



CHAIRMAN'S STATEMENT

DR. SURBIR PAUDYAL

Nepalese capital market has the increasing participation companies from bank, finance and insurance sector but not from the real sector. Board has been working for creating the environment for the participation of every sectors in Securities market. In this line Board has been working to establish CDS for establishment and development of basic infrastructure of the Capital market and to enact Mutual Fund Act for the benefit of the general investors. Board is making efforts for improved securities market by conducting investor education and awareness programmes and restructuring its organization for improving the regulatory efficiency, recruiting efficient human resources and making proper use of the available information technology. As the Board alone cannot create competitive and transparent market, we look forward for equal support from the stakeholders of every sector.

SEBON has published fourth edition of its Newsletter by the incorporating the contemporary issues of the primary and secondary securities market and the supervisory and monitoring activities, different efforts made with regard to development of infrastructure for the securities market, education and awareness programs for the investors.

June/ July 2009



Guests attending the celebration.

SEBON Celebrated its 17th Anniversary

Securities Board of Nepal (SEBON) had organized a program on the auspicious occasion of its 17th Anniversary on June 7, 2009 in its office premise at Bijayachowk, Gaushala. Speaking as a chairperson of the program, Dr Surbir Paudyal, chairman of SEBON mentioned that the Board has been making efforts for enhancing the regulating efficiency of the Board for the development of the securities market. Dr. Paudyal further pointed out the fact that the Board has not been operationally independent due to the absence of laws and added that the Board has been making every effort for the establishment of CDS (Central Depository System) for the development of securities market. He further informed that the Board is stepping ahead by drafting the Mutual Fund Act for the better investment avenues to the small investors. Realizing the necessity of capable human resource for building supervision, investigation and enforcement capabilities of Board, it has started appointing the new employees and rewarding the existing ones for their devotion, commitment and efficient performance. On the occasion, Prof. Dr Fatta Bahadur

KC, Chairman of Beema Samiti said that the Board should play an important role for the protection of interest of small investors. He was of the opinion that not only investors, but economy as a whole would be affected if the Board failed in performing its responsibilities. Dr Narayan Poudel, Chairman of Nepal Stock Exchange stressed that the malpractices prevalent in share transaction should be mitigated and the trading option should be decentralized so that securities buying and selling activities can be possible from the every nook and corner of the country. He said that it is impossible to imagine the development of capital market without conscious investors.

Board member and Joint Secretary of the Government of Nepal, Ministry of Law, Justice

and Parliamentary Affairs, Mr Baburam Regmi said that there should be the coordination between government and SEBON for the required legal provisions for the development of capital market. On the occasion, Niraj Giri, Director of SEBON, presented his paper on the status of public offering of shares during FY 2065/66. As for his presentation, Securities Board during FY 065/66 had given approval for the initial public offering of shares amounting to Rs 2509.7 million and right shares amounting to Rs. 10530 million. Similarly, Director Paristha Poudel presented a paper highlighting the workings of the various departments of SEBON. His presentation focused on the challenges faced by SEBON in building a fair and transparent market. Navaraj Pandit, Secretary of Employee Union of SEBON, opined that it is imperative to study and analyze the Indian Market for the development of our market. ■



Board's personnels in celebration

SECURITIES ISSUE GUIDELINES, 2065 ENFORCED

Securities Board of Nepal has enforced Securities Issue Guidelines 2065 from Chaitra 9, 2065 (22 March 2009) that was framed in exercise of the power conferred by Section 118 of Securities Act, 2063. The Guidelines has made various provisions for safeguarding the rights and interests of the investors.

PROVISIONS TO BE INCORPORATED IN MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association of a corporate body issuing ordinary shares should contain the provisions that the representation in the Board of Directors would be in proportion to share ownership. These documents should also contain clear provisions regarding the rights of the shareholders, provision relating to Annual General Meeting and recording mechanism of purchase, sale or transfer of securities.

PUBLIC ISSUES TO BE UNDERWRITTEN

The corporate body issuing shares to general public should get at least 50% of the shares so issued underwritten from a licensed underwriter. The agreement between the corporate body issuing ordinary shares and the underwriter should also mention the basic criteria specified by SEBON.

ISSUANCE THROUGH CIRCULAR METHOD

Corporate body issuing its securities through circular method, while submitting an application for approval from the Board is required to mention the decision of General Meeting in that regard, number of securities being issued, list of targeted investors, method of allotment of securities, provisions relating to listing and transaction (trading) etc.

ISSUANCE OF PREFERENCE SHARES

Corporate body issuing preference shares, the Memorandum and Articles of Association of the corporate body should contain the provision for issuance of preference shares and the comprehensive details regarding same should be mentioned clearly in the prospectus. If the corporate bodies other than banks and financial institutions are to make issuance of the preference shares, such preference shares should be underwritten.

