



SEBON Newsletter

SEBON's Building Foundation Stone Laid

Honorable Finance Minister, Mr Surendra Pandey, laid the foundation stone of the proposed building of Securities Board of Nepal, at Satdobato on December 17, 2010. The proposed eight storied building, with a cost estimation of approximately Rs.153.7 million, is being built on a leased land provided by the Government of Nepal. On the occasion, the Finance Minister expressed the need to modernise the capital market and reiterated the need for enhancing the regulatory capacity. Informing that the Government is ready to assist whatever it can for the development of the capital market, Pandey urged the regulator to be always ahead of the private sector. He also informed that the government is also ready to assist financially for the construction of the SEBON's building.

In the programme, Chairman of SEBON, Dr Surbir Paudyal, stated that the regulatory body should operate effectively to enhance the capital market and illustrated that the world economy has been slumped down due to the reasons of loose regulation. He clarified that the negative impact has not been seen in the economy of those countries where the regulatory body has operated effectively. Citing that the Indian economy has not been affected much due to the effectiveness of its regulatory body, Dr Paudyal explained that the regulator has to be autonomous for the effective regulation.

Representatives from Ministry of Finance, SEBON's Board Members, General Manager from Nepal Stock Exchange Ltd., and Executive Director from Citizen Investment Trust were present in the programme. Mr Niraj Giri, Director of SEBON, welcomed the distinguished guests on behalf of SEBON. The programme was anchored by Mekh Bahadur Thapa, Deputy Director of SEBON.



Hon'ble Finance Minister laying the foundation stone of proposed SEBON building at Satdobato, Lalitpur

Tax Exemption for the Listed Companies

Government of Nepal has provided tax exemption of 10 percent to the companies that are listed in securities market. With the inclusion of such provision under section 33(9) (c) (3)

(g) of Nepal Government's Financial Bill 2010, such exemption is applicable to the taxes paid by manufacturing and processing, tourism, hydropower, distribution and transmission

companies which have issued securities in the capital market and are listed on Stock Exchange Ltd.

On-site Inspection of Chilime Hydropower Company Ltd.

SEBON had carried out on-site inspection of the collection centre at Rasuwa for selling and distributing the shares of Chilime Hydropower Co. Ltd. The inspection team comprises Director Niraj Giri and Deputy Director Dhurba Timilsina from SEBON including Executive Director K.H. Rana from

NIDC capital Markets Ltd., Executive Director Rishi Ram Gautam from Citizen Investment Trust and Bidur Dhungana, Company Secretary from the issuance company. The total shares (960 thousand shares) set aside to the residents of Rasuwa was directed to sell from three collection centres of Rasuwa

district comprising Kalikasthan, Dhunche and Shyafubasi. The issue managers for the issuance of shares of Chilime Hydropower Company Ltd. were NIDC Capital Markets Ltd. and Citizen Investment Trust.



General public applying for IPO of Chilime Hydro Power Company

Interaction on Merchant Banking Business

SEBON organised an interaction programme on Merchant Banking Business on August 31, 2010 with the objective of making a transparent, efficient and sustainable merchant banking

Department of SEBON, Mr Dhurba Timilsina and Deputy Director and Chief of Information Analysis Department of SEBON, Mr Mekh Bahadur Thapa presented the paper on

should be made consistent and be freed from the anomalies and opined the need for the capacity enhancement of the Board for the effective regulation of the securities market. He stated to find out the new instruments and should be used the new instruments to expand the market. Further he stressed to make acts and rules as per the need for expansion and development of the market.

Citing that the merchant banker has to be more capable and trustworthy in the present situation, Mr Damber Prasad Dhungel, former Chairman of SEBON stressed on the need of adequate capital base of the merchant banker. Further Dhungel pointed out that the merchant bankers have to make their contribution for the development of the capital market and should enhance the technical knowledge of the merchant bankers and the investors. Speaking as a chairperson, Dr Surbir Paudyal, Chairman of SEBON stated the need of autonomy of the Board in the present context and articulated that the private sector have to raise their voice for the sound regulation and market development. Further he stressed the developments of the capital market cannot be achieved without the proper capacity enhancement of the regulator. Delivering the welcome speech and informing about the programme, Dr Nabaraj Adhikari, Deputy Director and Chief of Planning and Development of SEBON, explained the need to make codes of conduct for the Merchant Bankers by referring that the merchant banker can conduct multiple businesses that may lead to the conflict of interest between one business to another business. President of Nepal Investor Forum Mr Sunanda Bahadur Shrestha and Mr Nanda Kishor Mundada, President of Stockbroker Association have also expressed their views in the programme.



