



Effective date: 2062.4.22

Government Bonds Secondary Market Management Bye-Laws,
2062

In exercise of the power conferred by section 35 of the Stock Trading Act, 2040, Stock Board of Nepal hereby makes and issues the following bye-laws, namely:-

Chapter-1

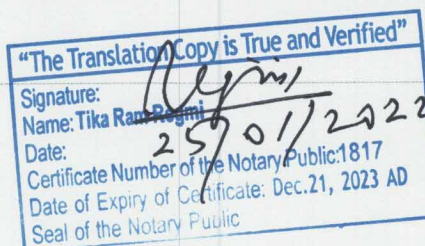
Preliminary

1. Short name and commencement: (1) These bye-laws may be called the Government Bonds Secondary Market Management Bye Laws, 2062;

(2) They shall come into force at once.

2. Definitions: In these bye-laws, unless the context otherwise requires:—

- (a) “Bond” means longs or savings paper or bond issued by His Majesty’s Government or Nepal Rastra Bank, and it includes a receipt related to purchase of bond, its entitlements and power;
- (b) “Public Debt Act” means the Public Debt Act, 2059;
- (c) “Stock Transactions Act” means the Stock Transactions Act, 2040(1984);
- (d) “Stock Transactions Rules” means the Stock Transactions Rules, 2050;
- (e) “Board” means the Stock Board of Nepal established under the Stock Transactions Act, 2040;
- (f) “Stock Exchange Market” means a Stock Exchange Market having a license to operate stock exchange





market in accordance with the Stock Transactions Act, 2040;

- (g) "License" means a license issued by the Board to sale and purchase bonds in accordance with sub-bye-law (2) of bye-law 5;
- (h) "Trader" means a stock trader having obtained a license as a market maker or broker by the Board under this bye-law once holding a trader's license and a membership of the stock exchange market in accordance with the Stock Transactions Act.

Chapter-2

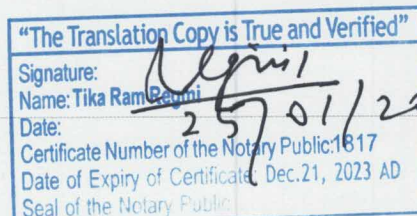
Provision on License

3. License to be obtained: (1) A trader willing to carry out trading of bonds shall require to obtain a license by the Board.

4. Application to be made for license: (1) A trader willing to obtain a license shall make an application in a format as set forth in schedule-1 along with one hundred rupees as application fees as may be prescribed by the Board.

(2) The following documents shall be attached when making the application in accordance with sub-bye-law (1):-

- (a) A copy of decision made by the board of directors on obtaining license;
- (b) A copy of tax registration and tax paying document of latest fiscal year;
- (c) A copy of certificate of stock trader;
- (d) A document showing qualification and experience;





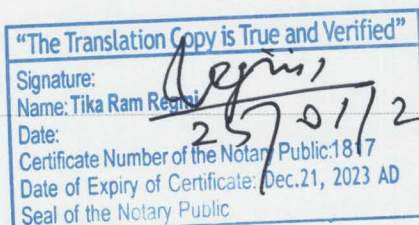
- (e) An audited financial statement of latest fiscal year in a format as prescribed by the prevailing law.

5. License to be granted: (1) The Board may demand further details or documents, or cause to make explanation on any matter once the application filed in accordance with bye-law 4, if needed, and may visit to conduct on the spot inquiry of the applicant's office, if deemed necessary.

(2) The Board shall grant license to the applicant in a format as set forth in schedule-2, if it is found fit and proper to do so on the basis of the details and inquiry conducted in accordance with sub-bye-law (1).

6. Qualification of trader: (1) The director, agent and executive chief of a trade willing to obtain a license shall require to hold the following qualifications:-

- (a) Having at least three years of work experience in industry, commerce, banking, insurance, or financial institutions or at least two years of work experience at stock exchange market after graduating at least bachelors' degree, in the case of at least two thirds of directors, executive chief and agent;
- (b) Not having black listed by the Credit Information Center, or having completed three years, if listed;
- (c) Not having employed as a director, auditor, agent, advisor, or employee in any other stock trading organization, or a shareholder holding ten percent or more shares out of the paid-up capital;





(2) The provision regarding qualification as prescribed in clause (a) of sub-bye-law (1) shall be maintained continuously. Whenever such provision is not maintained, it shall be informed to the Board forthwith and such provision shall be fulfilled within three months from the date of failing to maintain and inform the Board then.