ISSUANCE OF RIGHTS SHARE

Corporate bodies can only issue rights share if the previously issued shares have been fully paid up. Besides, they can issue rights share only once in a fiscal year; and while issuing rights share, it should have completed 180 days from the date of listing of the previously issued shares in Nepal Stock Exchange.

The issuance of right shares to public should be opened only after the Directors of the corporate body which has applied for the issuance of the right shares have paid full amount equivalent to the right shares to be subscribed by them. However, if the Director of the corporate body does not subscribe the right shares required to be subscribed by him, the application for right shares may be made open to other shareholders disclosing the information regarding same. If the Director wishes to transfer the right to any other person, the arrangement should be made for renouncement of this right and making payment against the right shares within seven days of opening of the application. If right shares are to be issued for the reason other than the regulatory provision related to its own business, the resolution for issuing right shares should be approved from the General Assembly mentioning the details including the objective of increasing the paid up capital with reason thereof, amount to be increased, proportion of right shares to be allotted and details regarding uses of capital. If all of the shares could not be sold on the duration of opening of right shares and are left out, such shares should be cancelled.

ISSUANCE OF DEBENTURES

For issuance of debentures, approval of the Board should be obtained by specifying the objective of issuing debentures, use of the amount received from issuance of such debentures, duration of debentures, interest rate, time of payment of interest, tenure, place and method, whether the debenture holder will have first right or secondary right on the asset of the corporate body clearly mentioned and if it is to be secondary right, the name of first right holder or group and the amount, the commitment for not increasing the loan of the company during the tenure of debenture and the structure of capital not to be changed increasing the debt equity ratio by more than 70:30 in the prospectus. If the debentures to be issued have specialty of being converted into shares, necessary decisions should be made pursuant to provisions of the prevalent Company Act.

FURTHER PUBLIC ISSUE

Any listed companies can go for further public offering provided that a resolution for such has been passed from the general meeting and that Memorandum and Articles of Association has the provision for such issuance. The Corporate body should submit an application to the Board along with the Memorandum and Articles of Association, annual general meetings decision and the underwriting agreement if the issue has been underwritten.

ISSUANCE OF SHARES ON PREMIUM

If ordinary shares are to be issued on premi-

um, the details regarding compliance of provisions as prescribed by Company Act, 2063, method adopted for calculating of premium price and basis thereof should be submitted to the Board through the Issue Manager. If it is found reasonable, the Board shall give its approval for such premium issue.

DURATION FOR OPENING THE ISSUANCE

The corporate body should open the issuance of securities within two months from the date of receipt of approval on the prospectus from the Board. While doing this, the issue manager should be aware so as to avoid the situation of long public holidays or issuance of many securities at the same time.

DURATION FOR ALLOTMENT

(After closure of the sale of the securities opened for issuance) public company should allot its share according to the number of applicants. The allotment of securities should be made within 40 days if the number of applicants is up to one hundred thousand, within 50 days if number of applicants is more than one hundred thousand and up to two hundred thousand, within 60 days if the number of applicants is more than two hundred thousand and up to three hundred thousand and within 70 days if the number of applicants is more than three hundred thousand. In case of right shares and debentures, the allotment should be completed within thirty days from the issue closure date and return payment should be provided to the investors. The merchant bankers should start the refund process within 5 days of the respective allotment dates. While refunding, the repayment should be made in such way that the amount is deposited to account mentioned in the application by the applicant.

PROMOTER AND DIRECTORS NOT ALLOWED FOR PURCHASE

The concerned Promoters, Directors or Managing Director shall not be eligible to buy the securities allocated for public issuance; however, in case such securities are not subscribed during the duration of opening of application, this prohibition shall not apply. In the situation where the securities are allocate to the employees and local people, the applicant applying for such allocated securities shall not be eligible to apply the securities issued for general public.

SHARES FOR EMPLOYEES IN INITIAL PUBLIC OFFERING

Among the shares allocated for the general public, public company should allocate 2% shares to its employees if the number of employees is up to 50, 3% if the number of employees is 51-100, 4% if the number of employees is 100 to 200 and 5% for any numbers more than 200 employees.



Board's office building in Gaushala

OFFICE OF THE BOARD AT BIJAYA CHOWK GAUSHALA

The office of the Securities Board of Nepal has shifted to Gaushala, Bijayachowk, Kathmandu from Thapathali since Baishak 6, 2066. As the responsibilities of the institution kept on increasing due to the enactment of several rules and regulations, the office area was felt insufficient and therefore the Board has shifted the office to the present location. Now, the current telephone numbers are 4110322, 4110323, 4110325, 4110343, 4110321 and fax number is 4110334.

