS

ICAN President CA. Madan Krishna Sharma and Vice President CA. Yuddha Raj Oli participated in the discussion program virtually organized by Nepal Rastra Bank on 5 November, 2020 in the presence of the Governor of Nepal Rastra Bank CA. Maha Prasad Adhikari regarding Carve-out on NFRS related to Banking and Financial Sector. This program was also participated by the representatives of the Accounting Standards Board of Nepal (ASB Nepal) and Nepal Bankers Association (NBA). During the Discussion program, ICAN President and Vice President briefed about the difficulties and challenges of implementing NFRS in the Banking and Financial Sectors.

SAFA BPA Award Ceremony, 2019

The Institute of Chartered Accountants of Nepal attended the SAF- BPA Award Ceremony hosted by CA Sri Lanka virtually on 23rd December 2020. In the special ceremony, SAFA distributed awards in 11 different categories. All the participating SAFA Member Bodies organized this ceremony physically in their respective countries to participate in this virtual SAFA BPA Award Ceremony. Four different Nepalese Organizations were awarded with Second Runner Up and Merit Certificate in three different categories by SAFA. In this regard, Nepal Clearing House Limited was awarded with the Second Runner Up in the Public Sector category.



Representatives of Nepal Clearing House Limited receiving SAFA BPA Award from ICAN President CA. Madan Krishna Sharma.

Likewise, Standard Chartered Bank Nepal Limited, Bottlers Nepal Limited, and Karja Suchana Kendra Limited were awarded with the Merit Certificate in Private Banks Category, Manufacturing Category and Public Sector Category respectively. ICAN President CA. Madan Krishna Sharma distributed the award to Second Runner Up and Merit holders. The program was attended by President, Vice- President, Council Members, Professional Development Committee Members, and Staffs of the ICAN.

Interaction Program on Current Developments

The Institute organized an interaction program virtually in the presence of Hon'ble Auditor General, Mr. Tanka Mani Sharma Dangal to update on Current Developments

being undertaken at the Institute on 2nd December, 2020 (17th Mangsir, 2077). The aim of the interaction program was to deliberate the institutional progress and to obtain suggestions to sketch future strategies of the institute. The program was participated by ICAN President CA. Madan Krishna Sharma, Vice President, CA. Yuddha Raj Oli, Immediate Past President, CA. Krishna Prasad Acharya, Past President, CA. Jagannath Upadhyay Niraula, Council Members, Members of Standing Committees and representatives of different Boards.

The Guest of the program Hon'ble Auditor General delivering his speech stressed on the regulatory role of the Institute. ICAN President, CA. Madan Krishna Sharma emphasized on the current and the upcoming activities of the Institute. Similarly, Immediate Past President, CA. Krishna Prasad Acharya briefed about the coordination with the Government Entities and other Stakeholders and CA. Jagannath Upadhyay high lighted the progress made in the area of Information Technology System at Institute level. Vice President, CA. Yuddha Raj Oli concluded the program with vote of thanks to all participants.

24th ICAN Anniversary and 3rd Chartered Accountants Convocation Celebrated

The Institute celebrated its 24th Anniversary on 30 January, 2021 (17 Magh 2077) at Hotel Everest, New Baneshwor, Kathmandu.



Hon'ble Finance Minister Inaugurating the program with lighting the Lamp.

The program was inaugurated by Chief Guest of the program Hon'ble Finance Minister, Mr. Bishnu Prasad Paudel. Addressing the program Hon'ble Finance Minister congratulated the Institute on completion of 24 years' successful journey and appreciated for the exciting achievements and assured to continue Ministry's support to the Institute for the development of Accounting Profession in Nepal.



Hon'ble Finance Minister Mr. Bishnu Prasad Paudel addressing the Annual Day Program.

ICAN President CA. Madan Krishna Sharma, in his address, explained about the various milestones achieved by the Institute during the fiscal year 2019/20 and brief outline of future road map of the Institute. President also presented Annual Report of fiscal year 2019/20 (2076/77) of the Institute.



Newly qualified Chartered Accountants during the Convocation Ceremony.

Following Annual Report presentation, the 3rd Convocation Ceremony was held and 32 newly qualified Chartered Accountants who took oath from Educationalist and

Founder Vice Chancellor of Katmandu University Prof. Dr. Suresh Raj Sharma. Mr. Sharma also delivered Key Note speech in the program.

Dean of Tribhuvan University, Humanities and Social Sciences Prof. Dr. Kusum Shakya also congratulated the students for their achievement.

The Institute also felicitated it's employees in recognition of their excellent performance and contribution to the Institute during fiscal year 2076/77. ICAN President CA. Madan Krishna Sharma gave Certificate of Best Staff of the Year and Certificate of Appreciation to the staffs of the Institute for their hard work and performance.

Vice- President of the Institute CA. Yuddha Raj Oli concluded the program with vote of thanks to all the participants.

The program was attended by Past Presidents, Council Members, Committee Members, Students and Staffs of the Institute. Around 250 guests participated in the program.