(3) Whenever any director, executive chief, or agent becomes unqualified due to the occurrence of the conditions as specified in clauses (b) and (c) of sub-bye-law (1), such director, executive chief, or agent shall be deemed to have removed from the position ipso facto.

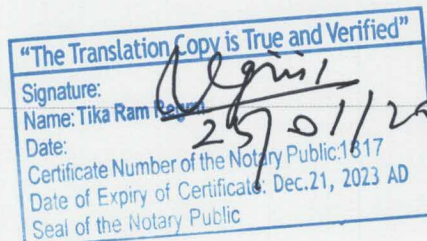
7. Provision on capital and security: (1) A trader willing to obtain a license to carry out trading shall have to maintain necessary infrastructures and capital as follows:-

- (a) At least twenty lakh rupees paid-up capital of a trader to act as a broker;
- (b) At least four crore rupees paid-up capital of a trader to act as a market maker.

(2) A trader having a license for the trading of bonds shall provide a security to the stock exchange market as may be prescribed by the Board before commencing any trading. Such security shall be provided in a form of cash or bank guarantee or both, as such may be prescribed by the Board.

(3) The Board may exempt that the paid-up capital as prescribed in sub-bye-law (1) shall be maintained within the fiscal year 2062/63 (2006/07).

(4) The Board may change the provision of the paid-up capital and security as specified in sub-bye-laws (1) and (2)





taking into account of market condition and risk associated with trading.

8. License to be renewed: (1) A license shall remain valid for such fiscal year in which it is issued. An application shall be made to the Board for renewal of license in a format as set forth in schedule -3 prior at least to one month of the ending of its validity.

(2) If a trader who has failed to make application within the stipulated time in sub-bye-law (1), an application along with a fine of three hundred rupees may be made to the Board within four months from the expiry of such time.

(3) Renewal of license may be held postponed until the completion of final action, in the case where the license has been suspended in accordance with bye-law 18. If such suspension is released, an application shall be made to the Board within thirty days from such release.

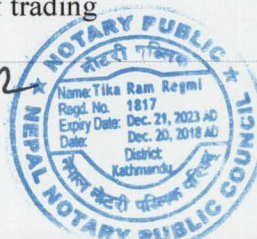
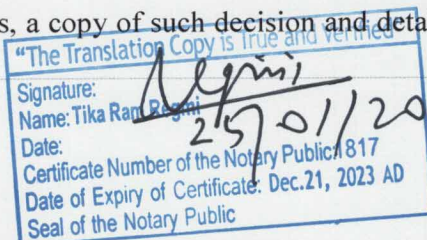
(4) License of the trader who are not making application as specified in sub-bye-laws (2) or (3) shall be cancelled.

(5) Notwithstanding anything contained in this bye-law, trading shall not be allowed to carry out, in the case where the validity of license has expired.

9. License may be amended or issued new one: (1) The Board may issue a copy of license in the case where license has lost, or torn or damaged due to any reason, and an application filed with the Board along with five hundred rupees as an application fee.

(2) The Board may issue a new license or amended version by revoking the earlier one, if deemed necessary.

10. Trading to be left: (1) Where the trader has decided to leave the trading of bonds, a copy of such decision and details of trading





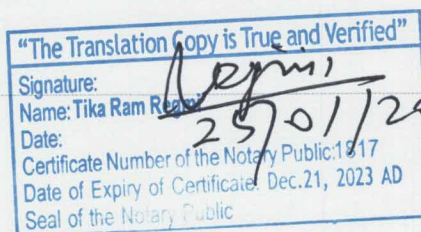
and clearance of outstanding shall be provided to the Board and the stock exchange market within three days of making such decision.

(2) Following the submission of the documents and details in accordance with sub-bye-law (2), the Board and the stock exchange market shall be informed about the clearance of all accounts within the time as such may be prescribed by the Board.