EMPLOYEE'S UNION ELECTION AT BOARD

The 2nd annual meeting/election of the employee's union of Securities Board of Nepal was held in the office premises on 2066/01/21. In the process of addressing the meeting, chief guest, Dr. Surbir Paudyal, Chairman of Securities Board of Nepal, congratulated the newly appointed officials and members and informed that the Board Union has always been working for the development of securities market and employee rights and interest. Mentioning that Union can play greater role in facing the challenges coming in process of development of securities market, Dr. Surbir Paudyal also greeted for the progress of the Union for corporate development of the Board as well. The Assembly has elected Mr. Raju Bahadur G.C as Chairman, Mr. Suraj Pradhananga as Vice-chairman, Mr. Nabaraj Pandit as Secretary, Mr. Anuj Rimal as Treasurer and Mrs. Manju Upadhaya, Mr. Bharat Aryal, Mr. Nahakul Bhattarai, Mr. Rajan Thapa and Mr. Rajan Khatiwoda as Members of the Union Working Committee. At the meeting, Chairman of the Union, Mr. Raju Bahadur G.C mentioned about the functions and activities performed by the Union and informed that the Union of the Board has been registered at Labour Office in exercise of the power conferred by Trade Union Rights and Labour Act for the protection of employee's rights and interest and an official certificate of trade Union has also been received. Mr. G.C mentioned that Union has been placing common demands of the employee in front of the Board and has initiated communal effort, and further informed that demand having 36 clauses has been presented to the Board Management as well of which Union has been making different efforts for fulfilling the demands.

Union had sent its officials and Members as participants on the two days program regarding Trade Union in Nation Rebuilding, jointly organized by UNI APRO-SASK Finland and FIEUN, Workshop on Organizing & Capability Building for Insurance Sector, training on Organizers Education Course, National Evaluation & Planning Workshop, Empower Course for Youth and three days workshop and seminar program on Changing Political Situation and Trade Union Revolution. Further, Union had participated as representative supervisor on elections of Nepal Financial Corporation Employee Association and district, zonal and central election of Trade Union Congress.

MERCHANT BANKERS AFTER COMMENCEMENT OF NEW REGULATION

The number of Merchant Bankers obtaining new license after commencement of Merchant Banker Regulations, 2064 is nine. The Board has prepared and enforced this Regulation in pursuant to Section 116 of Securities Act, 2063. The number of Merchant Bankers before commencement of the Merchant Banker Regulations, 2064 was eight. Share registrar, under writer and portfolio manager, as the new function of merchant bankers initiated the new merchant banker regulation. The Merchant Bankers obtaining

TABLE NO. 1: NUMBER OF MERCHANT BANKERS

SN	COMPANY	ISSUE MANAGER	SHARE REGISTRAR	UNDER WRITER	PORTFOLIO MANAGER
1	National Finance Company Limited	✓			
2	Ace Development Bank	✓	✓	✓	✓
3	NIDC Capital Markets Limited	✓	✓	✓	✓
4	NMB Bank Limited	✓	✓	✓	✓
5	Nepal Share Markets and Finance Limited	✓	✓	✓	✓
6	United Finance Limited	✓	✓	✓	✓
7	Citizen Investment Trust	✓	✓		
8	Nepal Finance Company Limited	✓	✓		
9	Elite Capital Limited*	✓	✓		
10	Vibor Vikash Bank Limited*	✓	✓	✓	✓
11	Development Credit Bank Limited*	✓	✓	✓	✓
12	Nepal Sri Lanka Mer Banking and Fi Ltd*	✓	✓	✓	
13	Nepal Housing and Merchant Finance Ltd*	✓	✓		
14	Civil Capital Market Limited*	✓	✓		
15	Tinau Bikash Bank Limited*	✓	✓		
16	Investment Mgmt Merchant Banker Ltd*	✓	✓	✓	✓
17	Beed Invest Limited*				✓

*Indicates the merchant bankers receiving license after commencement of new regulation

license after the commencement of new Regulations are Elite Capital Limited of Jamal, Kathmandu; Nepal Housing and Merchant Finance Limited of Dilli Bazar, Kathmandu; Vibor Vikash Bank Limited of Tripureshwor, Kathmandu; Development Credit Bank Limited of Kamaladi, Kathmandu; Sri Lanka Merchant Banking and Finance Limited of Kamaladi Kathmandu; Civil Capital Market Limited of Soltimod, Kathmandu, Tinau Bikash Bank Limited of Rupandehi, Lumbani, Investment Management Merchant Banker Limited of Putalisadak, Kathmandu and Beed Invest Limited of Krishna Galli, Lalitpur. Among the Merchant Bankers except Beed Invest Limited, every such merchant bankers has obtained licenses for issue management business from the Board, 15 corporate bodies has obtained licenses for issue manager and share registrar. However, National Finance Company Limited has obtained license only for issue manager and Beed Invest Limited for portfolio manager.