Applicable Date of NFRS for SMEs, NAS for NPOs and MEs Announced

The Institute has prescribed new date of applicability of Nepal Financial Reporting Standards for Small and Medium Sized Entities (NFRS for SMEs), Nepal Accounting Standards for Not for Profit Organizations (NAS for NPOs) and Nepal Accounting Standards for Micro Entities (NAS for MEs). As per the notice, these standards can be voluntarily applied up to Ashad 31, 2078 and should compulsorily be applied from Shrawan 01, 2078. Relaxation in terms of compulsory application date is provided to small and medium sized entities, micro entities and not for profit organizations.

NFRS, 2018 Pronounced

The Institute has pronounced Nepal Financial Reporting Standards (NFRS), 2018 with different applicability dates for each NFRS, IFRICs and SICs.

Carve Outs in NFRS

The Institute, on recommendation of Accounting Standards Board, has provided additional 3 carve outs in Nepal Financial Reporting Standards (NFRS) with alternative treatment. Carve outs related to paragraph 13 and paragraph C1 of NFRS 1 shall be applicable on first time adaptation until fiscal year 2020/21. Similarly, carve out related to paragraph 9 of NAS 39 is applicable up to fiscal year 2019/20.

Similarly, The Institute of Chartered Accountants of Nepal (ICAN) decided to carve out some of the Standards in NFRS/NAS applicable to Banking and Financial Sectors for some period to manage the difficulties and challenges faced in implementing the Standards with alternative treatment.

ICAN Signed MOU with Vritti Solutions Limited for Audit Management Software

The Institute considering the complexities involved in the accounting practices, management of office and assignments has signed Memorandum of Understanding (MoU) with Vritti Solutions Limited a software developer company having its registered office located at Pune, India to provide access to Simplify Practice Software for practicing members of the Institute. This Practice Management Software has been already recommended by the Institute of Chartered Accountant of India and is in large use by the practicing members of ICAI. The Simplify Practice Software will be launched in Nepal soon, for the use by the practicing Members of the Institute and Audit firms once the data security and hosting arrangement will be made available in Nepal by the developer.

The Simplify Practice Software has salient features containing Assignment Management –Long Duration, Assignment Management –Short Duration, Work Allocation and Tracking, Time Sheet Recording, Variance and Profitability Analysis, Leave Management, Expense Management, Meeting Management, Mobile based GPRS based Attendance Management, Mobile App and

Portal based system, Customer Relationship Management (CRM), Collection Management, Work flow Creation, BI and Analytics Tool, Time sheet Management etc.

Members Activities

Continuing Professional Education (CPE) Schedule Published for the F. Y 2077/78

Institute has published CPE Calendar for the F.Y 2077/78 with a view to enhance the competencies of its members by conducting Continuous Professional Education (CPE) Programs, Members Capacity Development Program along with Workshops/Seminars in joint effort with other regulatory bodies and professional associations. Considering the wide spread base of our member the Institute will conduct CPE programs in different parts of the country.

CPE trainings will focus on the technical standards guiding our practice, ethical standards, information technology, and other contemporary issues.

Unique Document Identification Number

The Institute has published a notice regarding generation / mentioning of Unique Document Identification Number (UDIN) in each reports/certification issued by the members. Inland Revenue Department (IRD) has made it compulsory to input / mentioning of UDIN number while submitting financial statement based on the agreement between the Institute and the Department. The Institute has also notified that members issuing reports without mentioning of UDIN will be subject to punishment by the Institute.

Registration of New Chartered Accountant at ICAN

The Institute registered 131 Chartered Accountants pursuant to Section 16(2) of Nepal Chartered Accountants Act, 1997. During the Period of July, 2020 to March, 2021, the Newly Chartered Accountants are as follows:

S.N.	Member Name		
1	SAMIR SANGROULA	40	VINOD KUNWAR
2	SUDIP KUMAR SHARMA	41	SAURAB ACHARYA
3	PRAGRES ACHARYA	42	SANTOSH ADHIKARI
4	AMIN BHANDARI	43	DEEPAK KUMAR SAH
5	ANKIT DHITAL	44	SAGAR SAPKOTA
6	ASHES ARYAL	45	KISHAN THAPA
7	NARAYAN K.C.	46	DIPESH SHRESTHA
8	SAROJ BURLAKOTI	47	HARSHAL BHANDARI
9	ABHISHEK KOIRALA	48	KSHITIZ ADHIKARI
10	ANIL TAMANG	49	CHANDANI RAJKARNIKAR
11	AKBAR ALI	50	SARUN CHHETRI
12	SARBESH KOIRALA	51	TILAK LAMA
13	ROMAN BHANDARI	52	RAJU KARKI
14	AMRITA THAPA	53	SURAJ KUMAR DHAKAL
15	ROJMA CHITRAKAR	54	RISHI RAM POUDEL
16	NIBESH MANANDHAR	55	RAJAN SINGH
17	KRISHA DAHAL	56	AMIT PANDEY
18	ANGILA SHRESTHA	57	MILAN SHARMA
19	ANURAJ SHRESTHA	58	BANITA AGRAWAL
20	SHASHANK GURAGAIN	59	BALRAM POKHREL
21	RAMILA DEUJA	60	SURAJ AGRAWAL
22	ARCHANA GHIMIRE	61	POOJA AGARWAL
23	SURESH KUMAR NIROULA	62	MANOJ GHIMIRE
24	SHRISTI JOSHI	63	RAVI JAISAWAL
25	ROSHAN BHANDARI	64	SHANKAR ARYAL
26	ALISHA GANEJU	65	SUBASH SHRESTHA
27	MANOJ KUMAR KHANAL	66	ABHISHEK KHATIWADA
28	BIPIN TIMILSINA	67	ASHISH KUMAR THAKUR
29	BIMALA BHANDARI	68	ASHISH MURARKA
30	SAROJ SURYABANSHI	69	AKSHAY GUPTA
31	SAROJ BHANDARI	70	SUSHIL PARAJULI
32	SANDESH RATNA SHAKYA	71	ANITA KAFLE
33	SUBHAN PANDIT	72	ANUJ TIWARI
34	SHARAD ACHARYA	73	NISHMA GHIMIRE
35	KUSHAL KUMAR NEUPANE	74	KESHAB GYAWALI
36	DEEPIKA GYAWALI	75	PAWAN GAUTAM
37	LUMANTI MAHARJAN	76	SAJEENA MAKAJU
38	PRAKASH ROONGTA	77	PRATIKSHYA DEVKOTA
39	KAILASH JOSHI	78	DEEPAK PANDEY
		79	SHIWANI SHRESTHA