Invitees including SEBON Chairman, Hon'ble Member of NPC are involved in the seminar on 'Merchant Banking Business'

business by clarifying on merchant banking business, regulatory provisions and practices through the discussion on compliance provisions for merchant bankers, practices and practical difficulties on business with the wide participation of all stakeholders. The participants in the interaction programme were merchant bankers, Nepal Bankers' Association, Development Bankers' Association, president and the representatives of Nepal Finance Companies Association, president and representatives of Brokers' Association, representatives of Nepal Stock Exchange Ltd., Economic Journalists and company secretary of some listed companies. Deputy Director and Chief of Corporate Finance

'Merchant Banking Business: Process and Practice' and 'Merchant Banking Business: Financial Disclosure and Practice' respectively. Likewise, Manager of Vibor Capital Ltd., Mr Dipesh Vaidhya presented the paper on 'Merchant Banking Business: Theory and Practice'. Prof. Dr Bijay K.C., Dean, South Asian Institute of Management, Mr Deepak Raj Kafle, Former Chairman of SEBON and Mr Sudarsan Raj Pandey, Vice President, Institute of Chartered Accountant of Nepal and Member of SEBON had made their comments on the papers. Speaking as a chief guest, Prof. Dr Puskar Bajracharya, member of the National Planning Commission, stated that the securities laws



Formulation of Capital Market Master Plan

Securities Board of Nepal has been formulating 'Capital Market Master Plan' with the technical assistance of world bank. An expert team from World Bank, assigned for technical assistance in formulating 'Capital Market Master Plan' has initiated their work from October 25, 2010. Financial Sector Reform and strengthening (FIRST) Initiative of the World Bank has provided the total fund of US \$ 152,500 for the Capital Market Master Plan' project to Nepal. Mr Richard Pratt, an international capital market expert and Loretta Foran, Project Officer of Financial Sector Reform and Strengthening (FIRST) Initiative are in the expert team.

In the process of formulation of Capital Market Master Plan, the team on its first mission met with the officials of Ministry of Finance, Ministry of Law, Ministry of Industry, SEBON Chairman including Chief of the seven departments, Nepal Rastra Bank

including supervision of banking department, officials of Nepal Stock Exchange Ltd. and some stockbrokers. The team has also met with authorities of Insurance Board, ICAN, Accounting Standards Board, FNCCI, few commercial banks, Nepal Telecom, companies from real sector, investors associations and University.

The technical team of World Bank, among others has studied on-going initiatives for the establishment of Central Securities Depository System and operation of Collective Investment Scheme for the formulation of 'Capital Market Master Plan'. The team on its second mission has submitted capital market assessment report recommending the need for the institutional capacity building of the regulator based on the need of the market. The Master Plan will incorporate the required strategies and work plan clarifying the perception, objective, mission and vision of the capital market

development.

In order to get involvement of the stakeholders in the formulation of Capital Market Master Plan, SEBON has formed different working groups namely 'Legal and Legal Enforcement Advisory Working Group, Securities Issuance, Listing and Merchant Banking Advisory Working Group', 'Accounts and Auditing Standards Enforcement, Disclosure Requirement and Corporate Governance Advisory Working Group', 'Independence and Accountability Advisory Working Group', 'Trading Market Infrastructure and Bond Market Development Advisory Working Group' and 'Securities Education and Infrastructure Development Advisory Working Group' including one Steering Committee. These advisory Working groups have been active to provide area specific recommendations to the Steering Committee. ●

New Board Member

Government of Nepal, Ministry of Finance, has nominated Mr Komal Chitrakar as an expert member of governing board of SEBON from November 16, 2010 replacing Surendra Man Pradhan as the earlier member. Mr Chitrakar is the founding president of the Institute of Chartered

Accountants of Nepal (ICAN) and also the president of the South Asian Federation of Accountants (SAFA). Likewise, Mr Lok Bahadur Khadka, from Nepal Rastra Bank has been representing as a member of the governing board of SEBON from January 4, 2011. He is working as

the Executive Director of Bank Supervision Department of Nepal Rastra Bank. Before him, Mr Maha Prasad Adhikari, Executive Director of Nepal Rastra Bank was the member of SEBON since November 21, 2010. ●



Oath taking ceremony of the newly appointed board members



Applications for Stockbrokers' License

Nepal Stock Exchange (NEPSE) in pursuant to the Broker's Licensing Process has recommended the name list of 34 applicants (company) for broker's license to the Board. Nepal Stock Exchange (NEPSE) has taken the exam to the applicants for the licensing of the stockbrokers and has recommended a total of 34 companies to the Board. SEBON has initiated the required process according to the provision of Securities Businessperson (Stockbroker, Securities Dealer and Market Maker) Regulation, 2007. A total of 32 companies (except Cosmos Securities P. Ltd. and Bulls Securities P. (Ltd.)) has applied for license to the Board.