APPLICATION FOR ESTABLISHMENT OF NEW STOCK EXCHANGE

After the commencement of Stock Exchange Market Operation Regulations, 2064 framed and enforced by the Board under the Securities Act, 2063, three different companies have submitted their application for the operation of new stock exchange market. The companies applying for new stock exchange market are Kathmandu Stock Exchange Limited, Nepal Securities and Derivative Stock Exchange Limited and National Stock Exchange Limited. ■

REQUEST FOR LAND FORWARDED TO MINISTRY OF FINANCE

SEBON even after 16 years of its operation has not been able to construct its own office building. Hence, an official request was sent to Ministry of Finance for providing government owned land for SEBON. The Ministry of Finance has forwarded this request from SEBON to prime minister's secretariat along with their recommendation of providing land located the then Nepal Metal Industry situated at Satabato, Lalitpur.

INVESTIGATION ON THE LOST APPLICATION FORMS

After finding 47 application forms unofficially from the market that were submitted to Issue Manager in the process of IPO issuance for Sunrise Bank Limited, the Board had formed a working team headed by Mr. Muktinath Shrestha, the Deputy Director of the Board. The team completed its investigation and submitted its report to the chairman. The Board has taken action against the NMB Bank, the issue manager of Sunrise Bank Ltd. on the basis of the recommendation of the Enforcement Committee.

INVESTIGATION ON ALLOTMENT OF RIGHT SHARES OF NATIONAL HYDRO COMPANY

After receiving complaint regarding the Right Share that were left over after the issuance of the Right Shares, the committee chaired by Mr. Lal Mani Joshi, Director of the Board and Joint-Secretary of Ministry of Finance was formed and investigation works were carried out. Mr. Subodh Kumar Karna, Member of the Board and Vice-president of the Institute of Chartered Accountants of Nepal, Mr. Sita Ram Thapalia, Member of the Board and Mr. Mukti Nath Shrestha, Deputy Director of the Board were the Members of that Committee. It was mentioned in the complaint that the 2363431 numbers of shares remained unsold after the issuance of the Right Shares were allotted against the Regulation regarding share allotment.

Secondary Market

Till July 15, 2009, the market capitalization has touched Rs 512412.94 million. In the first month of the fiscal year 2008/09, the total market capitalization was Rs 423675.10 million. The market capitalization has been fluctuated during the year and down turned up to Rs 387429.10 Million in Nov/Dec

Market Capitalization (In Million)



2008. But it again started picking up since July 15, 2009. The NEPSE index was at 1084.76 points in July/August, 2008, which was the highest during the fiscal year 2008/09. In July 15, 2009, the NEPSE index was at 749.11 points. The total number of listed companies at the NEPSE till July 15, 2009 was 159.

SERVICE CHARGE FOR THE EVALUATION OF SHARES

Nepal Stock Exchange Limited has requested the investors for making payment of the service charge in accordance with the market price while making evaluation of the shares. As per the notice published in its website, rupees five hundred shall be charged for evaluation carried out for up to rupees one million market price, likewise rupees one thousand for one million to five million market price, rupees fifteen hundred for five million to ten million market price and two thousand rupees for evaluating the shares of market price over ten million rupees.

ENFORCEMENT ACTIONS AGAINST STOCK BROKERS

Under the provisions of Sub-rule (3) of Rule 11 of Share Broker Regulations, 2064 any director of a brokerage company cannot hold share ownership of more than one brokerage company. SEBON, while carrying out its on-site inspection of the broker company found that one director of Investment and Securities Trading Pvt. Ltd was found having share ownership in Trishul Securities and Investment Limited as well.

This was a non compliance with the aforementioned provisions. The Board had, therefore, stopped Nepal Investment and Securities Trading Pvt. Ltd. for making purchase and sale of securities from date 2065/10/20 and had initiated the proceedings. As an individual was found having share ownership in two share broker businesses, Nepal Investment and Securities Trading Pvt. Ltd. was stopped from making purchase and sale of shares, Securities Board of Nepal has now released Nepal Investment and Securities Trading Pvt. Ltd. for doing trading business. As Act and Rules regarding securities was found non-complied, the Securities Board of Nepal has charged fine of rupees one hundred thousand from the Director of that Company pursuant to Section 101 of Securities Act, 2063. ■



General Investors attending the Investor education programme.

TRAININGS FOR INVESTORS

Considering the interest of the general investors, Securities Board of Nepal has started basic level training programs for the general investors running every week from Sunday to Thursday (every day 3:30 to 5:00 PM) regularly. Registration has been opened for the interested investors to participate in the training program.

EMPLOYEES FELICITATED

On the auspicious occasion of 17th Annual Day of Securities Board of Nepal (SEBON), Dr Surbir Paudyal, Chairman of SEBON honored Mr Nabaraj Adhikari, Deputy Director and Head of Planning and Development Department and Management Department and Mr Suraj Pradhananga, Senior Assistant of Finance Section with the 'Letter of Appreciation' and a token cash amount of Rs 25000 each for their continuous devotion and excellent performance throughout the year.



