



Foreign Loan Approval Process



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Process for Obtaining NRB Approval

Working Capital Loan from Head Office

1. Background

This reference outlines the process a branch office situated in Nepal must follow to obtain prior approval from Nepal Rastra Bank (NRB) for acquiring a loan from its Head Office (HO) situated in foreign country. This falls under the purview of foreign debt and is governed by the Foreign Investment and Foreign Debt Management Regulation, 2078 (Third Amendment).

2. Legal Provision

- i. Foreign Investment and Foreign Debt Management Regulation, 2078
- ii. Schedule 10: Provision relating to Approval from NRB for Foreign Loan
- iii. Branch of the company established in Nepal can obtain working capital loan from head office situated outside Nepal at zero interest rate with following condition fulfilled.
 - a) Clearly define the business purpose for the zero-interest rate working capital loan.
 - b) Ensure the funds are used only for that purpose.
 - c) Maintain documentation of utilization (proper books of accounts)
 - d) Refrain from transferring the loan fund to any third party or unrelated activity (Follow and Refer Anti Money Laundering provisions)

3. Process of approval from Nepal Rastra Bank (As per Schedule-11)

i. Preparation of Application Letter

The branch in Nepal must prepare an official request letter addressed to “Foreign Exchange Management Department, Nepal Rastra Bank, Baluwatar, Kathmandu, Nepal”. The application should clearly mention the purpose of obtaining the loan, proposed terms and conditions, and repayment schedule (normal time limit of repayment is one year).

ii. Documents Preparation (as per Schedule 11)

- a) Draft Loan Agreement between the Head Office and Branch.
- b) Copy of the certificate of incorporation of Head Office.
- c) Copy of certified document proving the details of the real owner of the Head Office. (In case of natural person having more than 10% share holdings, notarized passport and biodata of all shareholders are compulsory) (In case of listed company, details of board of directors only).
- d) Copy of Board Resolution of Head Office approving the loan to the Nepal branch.
- e) Copy of Audited financial statements of the Head Office
- f) Copy of Details of the utilization of loan proceeds (project/business plan).
- g) Copy of the certificate of incorporation of Branch Company.
- h) Copy of Business License if required.
- i) Copy of PAN (permanent Account Number) Certificate (Tax Registration)
- j) Copy of Memorandum of Association & Article of Association (Not required if listed in Stock Exchange)

- k) Copy of decision of Board of Director or Authorized officer regarding taking loan, tied up.
- l) Copy of Audit Report, not required if the company is listed in stock exchange (Not applicable for newly registered Company)
- m) Copy of Latest Tax Clearance Certificate (Not applicable in case of newly registered company.)
- n) Proof of not being blacklist of Credit information center (6 months have not passed since submitting the application with all documents).
- o) Letter of Commitment received from the approved loan banking system.
- p) Document confirming the need to borrow from abroad and a plan for the use of the loan (Board Resolution will suffice)
- q) A document that forms the basis for loan repayment considering exchange risk. A time Schedule for loan disbursement & repayment.
- r) Other documents as prescribed or required by NRB.

iii. Submission to NRB

Submit the complete application package including application letter, Schedule 10, and documents as per Schedule 11 to the Foreign Exchange Management Department of NRB.

iv. Review and Clarification

NRB may seek additional clarification or documents. Respond promptly to any queries or objections raised by NRB.

v. NRB Approval

Upon satisfactory review, NRB will issue an Approval Letter permitting the branch in Nepal to obtain the loan from its Head Office in India within 15 to 20 business days.

Important Notes***

- ❖ All documents in foreign languages or of head office must be first notarized from the home country and then shall be translated into Nepali and Notarized in Nepal.
- ❖ Ensure compliance with Nepal's foreign exchange regulations and reporting obligations after loan disbursement.
- ❖ Loan servicing (repayment, interest) must be routed through formal banking channels and must be reported to Nepal Rastra Bank.