Recommended Companies for the License of Stockbroker

S.N.	Recommended Companies	Marks Secured
1	Secured Securities Ltd.	94
2	Kohinur Investment and Securities P. Ltd.	91.25
3	DipsikhaDhitopatkarobar Company P. Ltd.	90.75
4	Imperial Securities Companies P. Ltd.	90.25
5	Dynamic Money Manager Securities P. Ltd.	90.25
6	Linch Stock Market Ltd.	89.25
7	Crystal Kanchanjangha Securities P. Ltd.	89.25
8	SwornaLaxmi Securities P. Ltd.	89
9	Trisakti Securities Public Ltd.	89
10	Creative Securities P. Ltd.	88.5
11	Cosmos Securities P. Ltd.	88
12	Daxinkali Investment and Securities P. Ltd.	87.75
13	Sundhara Securities Ltd.	87.75
14	Nasa Securities Company Ltd.	86.25
15	South Asian Bulls P. Ltd.	86.25
16	Sumeru Securities P. Ltd.	86
17	Shreehari Securities P. Ltd.	86
18	Online Securities P. Ltd.	85.75
19	Sani Securities Company Ltd.	85.75
20	Bulls Securities P. Ltd.	85.75
21	Vision Securities P. Ltd.	85.75
22	Investment Management P. Ltd.	85.75
23	Kalika Securities P. Ltd.	85.5
24	Nib Securities P. Ltd.	85.5
25	Sewa Securities P. Ltd.	85.5
26	Oxford Securities P. Ltd.	85.25
27	Bhrikuti Stock Broking Company P. Ltd.	85.25
28	Dibya Securities and Stock House P. Ltd.	85.25
29	Aryatara Investment and Securities P. Ltd.	85
30	Phonex Investment and Securities P. Ltd.	85
31	Transparency Securities P. Ltd.	84.75
32	Universal Securities and Consultancy P. Ltd.	84.75
33	Siddhi Securities and Investment P. Ltd.	84.5
34	Blue Moon Securities P. Ltd.	84.5

SEBON honored with Tax Exempt Status

Finance Ordinance, 2010 has incorporated Tax Exempt provision to Securities Board of Nepal (SEBON). The provision in subsection (4) of section 10 of Finance Ordinance, 2010 has provided Tax Exemption on income earned by SEBON.

Orientation Programme on Anti-Money Laundering

A half-day Orientation programme on "Anti-Money Laundering" was conducted jointly by SEBON and Revenue Administration Training Centre on November 26, 2010 at Revenue Administration Training Centre, Harihar Bhawan. The welcome remarks were delivered by Mr Krishna Hari Baskota, Secretary (Revenue), Ministry of Finance, Chairman of SEBON distributed certificates to the participants and gave the closing remarks. Forty-eight participants representing the regulator, stock exchange, stockbrokers and merchant bankers were attended the programme.

Partner with ANNA

Securities Board of Nepal (SEBON) has received the Association of National Numbering Agencies (ANNA) Partner status which is must to provide International Securities Identification Number (ISIN) to the securities in Central Depository framework. SEBON will now work with ANNA Service Bureau (ASB) in establishing the ISIN codification system in the country and timely dissemination of ISIN and Classification of Financial Instruments (CFIs) related information in the market. The received Securities Identification Number of all securities from ANNA will be the condition of Nepalese securities trading to all over the international markets.



Interaction Programme on the Formulation of Capital Market Master Plan



SEBON Chairman, Hon'ble finance minister and governor of NRB attending the seminar on Capital market master plan formulation.

SEBON has organised an interaction programme entitled "Formulation of Five Years Capital Market Master Plan" on January 26, 2011. The interaction programme inaugurated by Finance Minister Mr Surendra Pandey. Mr Pandey stated that the companies have to provide adequate information to reduce the risk of the investors and SEBON should assist in emanating the adequate information to the investors for the market stability. Informing that the high-level financial coordination committee has been formed for coordinating each other, he explained about the looming grievances of the people as it is heard that the directives of the Nepal Rastra Bank has crippled the market especially in banking and financial sectors is not true and expressed about the imminent risk/problems in the capital market if Nepal Rastra Bank fails to monitor

the bank and financial institutions.

Governor of Nepal Rastra Bank, Dr Yuba Raj Khatriwada shared his views about the essence of intermediaries between the depositors and investors in the market economy and said that the capital market is such type of intermediaries in which depositors and investors earn the profit by reconciling risk and profit. He also said that the capital market had not been affected due to the reasons of the directives of the regulator and NRB is reviewing the effects of directives to control the capital flight.

Chairman of SEBON, Dr Surbir Paudyal, speaking as a chairperson in the programme explained that SEBON has various regulations and directives to make the capital market more systematic and credible and informed that SEBON has

conducted this programme to receive the comments and suggestions from different stakeholders on the formulation of the Master Plan. He said that the main problem of the capital market is the least presence of real sector companies in the capital market. He informed that bank and financial institutions can maintain the market only for short period of time. Dr Nabaraj Adhikari, Deputy Director of SEBON and Chief of Planning and Development Department has delivered the welcome speech and presented the paper on "Formulation of Five Years Capital Market Master Plan" project. Chairman of Insurance Board, Dr Fatta Bahadur KC also expressed his views on the programme.

International Capital Market Expert Mr Richard Pratt and Ms. Maninder Cheema, Deputy General Manager of Securities and Exchange Board of India (SEBI) presented the papers on 'Capital Market Assessment and Key Recommendations to Nepal' and 'Indian Capital Market and Recommendations to Nepal' respectively. Similarly, the first paper was commented by Prof. Dr Bijaya KC, Dean of South Asian Institute of Management (SAIM) and Mr Deepak Raj Kafle, Former Chairman of SEBON made his comments on the second paper. Authorities from Government of Nepal, Ministry of Finance, Nepal Rastra Bank, Insurance Board, Nepal Stock Exchange Ltd., Stockbrokers' Association, Finance Companies' Association, Merchant Bankers' Association, Listed companies and Professors of the University were present in the programme.