(3) The Board shall instruct to the stock exchange market to release the security kept therewith as such may be prescribed by the Board following the receipt of information in accordance with sub-bye-law (2).

11. Terms and conditions to be complied with by trader: The trader having a license to conduct the trading of bonds shall comply with the following terms & conditions:

- (a) To conduct trading of those bonds such are registered at the stock exchange market;
- (b) To submit the details demanded by the Board and the stock exchange market from time to time;
- (c) To recruit human resources, and maintain physical infrastructures, and other provisions as such may be prescribed from time to time by the Board;
- (d) To sale and purchase bonds within a threshold as such may be prescribed by the Board;
- (e) To fully comply with the directions issued and terms and conditions as such may be prescribed by the Board from time to time.





Chaper-3

Provision on Trading of Bonds

12. Approval to be obtained by market maker: (1) A market maker shall make an application to the Board for obtaining approval to conduct the trading of bonds specifying trading place and time if the trader is willing to conduct trading of bonds outside the market.

(2) The Board may grant the approval to the market maker to conduct the trading of bonds outside the stock exchange market following the necessary inquiry into the application received pursuant to sub-bye-law (1).

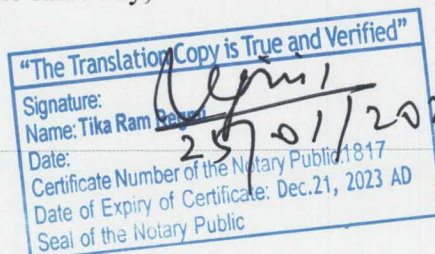
13. Trading to be conducted based on ownership of bonds:
The trader shall conduct the trading of bonds based on the types of ownership as institutional or individual as such may be prescribed by the Board.

14. Records of trading to be kept: (1) A trader shall require to make entries of orders made by the clients for the sale and purchase of bonds in a registration book as such may be prescribed by the Board.

(2) Records shall be maintained in a format as prescribed by the Board showing all details of bonds traded and held by the trader and the clients.

15. Details to be filed: (1) The details of the bonds traded by a trader shall be provided to the Board and Nepal Rastra Bank in a format as prescribed by the Board as follows:-

- (a) Details of trading conducted each day in the same day;





- (b) Details of a half-yearly trading within thirty days following the ending of half year;
- (c) Details of annual trading within sixty days following the ending of each fiscal year.

(2) For the trading conducted outside the stock exchange market, the market maker shall require to furnish a daily trading report in the same day, or the next day before the opening of the market, to the Board and Nepal Rastra Bank in a format as prescribed by the Board.

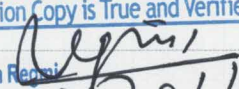
(3) The market maker shall require to furnish to the Board a daily trading report in the same day, a half-yearly trading report with thirty days following the ending of such half-year and an annual trading report within sixty days following the ending of each fiscal year in a format as prescribed by the Board.

16. Trading to be conducted regularly: (1) A trader shall determine an initial trading price and a subsequent price thereof within the threshold as such may be prescribed by the Board.

(2) The Board may issue an order to the stock exchange market to halt the trading of bonds, in the case where the price of bonds has swayed in an unnatural manner, and the stock exchange market shall comply with such order.

(3) If it is found that trading of bonds has conducted with an intention of fluctuating the price of bonds, the Board may issue an order to the stock

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Signature: 

Name: Tika Ram Regmi

Date: 25/01/2024

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exchange market and the trader to make inquiry into such trading and maintain status quo by declaring invalid thereof.

Chapter-4

Inspection and Punishment

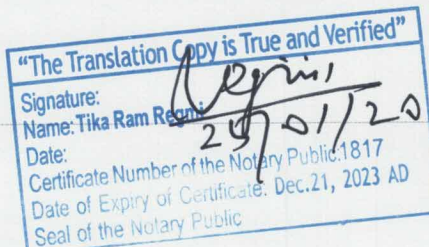
17. To conduct inspection and inquiry: (1) The Board may, at any time, make inspection of the stock exchange market, with or without giving a prior notice, with regard to the trading procedure, records of clearing and settlement, and other measures, or make inquiry into the documents and records getting brought to the Board.