80 ASHMITA TRIPATHI
 81 RAJAN ADHIKARI
 82 RUKU PANTHI
 83 BIBEK ADHIKARI
 84 SABIN DHAKAL
 85 BIBEK POUDEL
 86 ROSHAN LAMSAL
 87 SANTOSH ARYAL
 88 PRASHANK SAPKOTA
 89 NABIN BANJADE
 90 RAMESH PANDE
 91 SUDAN GIRI
 92 RANJAN TACHAMO
 93 PRINCY LAMICHHANE
 94 BISHOW MAHARJAN
 95 KEJAN LAL KHOSHIN
 96 SUDIP PANDEY
 97 PRAKASH CHANDRA JHA
 98 PRABINA B.C.
 99 ICHCHHA BARAL
 100 GOVINDA GAUTAM
 101 NABIN KANTA SHARMA
 102 RAVI POKHAREL
 103 SAROJ SHRESTHA
 104 RISHI RAM POKHREL
 105 ANOJ KUMAR NEUPANE
 106 MADAN TIMILSINA
 107 SANDHYA GIRI
 108 ANUPAMA SANGRAULA
 109 MENUKA SHARMA BARAL
 110 KABINDRA TAMANG
 111 UMESH BISHUNKE
 112 NARAYAN SAPKOTA
 113 SURAJ KUMAR BASNET
 114 SUVASH PANDEY
 115 GAJENDRA BAHADUR SHAHI
 116 SALIK RAM PATHAK
 117 SIJAN AMATYA
 118 SHRIJEET BARAL CHHETRI
 119 SANTOSH PHUYAL

120 NIKESH SAPKOTA
 121 NAMUNA JOSHI
 122 AMRIT KUMAR SAH
 123 SUNIL BHANDARI
 124 BIRENDRA GHARTI MAGAR
 125 RUPA LAMICHHANE
 126 DHIRENDRA JOSHI
 127 KAPIL SHRESTHA
 128 MALISHA SHRESTHA
 129 SAUGAT PARAJULI
 130 PAWAN RAJBAHAK
 131 NISHAN BHATTA

Students Activities

Membership Examination Result Published

The Institute of Chartered Accountants of Nepal has published the result of Membership examination held in March and November 2020. Altogether 45 candidates of March examination and 19 candidates of November 2020 have qualified the examination.

Orientation to CAP – I Students

The Institute organized an Online Orientation Program for newly enrolled students of Chartered Accountancy Professional – I (CAP – I) level on 28th September, 2020 and 18 January 2021. The purpose of this program was to orient them about Chartered Accountancy Course and welcome them in the fraternity of CA students. Considering the risk of COVID – 19 Pandemic, the orientation program was organized virtually. The orientation program was addressed by the Executive Director CA. Sanjay Kumar Sinha with brief introduction about the Institute, its activities, facilities available to the students and future career opportunities of CA profession.

Participation in Virtual CA Student's Conference

The students pursuing CA courses in the Institute participated in "International CA Students' Conference" organized by the Chartered Accountants Students' Association (CASA) of the Institute of Chartered

Accountants of Pakistan (ICAP) on 5th October, 2020 via Zoom platform. Before nominating the students for the program, the Institute had organized a competition among the interested students to represent the Institute in the conference and nominated on the basis of their presentation.

Scholarships to Students of CAP I and CAP II Awarded

The Institute awarded scholarships to students of Chartered Accountancy Professional – I (CAP – I) and Chartered Accountancy Professional – II (CAP – II) level. Scholarships are awarded in two categories – Excellent Students and Economically, Geographically and Other Disadvantaged Students on the basis of merit in the based criteria defined as per Scholarship Procedures, 2063. The Institute has been awarding scholarship to the deserving students every year.

Examination of COVID-19 Infected Students

The Institute of Chartered Accountants of Nepal has conducted re-examination of CAP-I, CAP-II and CAP-II level students from January 28, 2021 to February 4, 2021 who had filled up the examination form for December 2020 but found unable to appear in the examination due to Covid-19 infection.