Training for Journalists

Securities Board of Nepal (SEBON) and Society of Economic Journalists of Nepal (SEJON) jointly organised two weeks training programme to economic journalists regarding the different aspects of the Nepalese securities market and economy entitled 'Training on Economy and Stock Market for Economic Journalists' for more authentic, reliable and analytical news on capital market emanate from different mass media. The training was aimed for promoting capital market and economy related knowledge to economic media persons. The training was provided by Prof. Dr Puskar Bajracharya, Honourable Member from National Planning Commission, Mr Keshav Acharya, Senior Economic Advisor, Ministry of Finance, Mr Krishna Bahadur Manandhar, Former Deputy Governor of Nepal Rastra Bank, Mr Deepak Raj Kafle, Former chairman of SEBON, Mr Jagdish Agrawal, Senior Chartered Accountant, Mr Niraj Giri, Director, SEBON, Mr Paristha Poudyal, Director, SEBON, Mr Mekh Bahadur Thapa, Deputy Director, SEBON, Dr Nabaraj Adhikari, Deputy Director of SEBON, Mr Binod Bhattarai, Senior journalists Achyut Wagle



Journalists participation on training jointly conducted by SEBON and SEJON

and Mr Prem Khanal. A total of 33 economic journalists working in different mass media participated in the programme. The participating journalists were awarded with the certificate of participation by Dr Surbir Paudyal, Chairman of SEBON and stated that if the news be reported on the basis of knowledge received in the training, it would contribute the development of capital market.

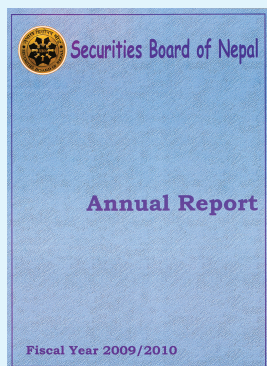


High Level Coordination Committee

With an objective to resolve the problems seen in the financial sector and for the requisite coordination (among the regulator), Nepal Government has formed a high level coordination committee of the financial sector under the chairmanship of Finance Minister. The committee members comprise Dr Yuba Raj Khatiwada, Governor of the Central Bank, Dr Surbir Paudyal, Chairman of Securities Board, Prof. Dr Fatta Bahadur KC, Chairman of Insurance Board, Mr Rameshwor Khanal, Secretary - Ministry of Finance, Mr Krishna Hari Baskota, Secretary - Ministry of Finance (Revenue), Mr Leela Mani Paudyal, Secretary - Office of the Prime Minister and Council of Ministers, Mr Maha Prasad Adhikari, Deputy Governor the Central Bank, and Mr Mahendra Man Gurung, Joint Secretary, Economic Affairs and Policy Analysis Division of Ministry of Finance as the member secretary.

Annual Report

Securities Board of Nepal (SEBON) has published the Annual Report of 2009/10 in print version on December 29, 2010. On the occasion Dr Surbir



Paudyal, Chairman of SEBON delivered a speech stating the efforts of enhancing the SEBON capacity and market discipline. Dr Nabaraj Adhikari, Deputy Director and Chief of Planning and Development Department of SEBON presented a brief paper containing the market activities and SEBON regulation and surveillance activities incorporated in the Annual Report. Representatives from media and department Chiefs of SEBON were present on the occasion.

Investors' Education Programme



General investors attending the securities education training conducted by SEBON

SEBON conducted one week fourth stage Investors' Education Programme from November 21, 2010 for general investors. A total of 83 participants categorised in to three groups were instructed by department Chiefs of SEBON and expert from NEPSE. Distributing the

certificate of participation, Dr Surbir Paudyal, Chairman of SEBON had urged to all the participants for making informed decision. The classes were conducted on Sunday to Thursday from 3.30 p.m. to 5.00 p.m.

Commencement of Mutual Fund Regulation, 2010

In exercise of the power conferred by Section 116 of Securities Act, 2007, SEBON has enforced Mutual Fund Regulation from September 27, 2010. Mutual Fund Regulation, 2010 has incorporated the following provisions: mutual fund registration and operation, licensing, fund supervisor, duties, functions

and power of fund manager and depository, agreement, fund registration and operation, investment related provision and the provision relating to financial statement, auditing and disclosing information. This mutual fund regulation will assist to establish and promote mutual funds in the country.

Commencement of Central Securities Depository Service Regulation, 2010

With an objective of regulating the matters regarding Central Securities Depository, the Board has, in exercise of the power conferred by Section 116 of Securities Act, 2007 and upon the approval of Government of Nepal, implemented Central Securities' Depository Service Regulation, 2010 effective from October 6, 2010. The Regulation has incorporated the provisions of operation of central securities depository service, duties, functions

and power of central depository company and depository member. Likewise, ownership and qualification of central depository company and depository member, depository of securities, financial statements, auditing and disclosures were the provisions incorporated in central securities depository service regulation, 2010. This regulation has paved the way to establish central securities depository system in Nepal.



Commencement of Portfolio Management Directives, 2010

In exercise of the power conferred by Section 118 of Securities Act, 2007, the Board has framed and enforced Portfolio Management Directives, 2010 from December 01, 2010. The directives has the following Provisions: provisions regarding duties, functions and power of portfolio manager, provisions of clients account, contract and area for making investment, Provisions regarding code of conduct, account, record, suggestions and disclosure of portfolio manager, provisions regarding monitoring and supervision and providing customer services to NRN.

Notification for Infrastructure Development

SEBON has notified Kalika Securities P. Ltd. and Creative Securities P. Ltd. to prepare necessary infrastructure for the operation of securities business. According to the provision of Securities Businessperson (Stockbroker, Dealer & Market Maker) Regulation, 2007, the companies have to submit an application to SEBON after getting recommendations from NEPSE and the related companies have to prepare necessary office infrastructure including human resources within six months after the date of receiving notice from SEBON.

Education on Securities Market of Nepal

SEBON and Free Students' Union of Public Youth Campus jointly conducted a two days education programme on the basics of Nepalese Securities Market and Primary Securities Market in Nepal. About 500 students of Post Graduate and Graduate level were instructed by Dr Nabaraj Adhikari, Deputy Director and Chief of Planning and Development Department of SEBON in the programme conducted at Public Youth Campus, Dhobichour, Kathmandu on January 28 and 29, 2011.

Video Conference with Malaysian experts

Authorities of SEBON dealt with Video Conference with the expert of Malaysia on the agenda of formulating Five Years Capital Market Master Plan on January 25, 2011. In the video conference, authorities of SEBON Mr Sudarshan Raj Pandey, Board Member, Dr Nabaraj Adhikari, Chief of Planning and Development Department, Mr Niraj Giri, Director and Mr Mekh Bahadur Thapa, Chief of Financial information Analysis Department interacted with Dr Ranjit Singh, Managing Director (MD), Securities Commission Malaysia in the agenda of capital market master plan.

SEBON is in the process of formulating the five years master plan and has been taking advices from the stakeholders and experts from different authorities. On this pace SEBON conducted the video conference to receive comments and suggestions from MD, Dr Singh and obtained valuable suggestions from him which SEBON is going to incorporate in the ensuing capital market master plan. Malaysia had already completed 10 years capital market master plan successfully accomplishing 95 percent of the recommendations. This video conference held in SEBON is the first in the history of Nepalese capital market.

Public Issue in Pipeline

SEBON has received application from various companies for the issuance of Rs. 6476.29 million till February 2, 2011. Of the total amount of applied issue, Rs. 198.20 million worth is of IPO, Rs. 5978.09 million worth is of rights share issue and Rs. 300.00 million worth of debenture issue. A total of 44 companies comprising two commercial banks, 11 development banks, 14 finance companies, one hydro power company and two companies from other sector have applied for the issuance of securities.

Ordinary share

(Rs. in million)

S N	Company	Sector	Amount
1	Muktinath Bikash Bank Ltd.	Development Bank	14
2	Nepal Industrial Development Corporation	Development Bank	184.17
3	Corporate Development Bank Ltd.	Development Bank	60
4	Sangrila Development Bank Ltd.	Development Bank	96
5	Investa Finance Co. Ltd.	Finance Company	16
6	Merchantile Finance Co. Ltd.	Finance Company	18
7	City Homes Limited	Other	45
8	Rajdhani Investment Fund Ltd.	Other	123
Total			198.2

Rights Share

S N	Company	Sector	Amount
1	Sunrise Bank Ltd.	Commercial Bank	390
2	Gorkha Development Bank Ltd.	Development Bank	332.18
3	Deprox Development Bank Ltd.	Development Bank	42.45
4	Public Development Bank Ltd.	Development Bank	60
5	Birat laxmi Bikas Bank Ltd.	Development Bank	90.75
6	Pathibhara Bikas Bank Ltd.	Development Bank	50
7	Narayani Development Bank Ltd.	Development Bank	43.74
8	Kasthamandup Development Bank Ltd.	Development Bank	320
9	Siddhartha Finance Ltd.	Finance	52.26
10	IME Financial Institution Ltd.	Finance	899.67
11	Standard Finance Ltd.	Finance	1001.88
12	Goodwill Finance Ltd.	Finance	353.65
13	Kaski Finance Ltd.	Finance	60
14	Capital Merchant Banking & Finance Ltd.	Finance	1084.93
15	World Merchant Banking & Finance Ltd.	Finance	238.52
16	Everest Finance Ltd.	Finance	60
17	Premier Finance Co. Ltd.	Finance	52.46
18	Kuber Merchant Finance Ltd.	Finance	150
19	Nepal Express Finance Ltd.	Finance	15.6
20	Bhajuratna Finance & Saving Co. Ltd.	Finance	61.6
21	Butwal Power Co. Ltd.	Hydro Power	618.38
Total			5978.09