Naba Raj Adhikari



Suraj Pradhananga

NEW APPOINTMENTS IN THE BOARD

The Board has hired additional manpower for improving its regulatory capacity and developing and expanding the securities market. Mr. Subash Poudel, of Parbat has been appointed as a Legal Advisor whereas other three officers have been appointed as temporary employees via open competition. The Board had selected the candidates through interview who were selected on the basis of their academic marks which was required to be greater than the minimum 65 percentage. Among the three officers Mr Ram Sharan Pokharel was regulation officer, Mrs. Jyoty Pudasaini was legal officer and the Bijaya Dhakal was surveillance officer.

TOWARDS FINALIZATION OF MUTUAL FUND ACT

The task force headed by Mr. Bhes Raj Sharma, Joint Secretary of Ministry of Finance has finalized the draft of Mutual Fund Act and forwarded it to the Ministry of Finance for necessary actions. As the mutual fund is important for the development of capital market, Securities Board of Nepal has initiated process for making legal provisions for establishment of mutual fund in Nepal. As the Mutual Fund Scheme helps to invest efficiently in various financial instruments with the ideal scattered savings of the public, Mutual Investment Fund Scheme is considered to be appropriate means of investment for the small investors.

SUBSIDIARY COMPANIES TO BE OPENED FOR MERCHANT BANKING

Securities Board of Nepal has recommended to the Ministry of Finance for publishing notification in Nepal Gazette requiring the banks and financial institutions to conduct their merchant banking business through their subsidiary companies. The banks and financial institutions were given license for operating merchant banking business as well under the provision of Section 62 of the Securities Act, 2063 and the banks and financial institutions are restricted to hold share ownership in other banks and financial institutions as per the provisions of Bank and Financial Institution Act, 2063 and the directives issued by Nepal Rastra Bank and such business persons are not eligible to carry out merchant banking business independently under existing legal provisions, the Board has recommended for this arrangement. It is being difficult to protect the interest of the investors and regulate (control) the undue fluctuation in the market because of non-performance of merchant banking business by the banks and financial institutions through their separate subsidiary companies. After carrying out the merchant banking business through subsidiary companies, the inspection and monitoring works of the Board will be effective and would help such business persons to become more professional in their business.

Mr. Kafle as a Training Expert

Securities Board of Nepal has appointed Mr. Deepak Raj Kafle as a training expert. He has been appointed to prepare concept and mod-



SEBON Chairman
Dr. Paudyal and SEBI
(India) Chairman
C.B. Bhawe.

CHAIRMAN'S OBSERVATION TOUR TO INDIA AND SRI LANKA

A team, led by Chairman Dr. Surbir Paudyal visited India and Sri Lanka from March 15 to 29, 2009 for acquiring information regarding securities market. The team comprised of Dr. Surbir Paudyal, the Chairperson, Mr Nabaraj Adhikari and Mr Mekh Bahadur Thapa, the Deputy Directors of the Board.

The tour was intended for

gathering information on establishment, ownership and operational provision of Central Depository System and Mutual Fund which are considered as the important infrastructures of capital market. Similarly, it was intended to understand the vision of other capital market regulators of SAARC countries as well as legal and other provisions adopted by them.



Nepali Team with
SEC (Sri Lanka)
Chairman

ules and curriculum for the training programs regarding securities market that is to be provided to the securities traders, general investors and the stakeholders. Before this Mr. Kafle had served Securities Board of Nepal as an Executive Chairman.



Deepak Raj Kafle

Mr. Kafle has completed post graduate diploma in Advance Financial Management from Maastricht School of Management, Netherlands, Masters in Business Administration from University of Cochin, India and Masters of Economics from Tribhuvan University. Mr. Kafle, who was as an Executive Chairman of the Board from September 2004 to August 2007, had served the Board as Director for nine years and was Executive Officer of then Securities Exchange Center and present Nepal Stock Exchange as well. Mr. Kafle has participated in different national and international seminars and workshops regarding capital market, economics and likewise subjects and has conducted more than 25 different research works as well. He has visited 16 different countries of the world and has published his write-ups in Indian Journals. During his long career of three decade, he was involved in drafting different Acts and laws regarding securities market and currently he has been working as a Management and Legal Advisor in different Organizations. ■



SEBON Chairman Dr. Paudyal inaugurating the New Merchant Banker.

Chairman Inaugurates New Merchant Banker

Dr. Surbir Paudyal, the Chairperson of the Securities Board of Nepal has expressed that increased in number of merchant bankers in the securities market would help to enhance the professionalism of the Merchant bankers. While inaugurating the Civil Capital Market Ltd, the licensed merchant banker, Dr. Surbir Paudyal, the Chairperson of the Board, mentioned that the Board has been working for formation of new regulations and developing required infrastructure for the development and expansion of the Securities market. Civil Capital Market Ltd. is the fifteenth company to get Merchant Banker license from the Board.