(2) The Board may make inspection of accounts, records and other measures maintained by any trader with or without giving a prior notice at any time, or make inquiry into the documents and records getting brought to the Board.

(3) If on the spot inspection is conducted in accordance with sub-bye-laws (1) or (2), a report thereof shall be submitted to the Board within fifteen days following the completion of such inspection.

(4) The Board may instruct, in writing, to the relevant organization to take action against those directors, chief executive, agents, employees, or the relevant persons who did not render cooperation or created unnecessary obstacles during the inspection carried out in accordance with sub-bye-laws (1) or (2).

18. Suspension and cancellation of license: (1) The Board may suspend or cancel a license on the following conditions:



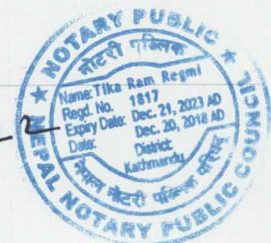
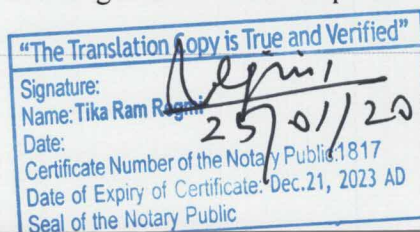


- (a) If any act or omission is done against the public debt act, the securities transactions act and the rules, bye-laws, orders, and directions made thereunder;
- (b) If it is revealed that fact that license was obtained by providing false details or documents;
- (c) If terms and conditions prescribed by the Board are not complied with;
- (d) If it is deemed necessary to suspend or cancel a license to maintain fairness in the market and protect the interest of investors by way of the inspection and supervision conducted by the Board.

(2) The Board may ask a clarification on the suspension or cancellation of a license from the trader by giving a seven-day-notice before doing so in accordance with sub-bye-law (1).

Provided that the Board may suspend the license without asking clarifications on the following conditions:

- (a) If there is a possibility to collect false evidence or hide thereof on being allowing to conduct trading without suspension;
- (b) If there is a possibility to act against the interest of investors on being allowing to act without suspension; or
- (c) If is a possibility to impact a fairness and credibility of the market on being allowing to act without suspension.





(3) The license of the trader may be suspended or cancelled for a period of at least one year if clarification sought in accordance with sub-bye-law (2) is not furnished or not satisfied if furnished.

(4) If the license of trader is suspended or cancelled, the license of the trading for the bonds deems suspended or cancelled ipso fact.

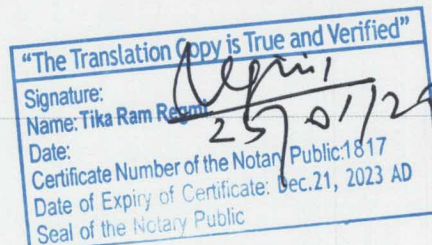
(5) The trader's obligations to clear the accounts and outstanding shall remain intact even if the license for the trading of bonds is suspended or cancelled in accordance with this bye-law.

(6) The license of the trading agency so cancelled in accordance with sub-bye-law (3) or any agency in which the directors, chief executive or agents thereof found involved shall not be considered fit and proper to obtain a license for the trading of bonds until the completion of five years from the date of such cancellation.

Chapter-5

Miscellaneous

19. Appointment and change of agent: The trader shall inform to the Board about appointment and change of an agent confirming that the agent so appointed or changed shall fulfil all the required qualifications as specified in the bye-law and not being unfit.
20. Other provision on trading of bonds: (1) The listing of bonds, time and place for trading, an order of sale and purchase, a trading unit(s), change of threshold price, clearance and settlement of transactions, information to be given to clients, and a receipt of purchase including any other matters concerning the





secondary market trading of bonds shall be in accordance with the bye-laws of the stock exchange market.

(2) The stock exchange market shall make necessary measures for the matters set forth in sub-bye-law (1) as such may be prescribed by the Board from time to time considering the condition of the market.

21. To remove difficulties: The Board may remove any difficulties in the application of this bye-law by making necessary provisions.