Debenture

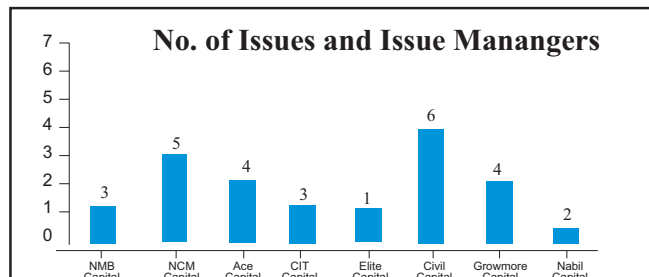
(Rs. in million)

S N	Company	Sector	Amount
1	Nepal Investment Bank Ltd.	Commercial Bank	300



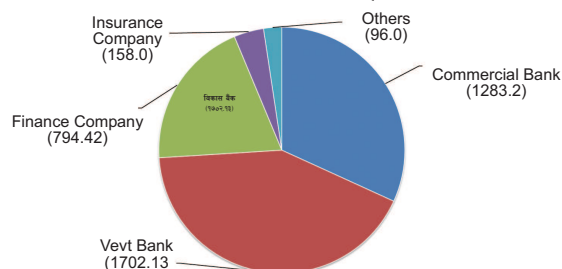
Securities Issuance

SEBON has approved public issue amounting to Rs. 4033.75 million till January 1, 2011. Of the total issue approval, Rs. 580.00 million worth is of primary issue and Rs. 3453.70 million worth is of rights share issue. Till January 1, 2011,

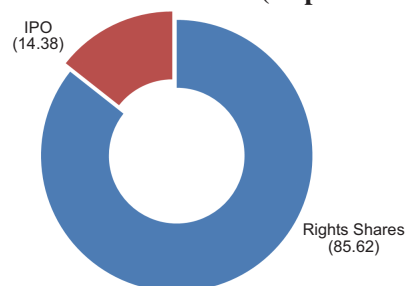


five development banks, two finance companies, one insurance company and one hydropower company got primary issue approval amounting to Rs. 292.00 million, Rs. 84.00 million, 108.00 million and Rs. 96.00 million respectively. Similarly, three commercial banks, six development banks, nine finance companies and one insurance company got rights share issue approval amounting to Rs. 1283.2 million, Rs. 1702.1 million, Rs. 794.40 million and Rs. 50.00 million respectively.

Public Issues Sectorwise (Rs. in Million)



Instrumentwise Public Issue (In percentage)



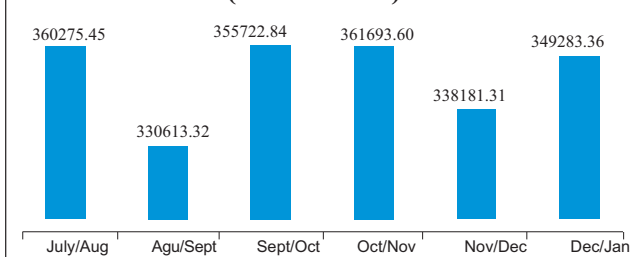
Secondary Market

As of January 14, 2011 the number of listed companies in Nepal Stock Exchange Ltd. has reached to 195 with total market capitalisation of Rs. 349,283.3 million. The market capitalisation on August 16, 2010 remained to be Rs. 360,275.4

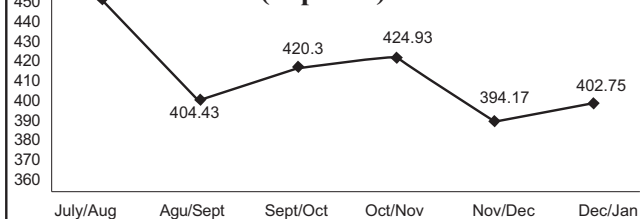
million which reached to be lowest on September 16, 2010 with the market capitalisation of Rs. 330,613.3 million. On November 16, 2010 the market capitalisation was Rs. 361,693.6 million. The NEPSE index which is used to show

the average market performance was 453.7 points on August 16, 2010 and move in decreasing trend and reached at 394.17 points on December 12, 2010 and finally reached to 402.75 points on January 14, 2011.

Securities Market Capitalisation 2010/11 (Rs. in million)



Monthly Index 2010/11 (in points)



Disclosures

As provisioned in the Securities Act relating to report submission, following listed companies have submitted their annual reports till December last, 2010.

S. N.	Group	Number of Listed Companies	Report Submitting Timely	Report Submitting Lately	Report not Submitting
1	Commercial Bank	24	16	6	2
2	Development Bank	50	13	12	13
3	Finance Company	69	19	29	13
4	Insurance Company	20	5	3	9
5	Hydropower	4	2		2
6	Manufacturing and Processing	18	1	5	8

S. N.	Group	Number of Listed Companies	Report Submitting Timely	Report Submitting Lately	Report not Submitting
7	Trade	4		2	2
8	Hotel	4	2	1	1
9	Others	2		1	1
Total		195			

Chairman's Statement on SEBON's 18th Anniversary.

Securities Board of Nepal has entered to eighteenth year crossing many ups and downs after its establishment as a regulator of the capital market on June 8, 1993. We can simply realize even today that how challengeable was its initial period of its establishment. I feel the role of Board was very appreciable to prepare the necessary regulatory provision and to make improvement in the market at the situation when listed companies and securities brokers were out from the purview of regulator.