TRAININGS AND EDUCATION FOR THE EMPLOYEES OF THE BOARD

Till the end of Asad 2066 (mid of July) of the fiscal year 2065/66, the Securities Board of Nepal has sent its employees including the Chairperson of the Board on different visits. On the process of making participation on behalf of the Board, Deputy Director Mekh Bahadur Thapa had participated in IFRS seminar from July 10 to 11, 2009 in

New Delhi. Mr. Dhruba Timilsina, the Deputy Director had participated in 'Annual International Institute for Securities Market Development Program 2009 organized by United States Securities and Exchange Commission in USA from 20 to 30 April, 2009. Similarly, Mr Anuj Kumar Rimal and Mr. Krishna Prasad Ghimire, the Officers of the Board, had visited Shenzhen of China from 31st March to 3rd April 2009 for taking part in the program 'APEC FRTI Regional Seminar on Inspection of Market Intermediaries' organized by ADB, APEC. Mr Niraj Giri, the Director and Mrs Manju Upadhyya, an Officer of the Board had visited Tokyo of Japan from 24th February to 4th March 2009 for participating in the '11th Tokyo Seminar on Securities Markets Regulation' organized by Financial Supervisory Agency (FSA), Japan. Mr. Paristha Poudyal, the Director and Mr. Binaya Dev Acharya, the Deputy Director had made official visit to Mumbai-India from 16 to 27 February, 2009 for having training on Training for Trainers Program on Capital for Development of Capital Market provided by National Institute of Securities Market (NISM).

Likewise, Mr. Mekh Bahadur Thapa, the Deputy Director of the Board had participated on 4th ASF Seminar held in Japan and Dr. Chiranjibi Nepal, the then Chairperson of the Board, Mr. Niraj Giri and Mr. Parista Poudyal, the Directors of the Board had participated in the Working Group Meeting on Investor held from 29 October to 4 November 2008 at Korea. Deputy Director Mukti Nath Shrestha had visited Bangkok-Thailand from 24 to 30 August, 2008 for participating in Regional Seminar on Investigation and Enforcement' organized by ADB, APEC.

LICENSE FOR FIVE NEW MERCHANT BANKERS

Under the provisions of Securities Related Act, 2063 and Securities Businesspersons (Merchant Banker) Regulation, 2065, SEBON has provided license to Civil Capital Market Limited for issue manager and share registrar, Nepal Sri Lanka Merchant Banking and Finance Limited for issue manager, share registrar and portfolio manager, Tinau Development Bank for issue manager and share registrar, Investment Management Merchant Banker Limited for issue manager, share registrar, portfolio manager and under writer and Beed Invest Limited for portfolio manager. The total number of Merchant Banker in market has reached to 14 after providing licenses to those two companies.

Currently, as the number of companies making public issuance in securities market is increasing, the Board has expected additional support from currently involved Merchant Bankers in the task of floating shares of such companies. Further, as tasks including transfer of shares will be completed with additional precautions through such companies, the Board has expected improvement in the investor's interest as well.

INITIATION FOR CDS ESTABLISHMENT

Ministry of Finance has formed a committee under the convenorship of Dr. Surbir Paudyal, chairman of SEBON for the establishment of a Central Depository System (CDS) in Nepal. The committee consists Mr. Shanker Man Singh, Managing Director of Nepal Stock Exchange Ltd., Mr. Rishi Ram Gautam, Chief Executive of Citizen Investment Trust and Mr. Anil Chandra Adhikari, Chief of Credit Information Bureau as a member. Mr. Sujib Shakya has been nominated as a Legal Expert of the committee. The Committee has drafted the Regulations for Central Depository System and forwarded to the Ministry of Finance for approval.

The Committee led by Dr. Surbir Paudyal, Chairperson of the Board, has been making necessary initiations for the establishment of CDS. In the process to establish CDS, Dr. Surbir Paudyal, the Chairperson of the Board and Mr. Shanker Man Singh, the General Manager of Nepal Stock Exchange Ltd. have met Harsh K Jain, the counselor of Indian Embassy and have requested for providing financial and technical assistance for CDS establishment.

At the initiation of the Board, a discussions program was organized or interested stakeholders in the upcoming depository. Besides, discussions have also been carried out with Ministry of Finance for identifying the promoters. ■

I AM COMMITTED FOR THE PROTECTION OF INTEREST OF INVESTORS

DR SURBIR PAUDYAL, CHAIRMAN, SECURITIES BOARD OF NEPAL

You have completed five months of Chairmanship in Securities Board of Nepal. How is your experience during this period?

Being a responsible person in the field of economy, I have considered it as an opportunity for me to devote for the development and promotion of the securities market by having chance to lead the regulatory body. As my single effort is insufficient, equal support is needed from the officials of the Ministry of Finance, employees of the Board and the concerned stakeholders.

How are you evaluating the present condition of Nepalese Securities Market?

I have considered it as necessity to aware all the stakeholders of the capital market that the capital market of Nepal is at its earlier stage and by strengthening securities market we can contribute in the entire economic development of the country. I have found lack of awareness in all sectors regarding securities market. The overall aspect of capital market needs to be improved with the combine efforts of all including regulatory body, investors, stakeholder and issue managers and it should be raised from its infancy stage. If the market could be developed properly, the opportunity of investment can be expanded making use of the various financial instruments.

