

13th SAARC Payments Council Meeting

July 29 Thimpu, Bhutan

**Latest Payment System Development /
measures For SPC Objectives**

**Presented By :
Nepal Rastra Bank**

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- **As per the objectives of NRB Act 2002, payment system in Nepal should be regulated and monitored by Nepal Rastra Bank.**
- **Safe, sound and faithful payment system is the basic objective of Nepal Rastra Bank.**

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- **As per the strategic plan 2012-2016, Nepal Rastra Bank has committed to introduce RTGS and e-payment system efficiently.**
- **Monetary Policy of FY 2013/014 has mentioned that recently implemented automated clearing system will be strengthened and necessary policy shall be formulated to consolidate the matter.**
- **Preparation of “payment system development strategy concept paper” with technical assistance of IFC is under consultation process.**

Recent Developments

- **NRB is responsible for Automated Clearing of Cheques, called Nepal Clearing House Limited (NCHL)**
- **NCHL has been established on March 2012, an entity which is gaining popularity and momentum in the recent days.**
- **In total 100 members are having their cheques cleared on daily basis.**

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Recent Developments

Banks and Fis in Nepal as of date 2013 mid July.

	Number	Branches	Deposit a/c	No. of loanee
Commercial Banks	31	1486	11.10 million	.845 million
Dev Banks	86	764		
Finance Cos	59	242		
Micro Finance	31	634	1.164 million	.849 million

- ❑ On an average 10K to 12K cheques are cleared per day through NCHL.**
- ❑ From August 2011, Central Depository System (CDS) has been partially started its functioning.**

Two categories of payment mechanism:

Internal	External
<ol style="list-style-type: none">1. Govt. Account2. Banks and Financial Institutions Account3. SWIFT4. Internal Fund Transfer5. Draft/T.T.6. Clearing House management	<ol style="list-style-type: none">1. Foreign Exchange management2. Market Intervention3. Letter of Credit4. Management of Money transfers.5. Maintaining Agency/Nostro Account

Recent Developments

- ❖ **Policy on merger and acquisition of banks and financial institutions is on implementation phase. As a result 43 Financial institutions (including 2 Commercial Banks) already merged into 18 Fls & 15 Fls are in process for merging.**
- ❖ **“ Modern G L System (Olympic software) ” which is already implemented since April 15, 2013. By which we are able to update information as “Online Data System”. Thus transaction of domestic & international payment and settlement have improved to international standard.**

Recent Developments

- ❖ **New software is helping to maintain liquidity status, updating balance in currency chest for secured transaction purpose, maintaining agency balance for smooth international transaction. In this way it become very helpful for faster transaction. Thus, we may ensure for fast, effective, efficient, reliable, accessible, secured and sound payment and settlement system in banking sector of Nepal.**

Areas requiring more Improvement

- **Payment Instruments**
- **Legal and Regulatory Framework**
- **Payment Technology**
- **Clearing and Settlement Systems**
- **Institutional Framework**
- **Physical Infrastructure**
- **Risks Mitigation**

Targeted Program for Improvement

areas of public policy guiding payment system :

- **Protecting the rights of users of payment system,**
- **Enhancing efficiency and competition, and**
- **Ensuring a safe, secure and reliable payment system.**

Setting up Payment & Settlement Division

Establishing Payment & Settlement Unit

With the growing expectations of banking system, there is need to be establish a strong Payment & Settlement Division that can effectively meet modern business expectations, enhance the country's resource mobilization capacity through improved customer convenience and flexibility, and efficiently contribute to sustainable and positive macroeconomic performance. In materialization of the advanced payment system, NRB has already initiated to make necessary policies in setting up Payment & Settlement Division.


Setting up Payment & Settlement Division

Functions of Payment & Settlement Division

- Provides a variety of adequate payment instruments, and put in place mechanism and processes that can safely and cost-effectively supports the transfer of monetary value from payer to payee.
- Facilitates a quick transfer of funds between transacting parties, with a view to minimizing float and improving efficiency in the circulation and transmission of funds.
- Manages and minimizes risk in a cost-effective manner so as to enhance and strengthen PSS.

Setting up Payment & Settlement Division

- **Develop and put in place an adequate legal and regulatory framework that can sufficiently regulate payment system's activities, and provide for expeditious and cost effective conflict resolution procedures.**
- **Enhance the country's macroeconomic management capabilities through the availability of timely and accurate information about the stock and flow of funds.**
- **Work closely with Government and other infrastructural providers to upgrade the existing infrastructure and processes to levels that can adequately and efficiently support modern Payment practices, delivery channels and trends.**

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- **Putting in place appropriate mechanism for on-site inspections**
 - **off-site surveillance.**
 - **Infrastructure development**

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Thanks