Chartered Accountancy Examination Result Published

In pursuance to Regulation, 17 of Nepal Chartered Accountants Regulation, 2004, on 15th February 2021 the Institute has published the result of the different Level of Chartered Accountancy Examination held in 8 to 18 December 2020. The examination was held at Kathmandu, Biratnagar, Birgunj, Pokhara and Butwal. The details are as follows:

Level	Applied	Appeared	Both Group Passed	Group First Passed	Group Second Passed
CAP I	1572	1,400	753		
CAP II	2282	2,076	68	78	152
CAP III	860	760	10	32	47

As per the published result by the Institute altogether 44 Students are eligible to get Chartered Accountant Membership of the Institute, 89 students have cleared one or both group of CAP III level, 298 students have cleared one or both group of CAP II level while 753 Students have cleared CAP I level.

Result of Membership Examination for ACCA Published

On 15th February, 2021 the Institute has published the result of CA. Membership Examination for ACCA held in December, 2020.

ICAN Quiz and Elocution Contest

The Institute has organized “ICAN Quiz and Elocution Contest, 2021” from 18 to 19 February, 2021 in ICAN Building, ICAN Marg, Satdobato, Lalitpur. CAP III Level students were eligible to participate in the contest. The result of the contest was announced on 21 February, 2021. The following students were selected as a winner of ICAN Quiz and Elocution Contest:

1. ICAN Quiz Contest:

S.N	Name of Student	Position
1	Mr. Bhim Bahadur Kunwar	Winner
2	Ms. Asmita Sitaula	1st Runner Up
3	Ms. Anu Sharma	2nd Runner Up

2. ICAN Elocution Contest

S.N	Name of Student	Position
1	Ms. Nilanjana Mishra	Winner
2	Ms. Prakriti Aryal	1st Runner Up
3	Ms. Sofiya Shrestha	2nd Runner Up

General Management and Communication Skill (GMCS) Training

As a part of the curriculum of CA education scheme, the Institute has completed 18th Batch of General Management and Communication Skills (GMCS) training for the students who have passed CAP III level or appeared both group of CAP III level examination.

The purpose of this training is to impart knowledge among participants to make them capable of translating challenges into rewarding opportunities by applying emotional intelligence and soft skills in the working environment. The training was targeted to enhance the presentation, communication and interpersonal skills and to provide understanding of contemporary business environment and opportunities. Further, this program will be helpful for aspiring Chartered Accountants to prepare for a career in employment or practice by coaching them to be adaptable and accountable.

Online Revision Classes of CA Students

The Institute, with a view to assist its students in preparing their June 2021 examination, has started one month long online revision classes for all three levels (CAP I, CAP II and CAP III) of Chartered Accountancy Courses from 21 March 2021.

Online Registration Platform Introduced for CAP I and CAP II Level Students

The Institute has launched the Online Registration Form for the Chartered Accountancy Course CAP-I CAP II level from 18th December 2020 and 18 February 2021 respectively. Students willing to enroll in ICAN Chartered Accountancy Course can visit the Institute Website for Online Registration.

Trainings and Conferences

ICAN Participation in SAFA Foundation Day Webinar

ICAN President CA. Madan Krishna Sharma participated in the SAFA Level webinar as a panelist and made his presentation on the topic in Nepalese perspective organized by The Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan) on the topic “COVID 19 Pandemic: Changing Dynamics of the Accountancy Profession” on August 22, 2020 to mark SAFA Foundation Day. ICAN President CA. Madan Krishna Sharma participated in the webinar as a panelist and made his presentation on the topic in Nepalese perspective.

ICAN Webinar on Digitalization of Economy and Accounting Profession

Considering the importance of digitalization in economic growth of the country and the role of professional accountants in digitalized environment, the Institute has organized a global webinar on “Digitalization of Economy and Accounting Profession” on 30 September, 2020 to keep members updated with the latest advancement in this regard.

The Webinar started with the welcome speech of ICAN President CA. Madan Krishna Sharma. Addressing the Webinar, he highlighted webinar’s objective and need to adapt the changes in digital technology. Following the address of the President, national and international personalities made presentation on various contemporary topics. Mr. Agsar Ali, Consultant of Prime Minister Office of Nepal presented on Digitalization of economy in Nepalese Context. Similarly, Mr. David Lyford Smith, Technical Manager, Tech and the Profession, Tech Faculty of the Institute of Chartered Accountants in England and Wales presented on Disruptive Technology. Finally, Mr. Naresh Abeysekera, MD/CEO, SECQUORO, Sri Lanka presented paper on Building a People Centric Economy through Digital Enablement.

Vice President of the Institute CA. Yuddha Raj Oli concluded the Webinar by summarizing the outcome of the technical sessions and extending vote of thanks to the paper presenters and participants.

Online Training on “An Insight about IS Audit and IT Control Environment”

The Institute organized an Online Training on “An Insight about IS Audit and IT Control Environment” on 26 September, 2020. The program was designed to impart technical knowledge among the members regarding process involved in Information System Audit and IT Controls.

The program started with welcome remarks by President CA. Madan Krishna Sharma. CA. Suyogya Bhandari

presented paper on Information System Audit (IS Audit), IS Audit and Assurance Standards, IS Audit Performance Guidelines, Information System Security, IT Governance and IT Risk Management, Need for IS Control and Audit etc. Similarly, CA. Ayushi Pant made presentation on IT General Control in Audit and shed light on Auditing IT general controls and IT general control audit scope. The program concluded with the vote of thanks by Chairperson of Women Leadership Committee of the Institute RA. Meera Shrestha.

Online Training on ‘Audit Documentation’

The Institute organized an Online Training on Audit Documentation from 06 – 10 September, 2020. The objective of this online training was to equip members in practice with knowledge required to execute and document the complete audit process in compliance of professional standards.

The program started with welcome speech by President CA. Madan Krishna Sharma. In his address, he underlined the importance of such training to enhance the capacity of ICAN members. During the training, participants were provided with in-depth understanding to applicability of auditing standards in practical situations and participants were mentored to make the best use of the Audit Practice Manual issued by the Institute.

Members participating in this training were allowed to accumulate 15 Continuing Professional Education (CPE) credit hours. The training was delivered by CA. Nanda Kishor Sharma. The program ended with closing remarks by Vice President CA. Yuddha Raj Oli.

Online Orientation Program on Valuation Standards

The Institute of Chartered Accountants of Nepal, in order to empower members with professional technical skills organized an “Online Orientation Program on Valuation Standards” on 7th January 2021 from 5.15 pm to 8.15 pm. The training was conducted in technical collaboration with the Institute of Chartered Accountants of India (ICAI).

The objective of the program was to set a benchmark for valuation practices applicable for Professional Accountants to recognize the need to have the consistent, uniform and transparent valuation policies and harmonize the diverse practices used in this regard.

ICAN President CA. Madan Krishna Sharma addressed the participants with his welcome speech, emphasizing on the importance of Valuation in Nepal for Accounting Professionals. The online program was also addressed by ICAI Vice President CA. Nihar N. Jambusari, Chairman of Valuation Standard Board, ICAI CA. Pramod Jain and Secretary of Valuation Standards Board, ICAI CA Sarika Singhal.

Central Council Member of ICAI, CA. M. P. Vijay Kumar presented an Overview and Features of ICAI Valuation Standards, 2018 while CA. Parag Kulkarni presented on Practical Aspects of ICAI Valuation Standards 2018.

Executive Director of ICAN, CA. Sanjay Kumar Sinha concluded the webinar by summarizing the outcome of the sessions held and extending vote of thanks to the paper presenters and participants. Altogether 370 members participated in the online training.

Online Certification Course on Forensic Accounting and Fraud Detection

The Institute has organized online “Certification Course on Forensic Accounting and Fraud Detection” in the technical collaboration with the Institute of Chartered Accountants of India (ICAI) from 15th January to 28th January, 2021.

The objective of the program was to equip and empower members with the technical capacity to detect fraud by utilizing accounting, auditing, data analysis and investigative skills. The training started with the welcome remarks by Technical Director of ICAN CA. Krishna Prasad Lamichhane.

In the 14 days long training program, different topics were covered with case studies in practical aspects by resource persons. Participating members were provided with

learning materials (hands out) and e-learning materials of the course.

Altogether 76 participants including corporate participants actively attended the online training program.

Distribution of Certificates to FAFD Certification Course Participants

The Institute has distributed certificates to the participants of Forensic Accounting and Fraud Detection Certification Course organized on 7th February, 2021 at ICAN premises. The online certification course on Forensic Accounting and Fraud Detection was conducted in technical support of the Institute of Chartered Accountants of India (ICAI) from 15-28 January 2021. Altogether 76 person actively participated in the online FAFD Certification Course.

Online Training on NFRS Compliant Financial Statements

The Institute continuing with the objective to enhance professional capacity of it's members organized online training on 'NFRS Compliant Financial Statements' on 14 and 15 February 2021. The online training was focused on various components of financial statements of Bank,

Insurance, Hydropower Sector and General Industry in compliance with NFRS. The sessions also covered some practical examples related to applicability of various NFRSs for sharpening the expertise and excellence of the participants through using multiple case studies. The program was conducted by CA. Arun Raut as a resource person. Altogether 150 members of the Institute participated the training.

Online Training on School Audit

The Institute organized a four day Online Member Capacity Development Training on School Audit from 23 to 26 February, 2021. The online program was commenced with the welcome remarks by the Technical Director of the Institute, CA. Krishna Prasad Lamichhane. The training was focused on various components related to school audit, challenges associated with school audit and way forward to have a systematic and uniform audit

of Schools. The training was facilitated by CA. Ananda Shrestha as a resource person. More than 190 members participated the program.

Interaction Program on Audit and it's Challenges

The Institute organized an interaction program on Audit and It's Challenges on 26th February 2021 in Pokhara. The Program was started with the welcome remarks by Executive Director CA. Sanjay Kumar Sinha. ICAN Council Member RA. Bahadur Singh Bista highlighted the objectives of the Program. During the interaction program issues like status of NFRS implementation, taxation, requirement of listing by Audit Firms, RA member up-gradation and other member related issues were discussed. Mr. Man Bahadur G.C Mayor of Pokhara Metropolitan City was the Chief Guest of the interaction program.

The program was participated by ICAN President, Vice President, Council Members, Chief, District Controller Treasurer Office, Chief District Coordination Committee, District Education Officer, Chief Tax Officer Inland Revenue Office, AuDAN President and other Government Officials.

President CA. Madan Krishna Sharma has clarified the concerns raised by the members and other stakeholders during interaction session and elaborated on various initiatives being undertaken at the Institute for advancement of the profession.

Vice President of ICAN, CA. Yuddha Raj Oli gave vote of thanks to the participants and concluding remarks was delivered by Coordinator of Branch Coordination Committee, Pokhara. The program was participated by more than 100 members and stakeholders.

Online Certification Course on Information System Audit (ISA)

The Institute, in order to empower members with professional technical skills has started an "Online Certification Course on Information System Audit (ISA)"

as a post qualification course from 30th March 2021 which will complete on 20th April 2021. This certification course is being conducted in technical support of The Institute of Chartered Accountants of India (ICAI). The Course program will cover Information Systems Audit, Governance and Management of Enterprise Information Technology, Risk Management, Compliance & BCM Section, System Development, Acquisition, Implementation and Maintenance, Application System Audit, Information Systems Operations and Management, Protection of Information Assets and Emerging Technologies. Altogether 35 members of the Institute are actively participating in the online course.

Online Training on NFRS for SMEs and NAS for NPOs

The Institute, with view to enhance professional capacity of members has organized three days online training on

NFRS for SMEs and NAS for NPOs from 29 March to 31 March 2021 in Morning 5:30 AM to 8:30 AM and Evening 5:30 PM to 8:30 PM respectively.

This training was focused to enhance the knowledge among members with practical and theoretical aspects related to preparation and presentation of Financial Statements of Organizations with clear understanding of the NFRS for SMEs and NAS for NPOs. The program was conducted by CA. Arun Raut and CA. Shankar Thapa as a resource person. Altogether 350 members of the Institute participated the training.

Nepal Financial Reporting Standards

The 244th meeting of the Council dated 25 June 2020, in exercise of powers conferred by section 11 (m) of Nepal Chartered Accountants Act 2053 has decided to pronounce the following list of Nepal Financial Reporting Standards (NFRSs) including IFRIC and SIC for implementation with effective dates as mentioned in table below. The pronounced standards are the updated standards in line with the International Financial Reporting Standards (IFRSs) issued on 01 January 2018 by International Accounting Standards Board (IASB).

Detail List of Nepal Financial Reporting Standards 2018

Nepal Financial Reporting Standards (NFRS) with Conceptual Framework		
S. No.	Name of Standards	Effective Date
	The Conceptual Framework for Financial Reporting	July 16, 2020
1	NFRS 1 First-time Adoption of Nepal Financial Reporting Standards	
2	NFRS 2 Share-based Payment	
3	NFRS 3 Business Combinations	
4	NFRS 4 Insurance Contracts	
5	NFRS 5 Non-current Assets Held for Sale and Discontinued Operations	
6	NFRS 6 Exploration for and Evaluation of Mineral Resources	
7	NFRS 7 Financial Instruments: Disclosures	
8	NFRS 8 Operating Segments	
9	NFRS 9 Financial Instruments	July 16, 2021

10	NFRS 10 Consolidated Financial Statements	July 16, 2020
11	NFRS 11 Joint Arrangements	
12	NFRS 12 Disclosure of Interests in Other Entities	
13	NFRS 13 Fair Value Measurement	
14	NFRS 14 Regulatory Deferral Accounts	July 16, 2021
15	NFRS 15 Revenue from Contracts with Customers	
16	NFRS 16 Leases	
17	NFRS 17 Insurance Contracts	
Nepal Accounting Standards (NAS)		
	Name of Standards	Effective Date
18	NAS 1 Presentation of Financial Statements	July 16, 2020
19	NAS 2 Inventories	
20	NAS 7 Statement of Cash Flows	
21	NAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	
22	NAS 10 Events after the Reporting Period	
23	NAS 12 Income Taxes	
24	NAS 16 Property, Plant and Equipment	
25	NAS 19 Employee Benefits	
26	NAS 20 Accounting for Government Grants and Disclosure of Government Assistance	
27	NAS 21 The Effects of Changes in Foreign Exchange Rates	
28	NAS 23 Borrowing Costs	
29	NAS 24 Related Party Disclosures	
30	NAS 26 Accounting and Reporting by Retirement Benefit Plans	
31	NAS 27 Separate Financial Statements	
32	NAS 28 Investments in Associates and Joint Ventures	
33	NAS 29 Financial Reporting in Hyperinflationary Economies	July 16, 2021
34	NAS 32 Financial Instruments: Presentation	July 16, 2020
35	NAS 33 Earnings per Share	
36	NAS 34 Interim Financial Reporting	
37	NAS 36 Impairment of Assets	
38	NAS 37 Provisions, Contingent Liabilities and Contingent Assets	
39	NAS 38 Intangible Assets	
40	NAS 39 Financial Instruments: Recognition and Measurement	
41	NAS 40 Investment Property	
42	NAS 41 Agriculture	

	IFRIC	Remarks
1	IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	As per IFRS 2018
2	IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments	
3	IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	
4	IFRIC 6 Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment	
5	IFRIC 7 Applying the Restatement Approach under NAS 29 Financial Reporting in Hyperinflationary Economies	
6	IFRIC 10 Interim Financial Reporting and Impairment	
7	IFRIC 12 Service Concession Arrangements	
8	IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	
9	IFRIC 16 Hedges of a Net Investment in a Foreign Operation	
10	IFRIC 17 Distributions of Non-cash Assets to Owners	
11	IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	
12	IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	
13	IFRIC 21 Levies	
14	IFRIC 22 Foreign Currency Transactions and Advance Consideration	
15	IFRIC 23 Uncertainty over Income Tax Treatments	
	SIC	
1	SIC-7 Introduction of the Euro	
2	SIC-10 Government Assistance—No Specific Relation to Operating Activities	
3	SIC-25 Income Taxes—Changes in the Tax Status of an Entity or its Shareholders	
4	SIC-29 Service Concession Arrangements: Disclosures	
5	SIC-32 Intangible Assets—Web Site Costs	

Note: NFRS 2013 version of NAS 11: Construction Contracts, NAS 17: Leases and NAS 18: Revenue Contracts, will continue to be effective until superseding standards will come into force on July 16, 2021.

Other Accounting Standards

S.No.	Accounting Standards	Effective Date
1	Nepal Financial Reporting Standards for Small and Medium-sized Entities (NFRS for SMEs) 2017	Voluntarily upto 15 th July, 2021 & Mandatorily from 16 th July, 2021
2	Nepal Accounting Standards for Micro Entities (NAS for MEs) 2018	
3	Nepal Accounting Standards for Not-for-Profit Organizations (NAS for NPOs) 2018	

Nepal Standards on Auditing

The following Nepal Standards on Auditing 2018 are applicable voluntarily from 1st Shrawan 2075 and Mandatory from 1st Shrawan 2076 except for NSA 701- Communicating Key Audit Matters in the Independent Auditor's Report, which is applicable from 1st Shrawan 2077.

S.No.	NSA No.	Standards
		Preface to the Nepal Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements.
		Glossary of Terms
		NEPAL STANDARDS ON QUALITY CONTROL
1	NSQC 1	Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements.
AUDITS OF HISTORICAL FINANCIAL INFORMATION		
200-299 GENERAL PRINCIPLES AND RESPONSIBILITIES		
1	NSA 200	Overall Objective of the Independent Auditor and the conduct of an Auditor in Accordance with Nepal Standards on Auditing
2	NSA 210	Agreeing the Terms of Audit Engagements
3	NSA 220	Quality Control for an Audits of Financial Statements
4	NSA 230	Audit Documentation
5	NSA 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
6	NSA 250	Consideration of Laws and Regulation in an Audit of Financial Statements
7	NSA 260 (Revised)	Communication with Those Charged with Governance
8	NSA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
300-499 RISK ASSESSMENT AND RESPONSE TO ASSESSED RISKS		
9	NSA 300	Planning an Audit of Financial Statements
10	NSA 315 (Revised)	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment
11	NSA 320	Materiality in Planning and Performing an Audit
12	NSA 330	The Auditor's Responses to Assessed Risks
13	NSA 402	Audit Considerations Relating to an Entity Using a Service Organization
14	NSA 450	Evaluation of Misstatements Identified during the Audit
500-599 AUDIT EVIDENCE		
15	NSA 500	Audit Evidence
16	NSA 501	Audit Evidence-Specific Considerations for Selected Items
17	NSA 505	External Confirmations
18	NSA 510	Initial Audit Engagements—Opening Balances
19	NSA 520	Analytical Procedures
20	NSA 530	Audit Sampling

21	NSA 540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
22	NSA 550	Related Parties
23	NSA 560	Subsequent Events
24	NSA 570 (Revised)	Going Concern
25	NSA 580	Written Representations
600-699 USING THE WORK OF OTHERS		
26	NSA 600	Special considerations-Audits of Group Financial statements (including the work of component Auditors)
27	NSA 610 (Revised 2013)	Using the work of Internal Auditors
28	NSA 620	Using the work of an Auditors Expert
700-799 AUDIT CONCLUSIONS & REPORTING		
29	NSA 700 (Revised)	Forming an opinion and Reporting on financial statements
30	NSA 701	Communicating Key Audit Matters in the Independent Auditor's Report
31	NSA 705 (Revised)	Modifications to the opinion in the Independent Auditors report
32	NSA 706 (Revised)	Emphasis of Matter Paragraphs and other Matter Paragraphs in the Independent Auditors Report
33	NSA 710	Comparative information-corresponding Figures and comparative Financial Statements
34	NSA 720 (Revised)	The auditor's responsibilities relating to Other information in Documents Containing Audited Financial statements.
800-899 SPECIALIZED AREAS		
35	NSA 800 (Revised)	Special Considerations-Audit of financial statements Prepared in Accordance with Special Purpose Frameworks
36	NSA 805 (Revised)	Special Considerations-Audits of Single Financial statements and Specific Elements, Accounts or Items of a Financial statements
37	NSA 810 (Revised)	Engagements to Report on Summary of Financial Statements
NEPAL AUDITING PRACTICE NOTES		
38	NAPN 1000	Special considerations in Auditing Financial Instruments
AUDITS AND REVIEW OF HISTORICAL FINANCIAL INFORMATION		
2000-2699 NEPAL STANDARDS ON REVIEW ENGAGEMENTS(NSREs)		
39	NSRE 2400 (Revised)	Engagement to Review Financial Statement
40	NSRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity

ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION		
3000-3699 NEPAL STANDARDS ON ASSURANCE ENGAGEMENTS(NSAEs)		
3000-3399 APPLICABLE TO ALL ASSURANCE ENGAGEMENTS		
41	NSAE 3000 (Revised)	Assurance Engagements Other than Audits or Reviews of Historical Financial Information
3400-3699 SUBJECT SPECIFIC STANDARDS		
42	NSAE 3400	The Examination of Prospective Financial Information (Previously NSA 810)
43	NSAE 3402	Assurance Reports on Controls at a Service Organization
44	NSAE 3410	Assurance Engagements on Greenhouse Gas Statements
445	NSAE 3420	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus
RELATED SERVICES		
4000-4699 NEPAL STANDARDS ON RELATED SERVICES(NSRSs)		
46	NSRS 4400	Engagements to Perform Agreed-Upon Procedures Regarding Financial Information (Previously NSA 920)
47	NSRSs 4410 (Revised)	Compilation Engagements
AUDIT QUALITY		
48		A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality
ASSURANCE FRAMEWORK		
49		Amended Nepal Framework for Assurance Engagements



Assigning and Reviewing work on the go



Geo tracking of attendance



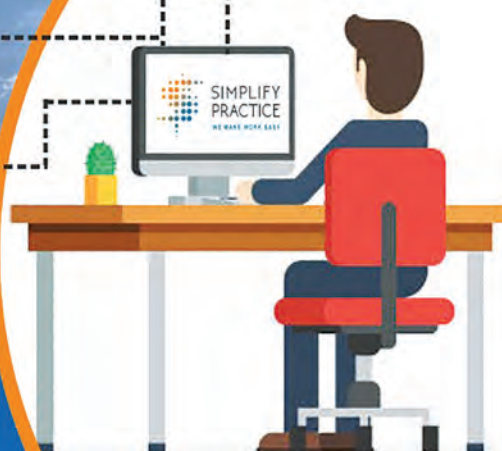
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Saves Time



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Birds Eye View of Practice



THREE THINGS WE DO BEST IN PRACTICE MANAGEMENT

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It deals with assignment complex in nature and process, either on cost, time or effort estimation. This module is designed to generate, update and track end-to-end processes, activities and tasks along with the team and its performance.

MEDIUM ASSIGNMENT

It deals with assignments that involve less processes and not at all complex in nature. It can be implemented for assignments with lower estimation either on cost, time or effort.

EMPLOYEE MANAGEMENT

Task and Time

- Create, Update and Manage Task
- Visibility of Task
- Employee & Assigned Task Register
- Task Status Report
- Notifications and Alerts
- Time Management
- Team Management

Attendance

- Biometric-based Attendance
- GPS-based Attendance
- Update and Manage Timesheet
- Leave & Holiday Management
- Attendance Processing
- Attendance Register

Expenses

- Create, Update and Manage Travel Claim
- Generate Travel Advance Request
- Geo Map-based Distance Computation
- Automated Bill Generation
- Policy Master
- Travel Cost Register

ANDROID MOBILE APPLICATION

Simplify Practice android mobile application is designed to meet your firm's needs. Team members can schedule, assign & review activities, Raise easy claim to your manager from client place, Attendance can be mark when you are at client's place and also Simplify Practice android mobile application allows to record your activities from any location, Schedule meetings can be reviewed through the application and many more features.

Highlights of this tool

- Personalized and Interactive Dashboard
- Easy Reporting • Decision Making Support • Anytime, anywhere

Glimpse of 24th Anniversary & 3rd Chartered Accountants Convocation



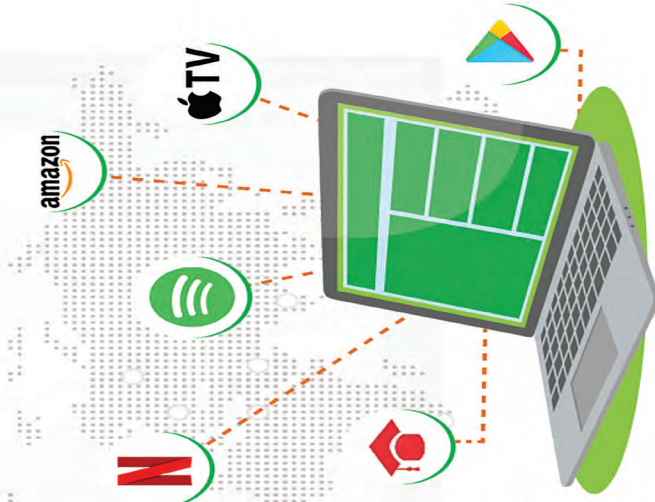
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