As a Chairperson of regulating body of securities market, what is your opinion towards eliminating or minimizing its weaknesses and malpractices?

The Securities market should not be influenced with dissemination of rumors and fallacious information. The main concern of the Board is to control and monitor the market in appropriate manner. The common investors shouldn't feel any torment from the negative flows of such market news. The extensive improvement is required to be done on this issue. Board should be and should have always determined for working for the interest of the investors and have enhanced their right to information for making proper decision regarding investment. The Board has been sincerely working against these rumors and malpractices and has engaged in performing

the essential jobs required for the development of market including amendment in the Acts and Regulations.

As a regulating body, how is the Board accelerating its activities for the development and promotion of Securities Market?

As it is required to proceed ahead for the market development by correcting the weakness of existing Acts and Laws, the Board has already initiated its steps on it. To improve the regulating efficiency, it is essential to increase the number and efficiency of the employees, restructuring the organization and making arrangement of basic facilities for the experts making research on different aspect of market. Board expresses its sincere commitment for fulfilling these realities.

What types of policies and programs are put forth by the Board to protect the interest of general investors?

The primary concern of the Board is to safeguard the interests of the general investors. For this purpose, the Board has already initiated investor's awareness programs in order to promote awareness in general investors regarding investment and different types of programs providing knowledge on existing legal provision to the merchant bankers and stock brokers and the service to be rendered by them to the investors

Attraction towards investment in shares has been increased in the recent days.

What are your views regarding this?

Nepalese securities market is taking up the pace due to the increment in the level of awareness and information regarding shares in general public. However, it is very important to understand that one cannot always make profit and may have to bear loss as well in securities market. While entering into the securities market, one should be at least capable of understanding and analyzing the corporate sectors and the general activities and incidents of the market.

How do you consider Nepalese securities market vis-à-vis the securities market of SAARC sector?

Securities market of Nepal is lagging far behind in comparison to the market of developed countries and is also lagging behind vis-à-vis the securities market of SAARC countries. Except Nepal all SAARC countries have already established Central Depository System (CDS). CDS is very important for development of the securities market. The Contribution of the securities market in economic growth is openly rated. Moreover, in the periphery of Nepal it can be linked to poverty reduction, comprehensive development and sustainable development of the Country. There is equal contribution of capital market in the economic development gained by the neighboring Country India. Nepal can obtain more advantages from the experiences of its neighboring countries rather than from the capital market of Europe and America.

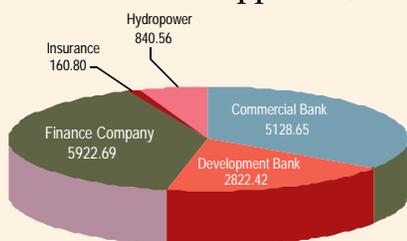
What are the steps being followed for the establishment and development of infrastructures of securities market?

Development of the securities market is not possible with the positive thoughts only. The main concerns should be to establish basic infrastructure of the market for the development and modernization of the market. For this, the Board has already initiated for the establishment of CDS and the Act relating to collective investment scheme, which has been drafted in order to protect the interest of general investors as their investment participation ratio is low, has been forwarded to Ministry of Finance for its approval. The Securities Data Management System (SDMS) project implemented and huge information technology in the area of securities market for the management of information and data relating to securities market has reached the final stage of its implementation. Besides, the Board has been working for improving and enhancing the organizational pattern, establishing new section for securities education and training at Board which may be developed as a subsidiary organization of Board on coming days, making master plans for the long term progress of the capital market and making strategic plan as well. ■

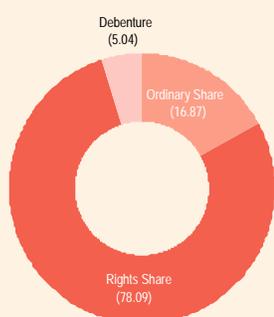
IPO Approval

The Securities Board has approved primary issue of Rs 14875.12 Million and 136.40 Million units public issue till July 15, 2009. Of the total issue, Rs 2509.76 million worth was primary issue, Rs 11615.36 million worth rights shares and Rs 750 million worth debentures. Till July 15, 2009, 11 commercial banks got approval for their public issues worth Rs 5,128,649,600.00; 16 development banks got approval for their public issue worth Rs 2,822,415,900.00; 32 finance companies got approval worth Rs 5,922,692,000.00; 2 insurance companies got approval worth Rs 160,800,000.00 and two hydropower company got approval worth Rs 840,564,800.00