Schedule-1

(Relating to sub-bye-law (1) of bye-law 4)

To the Securities Board of Nepal,

..... Kathmandu.

Ref: regarding a license for the trading of bonds.

Sir,

This application is hereby made along with an application fee of 1,000 (in words one thousand rupees), and the flowing details and documents in order to obtain a license to conduct the trading of bonds since I or we, having a certificate for the securities trading in accordance with the securities act, 2040, are willing to conduct the trading of bonds under the public debt act, 2059 and other prevailing law of Nepal.

Details:

- 1 Name of a body corporate:
- 2 Full address of a body corporate:
- 3 Types of securities trader:
- 4 Area/place willing to conduct trading:
- 5 Details about promoters, directors, chief executive and agent:

Full name	Promoter, director, chief executive or agent	Full address, including telephone No.	Shares held		Academic qualification	Professional experience	Involvement with other body corporate
			No	Percentage			

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Signature:
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Date: 25/07/2022
Certificate Number of the Notary Public: 1817
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(In the case where any promoter or shareholder of the applicant is a body corporate, specify the details about the promoters, directors, and executive chief unveiling their identity of natural person).

6. Other details of the promoters, directors, executive chief and agent:

- 1 If black listed by the credit information center, specify the name and date of such black list;
- 2 Date of acquittal from the black listing by the credit information center, if done so;
- 3 Details about the actions taken in accordance with the securities transactions act and other prevailing law, if any;
- 4 Details about any actions taken by a body corporate or securities trader's organization, if any.

7. Details about the infrastructures related to trading:

An area of the relevant office	
Number of computers to be used in the trading of bonds	
Transacting bank and account number	
Others	

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- 8 Details about the human resources to be involved in the trading of bonds:

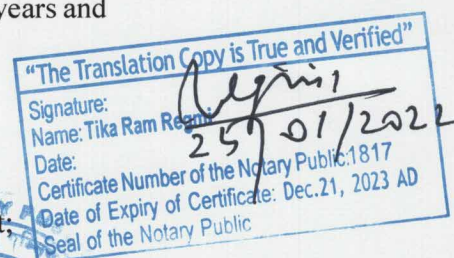
Full name	Full address	Designation and work responsibility	Academic qualification	Professional experience	Other engagement

9. An audited financial statement of the last three years:

Details	Fiscal year		
Authorized capital			
Issued capital			
Paid-up capital			
Liquidity assets			
Reserved fund			
Profit/loss			

- 10 Business Plan:

- A brief appraisal of the stock market;
- Projection of trading of bonds for ensuing three years and expected numbers of clients;
- Types of organization and extension plan;
- Organization and human resources management;





(e) Others.

Declaration: The above mentioned statements are true and correct and the projections are reasonable. No any statements are knowingly concealed or presented exaggeratedly. If found concealed or exaggerated, we are ready to bear the consequences in accordance with law.

On behalf of a body corporate:

Name of executive chief:

Signature:

Seal of the office:





Schedule-2

(Relating to sub-bye-law (4) of bye-law 5)

The Securities Board of Nepal

License No:

A License for Trading of Government Bond

This license is hereby granted to Sri.....holding a license of securities trader and having situated a main office at..... to conduct the trading of government bonds through the stock exchange market as a.....under the securities transactions act, 2040 and the rules and the bye-laws made thereunder and other prevailing law.

This license shall remain valid on the date unless otherwise renewed or cancelled.

Seal of the Securities Board of Nepal

Of license issuing officials

Signature:

Name:

Designation:

Date:

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Signature: [Signature]
Name: Tika Ram Regmi
Date: 25/01/2022
Certificate Number of the Notary Public: 817
Date of Expiry of Certificate: Dec.21, 2023 AD
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Schedule-3

(Relating to sub-bye-law (1) of bye-law 8)

To the Securities Board of Nepal,

....., Kathmandu.

Ref: Renewal of license for the trading of government bonds

Sir;

I/we hereby request to the Board for renewal of license inclosing herewith as the license issued thereby in accordance with the government bonds secondary market management bye-laws, 2062 remains valid up to the date

On behalf of the applicant:

Signature of official:

Name:

Designation:

Seal of the office:

