

NRB's Guideline on Digital Lending

On February 11, 2022, Nepal Rastra Bank (“NRB”), the central bank released a Guideline on Lending through Electronic Medium (Digital Lending) 2078 (2022 AD) (“Digital Lending Guideline”).

Digital Lending Guideline permits licensed Banks and Financial Institutions (“BFIs”) to dispense loans through their digital platforms or through licensed Payment Service Providers (“PSPs”) as their agent.

Key aspects of Digital Lending Guideline are discussed in detail below.

Objectives

Digital Lending Guideline has been enacted to facilitate credit needs of borrowers in a fast, efficient and accessible manner eliminating requirement of physical presence.

Digital Lending Guideline also aims to expand the credit reach among general public and also to reduce the cost associated with loan dispensation.

Process of Loan Dispensation

The process for loan dispensation through digital platforms includes:

- Applicants may apply for digital loan either through a dedicated portal or a mobile App maintained by BFIs for loan dispensation.
- Once the application is received, BFIs must obtain information about the applicant through electronic medium.
- Upon determination that the applicant is eligible to receive the loan, it must be notified to him/her through electronic medium.
- The loan amount must be deposited in the bank account of the applicant.

- Information relating to the loan disbursement must be maintained electronically. Also, submission of grievances relating to the loan and hearings thereon must be arranged through digital means.

Data Protection

Digital Lending Guideline mandates that information/data relating to the borrowers obtained during the loan dispensation shall be used for such process only. It shall be the primary responsibility of BFIs/PSPs to ensure that the privacy and confidentiality of borrowers are properly maintained.

Limit on Digital Lending and Maturity Period

In case of an individual who maintains deposits on a periodic basis with in a bank, the maximum loan amount shall be NPR 500,000 (approx. US\$ 4,200) whereas in case of other individuals the maximum loan amount shall be NPR 200,000 (approx. US\$ 1,700).

Maturity period of the loan shall be three years. Loan may be disbursed either cumulatively or in installment.

Responsibility of BFIs during Digital Lending

- BFIs desirous to provide loan facilities through digital platforms must formulate a separate policy in this regard and approve it by its Board of Directors.
- Borrowers' ability to use the loan and repay must be analyzed properly and it must be ensured the borrower has not availed similar loan from other BFIs.
- In the event, the borrower is unable to repay the loan amount such information must be

reported to Credit Information Bureau for inclusion of his/her name in the defaulter's list.

- Laws regulating money laundering and terrorism financing must be complied with while disbursing loan facilities.
- Quarterly report regarding digital lending must be submitted to the Supervision Department of NRB electronically.

Provision Relating to Appointment of Payment Service Provider as an Agent

Digital Lending Guideline permits BFIs to appoint licensed PSPs as their agents. An

agreement must be executed between BFIs and PSPs in this regard.

It shall be the responsibility of PSPs to inform borrowers about the BFIs from which they are borrowing loans.

Conclusion

Enactment of Digital Lending Guideline is a welcome move from NRB. This will ensure credit reach to a large number of Nepali populations who are currently out of reach from BFIs.

Nepali version of the Notice may be obtained by clicking [here](#).

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