Two executive periods of first chairman and one executive period of second chairman seem to be focused more for the formulation of rules and regulations needed to manage securities market. It was the consequence of unstable political system that compelled the third chairman to resign from his post. About Seven month of my one year working period was not frictionless and easier but was more fluctuating and complex. However, against such complex situation some remarkable activities have been performed within the period of past one year.

Institutional Reform and Development

- In a prior situation to strengthen the institutional capacity of the Board, an effort was made through Ministry of Finance and Embassy of India to receive the suggestion from international expert and accordingly a useful study has been carried out by the team of experts from Indian Securities and Exchange Board of India (SEBI).
- Government of Nepal has provided the land for 50 years on lease at Satdobato, Lalitpur for the construction of SEBON's building and SEBON has decided to construct the office building on that land.
- To adopt the financial discipline in the board according to the rule of Nepal Government, SEBON enacted Securities Board of Nepal Procurement Regulation, 2009 and Securities Board of Nepal Financial Administration Regulation, 2009 since September 17, 2009. Similarly, accounting system of the Board has been fully computerised in the fiscal year 2009/10.
- In order to improve human resource management, Securities Board of Nepal has prepared the draft of 'Employees Regulation, 2011'.
- In order to provide recommendations by commencing the study on the current organisation structure, need

of manpower and management information system of Board, a 'Institutional Reform and Incorporating Committee' was formed under the convener of the Board member. The committee is actively involved to provide suggestions on the basis of the study.

- In order to make the activities related to financial administration and information analysis of the Board more credible and transparent, a 'Financial Administration and Information Analysis Committee' has been formed and has been working.
- New curriculum of officer- third level has been developed with the support of expert members.
- A 'Good Governance Committee' has been formed under the convener of Chairman and initiated its operation for the internal governance of the Board.

Development of Regulatory Provision

- A draft related to the regulation of Central Securities Depository System, 2009 has been prepared.
- In view of enhancing the depth and breadth of securities market attracting small investors and institutional investors. Mutual Fund Regulation, 2009 has been drafted under the Securities Act, 2007. Presently, the draft is being reviewed from the

Board member level committee.

- In the past, bank and finance companies could directly operate merchant banking business. So, Board revoked such provision with the support of Ministry of Finance, Nepal Government by publishing the required provision in Nepal Gazette that made the new provision of merchant banking required to open subsidiary company to operate merchant banking business. Now clear provision is made in such a way that banking business is to be regulated by Nepal Rastra Bank and merchant banking is under regulatory domain of Securities Board of Nepal.
- In order to manage and regulate the activities related to merchant banking and portfolio management, directives related to Securities Portfolio Management, 2009 and Securities Merchant Banking, 2009 have been drafted.
- Bonus Share Issue Guidelines enacted under the Securities Exchange Act, 1983 has to be replaced by Bonus Share Directive, 2010 is in the process of implementing under the Securities Act, 2007. A preliminary draft relating to Credit Rating Regulation, 2010 has been prepared to promote and develop credit rating System in Nepal.
- Securities Registration and Issuance Regulation, 2008 has been amended for the provision of transfer of rights.



Surveillance and Law Enforcement

- Board has been monitoring secondary market activities through the establishment of online Supervision System to check the fraud activities in the secondary transaction.
- In order to resolve the grievances received from the investors and to supervise the legal compliances by the market participants, an 'Investigation Committee' has been formed under the convenership of director of SEBON and has been working actively.
- To support the governing Board in the legal enforcement in cases of non-compliances of the securities related regulations, a 'Legal and Enforcement Committee' was formed under the convenership of Board Member and has been working actively.
- Authorities from SEBON carried out on-site inspection of the activities of stockbrokers' companies to some selected places out of Kathmandu valley.
- It is recently initiated to put information on SEBON's website about the status of the reporting made by stock exchange, Securities Businesspersons and listed companies.

Development and Reform of Securities Market

- For the planned development of the securities market by making the assessment of the securities market, a proposal submitted to World Bank was accepted and technical assistance for the Development of Five years Capital Market Master Plan was granted.
- Securities Data Management System of Nepal (SDMSN) project assisted by International Development Association has been completed. This project is awarded with the Certificate of Excellence letter from National Planning Commission for making

valuable contribution to the country's economic and governance reforms with effective implementation. Central Securities Data Bank has been developed under SDMSN project. Besides, it has also facilitated to systematize the internal information system and to perform the necessary activities of board with the procurement of sophisticated information technology. With this, it is intended to contribute greatly in the economic and governance reform of the country.

- Board with an approval of Government of Nepal has recently amended 'Securities Registration and Issuance Regulation, 2008. According to this amendment, real sector companies can issue IPO at the initial stage of establishment but required to set aside at least 15 percent of its issued capital to the public. The amendment is expected to encourage the real sector companies to enter in to the market.
- Amendment is made in Securities Registration and Issuance Regulation 2008, to provide 10 percent share of the issued capital to local people for the use of local raw materials in order to establish the judicial right of local people over the natural resources at their place.
- In past unsold rights shares were distributed personally among the board of directors but as per the new provision made recently such share can be sold through tender process.
- Provision regarding the funds in lieu of rights share issue would not be raised through general public unless the promoters have not subscribed the rights share. such provision has been made through the amendment of Securities Registration and Issuance Directive, 2008.
- Provision like converting promoter share into public share has been strongly enforced as per the provision mentioned in the regulation for listed

companies, stockbroker, and merchant bankers.

- In case of making the arrangement of returning non allotted amount to the investors applying for primary issuance, new provision of opening an account on banks and finance companies having the membership of clearing house has been made.
- To collect the long term unclaimed dividends and utilise for market development and investor education, Board has initiated drafting the procedure for the establishment and operation of 'Investor Protection Fund' as practiced in other countries.
- In the context of operating commodity market in Nepal, there is a need of proper regulation for such market. For this, a committee has been formed by government of Nepal including Board staff and prepared a draft of regulation related to commodity market.
- Board has initiated the process of getting the membership of Association of National Numbering Agencies (ANNA), required for the operation of Central Securities Depository System of Nepal.
- Regarding to the investor education, to achieve the skill, efficiency and expertise of international level, Board has been the member of Asia Forum for Investor Education (AFIE) as per the request coming from Korea Council for Investor Education / Korea Financial Investment Association.

Securities Registration and Prospectus Approval

- In the review period of this fiscal year, SEBON has registered Rs.17.66 billion worth of securities of 103 companies comprising ordinary shares, rights share and bonus shares and approved their prospectuses for public issue.
- In this year, Board has given the



permission to issue the ordinary share of about Rs. 2.39 billion of 26 companies, rights shares of about Rs. 8.18 billion of 27 companies and also registered bonus share of about Rs. 4.21 billion of 50 companies and promoters share of about Rs. 2.88 billion of 24 companies.

- To make the activities related to approval of securities issue regular, systematic and transparent, Board has reformed Securities Registration and Issue working committee in this year and has made this committee more effective.

Licensing of Securities Businesspersons

- In the Fiscal Year 2009/10, SEBON has provided the licenses for two companies as Issue Manager, two companies as Share Registrar, two companies as Portfolio manager and one company as Underwriter.
- SEBON Started the process to increase the number of securities stockbrokers for the competitive stock brokerage services.

Education and Awareness Programmes

- In order to increase the information level of the investors relating to the securities market, SEBON has published informative booklets.
- SEBON has published and distributed pamphlets relating to the basic aspects of the securities investment.
- SEBON has published its newsletter, journal and annual report incorporating the securities market activities to provide up-to-date information to the stakeholders. In this fiscal year, SEBON published SEBON Journal special volume (vol-4) and SEBON Newsletter (Vol-iii, iv, v).
- SEBON has developed its website which the www.sedfar.gov.np for the

online reporting by the market participants.

- The task of updating the website regularly has been initiated from the fiscal year 2010/11.
- Confessing the truth that the pace of markets could not be developed without the presence of ingenious investors, SEBON has perpetually provided the training to general investors in its own office building to make the investors more knowledgeable.
- With a view to figure out the problems envisioned in the capital market, SEBON with the presence of Securities Businesspersons and NEPSE conducted the interaction programme to general investors.
- SEBON has made further preparation to educate the investors residing in Pokhara, Biratnagar, Birgunj and Narayangadh as the trading of securities were expanded in those cities.
- SEBON has conducted a two weeks training on securities markets to economic journalists for their important role-play in disseminating accurate and adequate information.
- SEBON has been providing at different times education programmes in various topics relating to securities market to post-graduate level students of different colleges from Management Faculty.
- An interaction programme was conducted jointly by Securities Board of Nepal (SEBON) and National Judicial Academy (NJA) for judges and lawyers with an objective to inform on different aspects of securities markets to the legal community.
- SEBON Conducted an orientation programme relating to online reporting through financial modules developed under SDMSN Project to

92 participants of listed companies from different sectors.

- Training programme on 'An Overview on Record Keeping and Reporting Requirements and practices of Stockbrokers' was conducted on January 22, 2010 to the stockbrokers.

More things are left to do than the above mentioned activities of Board due to the limited manpower at present. The number of listed companies to be regulated by Board reached to 171 and the number of securities businesspersons has already reached to 39. There are only two staff each in Regulation, Supervision and Corporate Finance Departments and other departments also have the same problem. Limited manpower will delay the Board's activities from one side and will also affect the quality of board activities on the other. The most important thing we have seen in the present context of Board is to hire the skill manpower. At least 50 staff in officer level are immediately needed in the Board, so the needed manpower will be hired soon in the coming days.

At last, it is well known that securities market has an important role in developing the national economy by mobilising the small amount of scattered savings from the different part of the economy. Development of national economy is not possible without developed capital market. Looking at the history of international market development, there is no other alternative solution to the capacity building and the functional autonomy of the regulator. So, we will be heading for the institutional capacity building of the SEBON and its operational autonomy.

- Speech delivered on June 8, 2010



Proposed Building of Securities Board of Nepal at Satdobato, Lalitpur

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