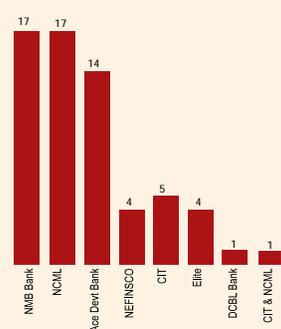
Sectorwise Issue Approval (In Million)



Instrumentwise Issue Approval (In %)



No of Issues and Issue Managers



NEPAL STOCK EXCHANGE LIMITED BECOME MEMBER IN EXECUTIVE COMMITTEE OF SAFE

Nepal Stock Exchange Limited (NEPSE) has been elected as a Member in Executive Committee of South Asian Federation of Exchange (SAFE), Mr. Shanker Man Singh, the General Manager of NEPSE has represented in SAFE. General Assembly held at Abu-Dhabi of United Arab Emirates has formed a new executive committee having Adnan Afridi from Karachi Stock Exchange Limited, Pakistan as chairman and Fakhur Udhin Ali Ahmad from Chitgaun Stock Exchange Limited, Bangladesh, Joshep Maisi from Multi Commodities Exchange of India Limited, India, Rasid Eh Al Balusi from Abu-Dhabi Securities Exchange, UAE, Mohamad Lukman from National Clearing Company of Pakistan and Shanker Man Singh from Nepal Stock Exchange Limited, Nepal as Members of the committee. SAFE, which is established in the initiation of the organizations related with the stock exchange and capital market and are operated in South Asia, has currently 23 member organizations from India, Pakistan, UAE, Sri Lanka, Bangladesh, Nepal, Bhutan, Maldives and Mauritius. It is mentioned in the website of Nepal Stock Exchange Limited that SAFE in the occasion of its General Assembly has announced SAFE Dow Jones 100 index prepared complying one hundred companies listed in stock exchange of the SAFE Members. SAFE has considered its main objective to develop mutual sharing of source and knowledge in between the Member organizations for the development of the technology and manpower. SAFE has been preparing for necessary infrastructure regarding same. ■

Public issue in Pipeline

SEBON has received applications from various companies for the issuance of ordinary shares worth of Rs 5682.231 million within July 15, 2009. Altogether, 29 companies comprising one commercial bank, nine development banks, 14 finance companies, three insurance companies, one from others and one from Laghubitta groups have applied in the board for the public issue. Among the total application, Rs 1465.58 million worth is primary issue, and 4216.66 million worth is rights share issue.

ORDINARY SHARES (Rs. In Millions)

COMPANY	SECTOR	AMOUNT
1 Agriculture Development Bank	Commercial Bank	960.00
2 Muktinath Bikash Bank Ltd.	Development Bank	14.00
3 Mahakali Bikash Bank Ltd.	Development Bank	8.18
4 Miteri Development Bank Ltd.	Development Bank	13.54
5 Uddham Bikash Bank Ltd.	Development Bank	15.00
6 Pathibhara Bikash Bank Ltd.	Development Bank	24.50
7 Kasthamandap Development Bank	Development Bank	96.00
8 Sewa Bikash Bank Ltd.	Development Bank	40.00
9 Resunga Bikas Bank Limited	Development Bank	9.18
10 Investa Finance Co. Ltd.	Finance Company	16.00
11 Valley Finance Ltd.	Finance Company	22.50
12 Shubhalaxmi Finance Ltd.	Finance Company	30.00
13 Suryadarshan Finance Co. Ltd.	Finance Company	20.00
14 Zenith Finance Limited	Finance Company	42.00
15 Asian Life Insurance Co. Ltd.	Insurance Company	103.68
16 Nerude Laghubitta Bikash Bank	Laghubitta Sastha	6.00
17 City Homes Limited	Other	45.00
Total		1,465.58

RIGHT SHARES (Rs. In Millions)

COMPANY	SECTOR	AMOUNT
1 Himchuli Bikash Bank	Development Bank	310.50
2 Mahalaxmi Finance Ltd.	Finance Company	320.00
3 Birgung Finance Ltd.	Finance Company	327.41
4 Capital Merchant Banking & Finance	Finance Company	519.23
5 Butwal Finance Limited	Finance Company	329.55
6 Kuber Merchant Bittiya Sanstha	Finance Company	100.00
7 Business Development Bank	Finance Company	441.00
8 Goodwill Finance Ltd.	Finance Company	173.25
9 Prudential Finance Company Ltd.	Finance Company	200.00
10 ILFC	Finance Company	1360.80
11 Allinace Insurance Co. Ltd.	Insurance Company	59.92
12 Nepal Life Insurance Company Ltd.	Insurance Company	75.00
Total		4,216.66

FORMATION OF A TASK FORCE FOR IDENTIFYING OVERLAPPING LEGAL PROVISIONS

Overlapping legal provisions related to securities transaction and Securities Acts and Regulations have been hampering the efforts of the securities market and banking regulators in developing Nepalese financial sector. In this regard, a task force comprising the officials of Nepal Rastra Bank and Securities Board of Nepal for identifying was formed such provisions. ■