

Issue 4, Mid-Jan, 2018

# **QUARTERLY SECURITIES MARKET INDICATORS**

(Second Quarter, FY 2017/18)

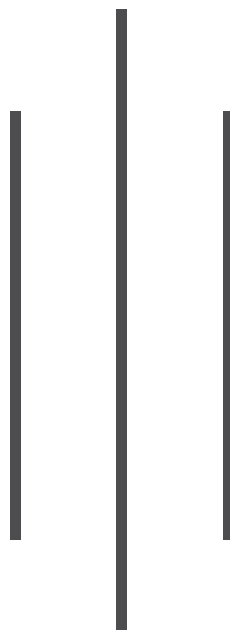


**Securities Board of Nepal**  
Jawalakhel, Lalitpur, Nepal



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### **Securities Board of Nepal**

Supervision and Research Department  
Policy, Research and Planning Division  
P.O.B. No.: 9031, Jawalakhel, Lalitpur  
Phone No. 01-5541057, 5000201 Fax No.: 01-5541058  
Toll Free Hotline No.: 1660-01-44433  
Website: <http://www.sebon.gov.np>  
E-mail: [support@sebon.gov.np](mailto:support@sebon.gov.np)

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## EXPLANATORY NOTES

1. Because of the subsequent revision in data, difference with previously published figures may occur.
2. In some cases, figures are rounded off. Hence, totals may not tally with their component units.
3. The following months of the Gregorian Calendar year are the approximate equivalent to the months of the Nepalese Calendar Year:

<b>Gregorian Month</b>	<b>Nepalese Month</b>
Apr/May	Baisakh
May/Jun	Jestha
Jun/Jul	Ashadh
Jul/Aug	Shrawan
Aug/Sep	Bhadra
Sep/Oct	Ashwin
Oct/Nov	Kartik
Nov/Dec	Marg
Dec/Jan	Poush
Jan/Feb	Magh
Feb/Mar	Falgun
Mar/Apr	Chaitra

4. The Nepalese fiscal year generally begins on July 16 and ends on July 15.
5. A dash (–) indicates that figures are nil or negligible. The non-availability of data is indicated by dots (...). An oblique (/) indicates a Nepalese fiscal year (e.g., 2015/16) or a Nepalese month (July/August = Shrawan). A hyphen (-) used with a Gregorian Calendar month indicates the end of a Nepalese month (e.g., Mid-July = end of Ashad). Symbols used : "FY" for fiscal year, "Q1" for 1st Quarter, "Q2" for 2nd Quarter, "Q3" for 3rd Quarter and "Q4" for 4th Quarter.
6. H1 indicates the first half of Fiscal Year and H2 indicates the second half of Fiscal year.

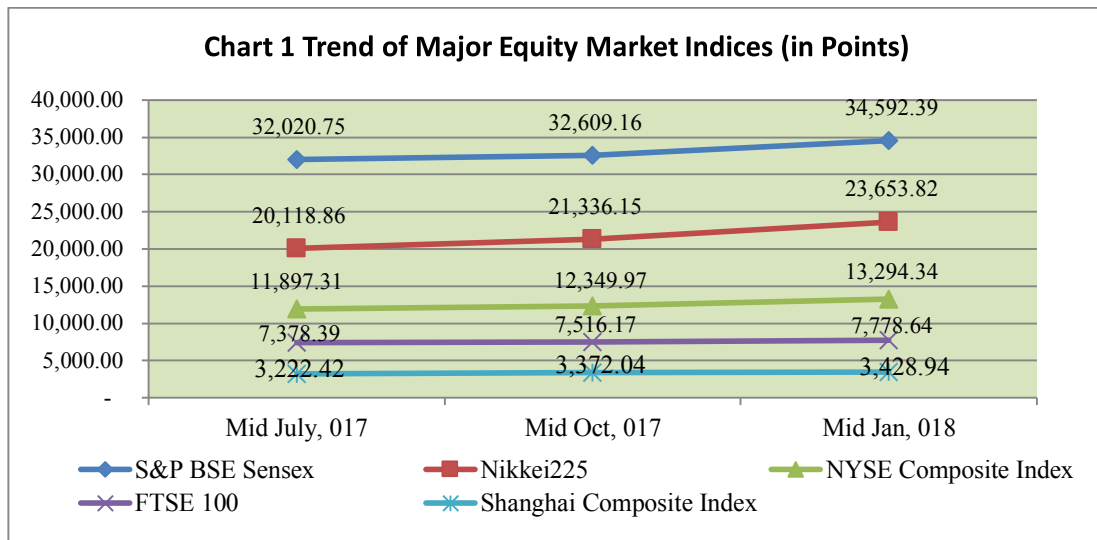
# Quarterly Securities Market Indicators

(Oct 18, 2017-Jan13, 2018)

## 1. Global Securities Market

Global securities market ended on a strong note in 2017. According to World Federation of Exchanges (WFE), benchmark market indices soared to record-high levels in markets across the globe, setting the backdrop for market activity in 2017. Market valuations soared and IPOs rebounded; however, secondary market activity was muted with value and volume of shares traded and investment flows through already-listed companies down in 2017 as compared to 2016.

Major equity market indices of advanced countries exhibited positive change at the end of Mid-Jan 2018 in comparison to Mid-Oct 2017. Amongst the advance markets, NYSE index of New York Stock Exchange rose by 7.7 percent and reached to 13294.34 points in Mid-Jan 2018 in comparison to Mid-Oct 2017. Similarly, Nikkei 225 of Japan also increased by 10.9 percent and reached to 23653.82 points. In Asia Pacific Region, most of market indices traced the positive trend as well. S&P BSE SENSEX of India showed positive growth of 6.1 percent during the same period and reached to 34592.39 points in Mid-Jan 2018. Meanwhile, Shanghai Composite index, an index of Shanghai Stock Exchange, rose slightly by 1.7 percent and reached 3428.94 points. The major market indices in Europe, Middle East and African Region also rose during the review period. FTSE 100, an index of London Stock Exchange, marginally increased by 3.5 percent. The trend of major equity market indices is exhibited in chart 1.



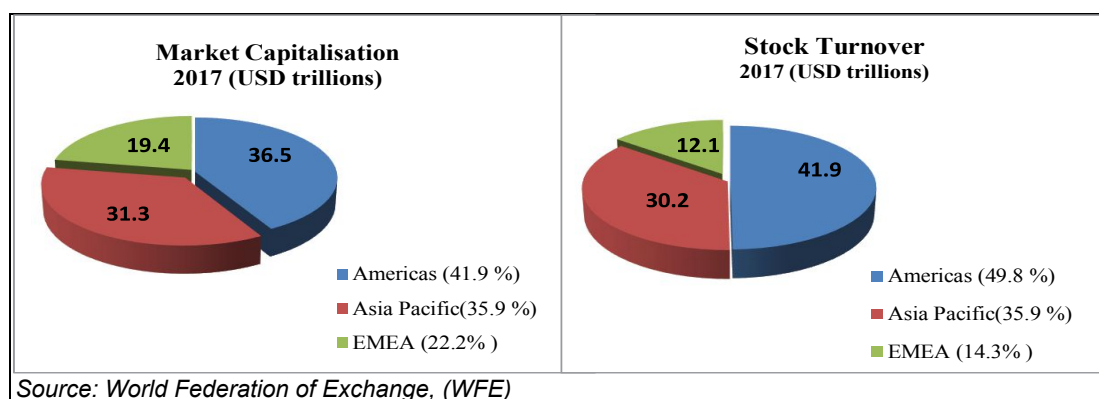
Source: Bloomberg

According to the report published by World Federation of Exchange (WFE) in Mid Jan 2018, the world market capitalisation at the end of 2017 was 22.6 percent higher than as at the end of 2016 and reached to new height of USD 87.1 trillion. American region which accounts 41.9 percent of world market capitalisation, increased by 17.8 percent as compared to market capitalisation of 2016 and reached to USD 36.5 trillion at the end of 2017. Similarly, market capitalisation in Asia Pacific Region and Europe, Middle East and African region (EMEA) also increased by 27.6 percent and 24.3 percent. This increase in domestic market capitalisation was against a backdrop of a synchronised global recovery in GDP growth rates, the continuation of accommodative monetary policy in many regions, low levels of inflation, low market volatility, recovering commodity prices and strong corporate profits. One of the key highlights of 2017 was the sustained period of record low volatility and increases in equity market valuations across many markets, despite ongoing political tensions in the domestic and international geopolitical space.

Value and volume of shares trading, both in global market were down by 2.6 percent and 5.1 percent respectively in 2017 as compared to that of 2016. The highest fall occurred in American region that accounts almost 50 percent in terms of worldwide value of shares trading. During the review period, number of listed companies in global securities market increased by 1.5 percent despite measure fall of 0.7 percent in American region. Asia Pacific Region showed highest growth (2.8 percent) in terms of number of listed companies.

Investment flows through IPOs increased by 50.6 percent in 2017 as compared to that of 2016. The highest investment flows occurred in Asia Pacific Region that accounted 50.5 percent. The major reason behind uptick listing in this region is high volume of IPOs approved in China, a surge in the number of tech companies in listing in Hong Kong Stock Exchanges and Clearing, and a wave of insurance companies going public in Indian securities market. The structure of global securities market in terms of market capitalisation and stock turnover is depicted in chart 2.

**Chart 2 Structure of Global Securities Markets**



## 2. SAARC Securities Market

Most of the equity market indices of SAARC member countries were positive in Mid Jan 2018 as compared to Mid Oct 2017 except Sri Lankan securities market. DSE Broad Index of Dhaka Stock Exchange, reached to 6179.32 points in Mid Jan 2018, increase of 2.5 percent against 6031.74 points in Mid Oct 2017. Similarly, S&P BSE SENSEX of India showed positive growth of 6.1 percent and reached to 34592.39 points in Mid-Jan 2018. It was 32609.16 points in Mid-Oct 2017. In the meantime, KSE 100, index of top 100 companies listed in Karachi Stock Exchange of Pakistan, also increased by 5.4 percent and reached to 42933.72 points in Mid-Jan 2018 which was 40724.96 points in Mid-Oct 2017. In the contrary, CSEALL: IND, Sri Lanka Stock Market Colombo All-Share Index of Colombo Stock Exchange of Sri Lanka, decreased by 1.5 percent and reached to 6473.62 points in Mid-Jan 2018. It was 6572.05 points in Mid-Oct 2017.

SN	Country	Index	Mid Oct 017	Mid Jan 018
1	India	S&P BSE SENSEX	32,609.16	34,592.39
2	Sri Lanka	CSEALL:IND	6,572.05	6,473.62
3	Pakistan	KSE 100	40,724.96	42,933.72
4	Bangladesh	DSE Broad Index	6,031.74	6,179.32

*Source: Bloomberg*

## 3. Nepalese Securities Market

Nepalese securities market was mixed in second quarter of Fiscal Year 2017/18 as compared to previous quarter of same fiscal year. Primary market tracked the uptrend during review period in terms of both total number of issue and total fund mobilisation. In second quarter of current fiscal year, right offerings accounted 49.8 percent out of total offerings. However, secondary market followed the downtrend in comparison to previous quarter. The reason behind such fall in secondary market during the review period might be the huge supply of securities in the market due to the declaration of right and bonus share by listed companies, unstable liquidity position in banking system. The glimpse of primary and secondary market of Q2 of Fiscal Year 2017/18 in comparison to previous quarter and that of corresponding period of previous fiscal year has been elucidated hereunder.



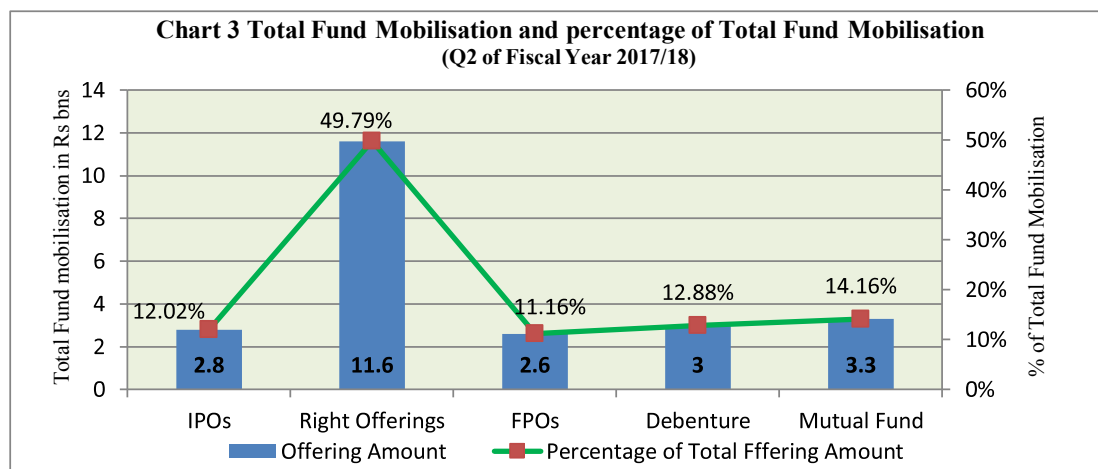
### 3.1 Primary Market

**On QoQ basis**, total fund mobilisation through primary issues of securities increased by more than two folds in Q2 of fiscal year 2017/18 as compared to previous quarter of same fiscal year. Similarly, number of corporate bodies raising capital through primary market also increased by 76.5 percent. In review period, 30 companies raised total fund of Rs 23.3 billion through primary market. Out of which, eight companies issued securities through IPO of ordinary share worth Rs 2.8 billion, 16 listed companies offered right shares worth Rs. 11.6 billion, two listed company issued FPO of Rs. 2.6 billion and three mutual fund schemes worth Rs. 3.3 billion was issued. After a long gap of almost three years, one commercial bank issued 9 percent debenture with maturity period of seven years' worth Rs. 3 billion in the review period. The bank raised 80 percent of total offerings through private placement and rest from public offerings. Before this, five commercial banks had issued debenture worth Rs 2.9 billion in Fiscal Year 2014/15.

In Q2 of Fiscal Year 2017/18, right share offerings accounts almost 49.8 percent of total offerings, followed by mutual fund issue (14.2 percent), debenture (12.9 percent), IPO of ordinary share (12.0 percent) and FPO (11.1 percent). The summary of primary market indicators of previous three quarters is exhibited in Table 2 and in chart 3.

SN	Offerings	FY 2016/17		FY 2017/18				Percentage Change			
		Q4		Q1		Q2		In Number		In Amount	
		No.	Amount	No.	Amount	No.	Amount	Q1/Q4	Q2/Q1	Q1/Q4	Q2/Q1
1	IPOs	5	0.4	1	0.02	8	2.8	-80.0	700.0	-95.0	13900.0
2	Right Offerings	28	15.3	14	6.0	16	11.6	-50.0	14.3	-60.8	93.3
3	FPOs	1	0.2	1	0.1	2	2.6	0.0	100.0	-50.0	2500.0
4	Debenture	-	-	-	-	1	3.0	-	-	-	-
5	Mutual Fund	1	1.3	1	1.5	3	3.3	0.0	200.0	15.4	120.0
<b>Total</b>		<b>35</b>	<b>17.2</b>	<b>17</b>	<b>7.6</b>	<b>30</b>	<b>23.3</b>	<b>-51.4</b>	<b>76.5</b>	<b>-55.7</b>	<b>205.8</b>

*Source: Securities Board of Nepal*



The number of corporate bodies that raised capital through primary market increased by 66.7 percent in Q2 of FY 2017/18 in comparison to Q2 of previous fiscal year. In Q2 of FY 2017/18, 30 corporate bodies raised Rs. 23.3 billion capital, an increment of almost two folds, which was Rs. 7.9 billion by 18 corporate bodies in Q2 of previous fiscal year. During Q2 of this fiscal year all indicators of primary market except FPO increased significantly in comparison to Q2 of previous year. The summary of primary market indicators of Q2 of three fiscal years is presented in Table 3.

**Table 3**  
**Primary Market Indicators**  
(Q2 of Three Fiscal Year) (Amount in Rs. Billion)

SN	Offerings	FY 2015/16		FY 2016/17		FY 2017/18		Percentage Change			
		No.	Amount	No.	Amount	No.	Amount	In Number		In Amount	
								2016/17	2017/18	2016/17	2017/18
1	IPOs	2	0.2	6	0.4	8	2.8	200.0	33.3	100.0	600.0
2	Right Offerings	9	1.6	9	2.2	16	11.6	350.0	77.8	37.5	427.3
3	FPOs	2	0.4	2	4.5	2	2.6	-	0.0	1025.0	-42.2
4	Debenture	-	-	-	-	1	3.0	-	-	-	-
5	Mutual Fund	-	-	1	0.8	3	3.3	-	200.0	-	312.5
<b>Total</b>		<b>13</b>	<b>2.2</b>	<b>18</b>	<b>7.9</b>	<b>30</b>	<b>23.3</b>	<b>38.5</b>	<b>66.7</b>	<b>259.1</b>	<b>194.9</b>

Source: Securities Board of Nepal

**On YoY basis (first six month)**, primary market followed the same uptrend as of corresponding period of previous fiscal year. During the period, number of issue and offerings amount increased by 9.3 percent and 45 percent respectively. Right offerings accounted 56.6 percent of total public offerings amount, followed by mutual fund (15.5 percent), debenture 9.7 percent, IPOs of ordinary shares (9.4 percent) and FPOs (8.7 percent) in review period. The summary of primary market indicators of H1 of three fiscal years is presented in Table 4.

SN	Offerings	FY 2015/16		FY 2016/17		FY 2017/18		Percentage Change			
		No.	Amount	No.	Amount	No.	Amount	In Number		In Amount	
								2016/17	2017/18	2016/17	2017/18
1	IPOs	4	2.2	8	0.9	9	2.9	100.0	12.5	-60.6	236.5
2	Right Offerings	18	3.3	30	13.0	30	17.5	1400.0	0.0	292.4	35.4
3	FPOs	2	0.4	2	4.5	3	2.7	-	50.0	1078.9	-40.4
4	Debenture	-	-	-	-	1	3.0	-	-	-	-
5	Mutual Fund	-	-	3	3.0	4	4.8	-	33.3	-	60.0
<b>Total</b>		<b>24</b>	<b>5.8</b>	<b>43</b>	<b>21.3</b>	<b>47</b>	<b>30.9</b>	<b>79.2</b>	<b>9.3</b>	<b>264.4</b>	<b>45.0</b>

*Source: Securities Board of Nepal*

### 3.1.1 Initial Public Offerings

SEBON approved IPO of eight corporate bodies worth Rs. 2.8 billion in second quarter of Fiscal Year 2017/18, a massive increase of 7 times and 139 times in terms of number of issues and offering amount as compared to first quarter of same fiscal year. In previous quarter, one corporate body got approval worth Rs. 0.02 billion (see table 1.1). In Q2 of Fiscal Year 2017/18, five hydropower company, out of eight, raised Rs 2.76 billion (97.3 percent of total offerings amount), followed by three micro-finance companies that raised Rs. 0.08 billion (2.7 percent of total offerings amount). It shows that hydropower companies are attracted towards securities market to raise fund. The detail of IPO during Q2 of FY 2017/18 is presented in Table-5.



SN	Name of Company	Sector	No. of Shares Registered	Number of Shares Issued	Issue Price (Rs.)	Public Issue Amount (Rs.)	% of Issued Capital
1	Radhi Bidyut Company Ltd.	Hydropower	615,000	764,550	100	76,455,000	15
2	Panchakanya Mai Hydropower Ltd.	Hydropower	9,900,000	1,100,000	100	110,000,000	10
3	Sanjen Jalavidhyut Co. Ltd.	Hydropower	27,375,000	8,760,000	100	876,000,000	24
4	Unnati Microfinance Bittiya Sanstha Ltd.	Microfinance	550,000	165,000	100	16,500,000	30
5	Samudayik Laghubitta Bittiya Sanstha Ltd.	Microfinance	1,000,000	300,000	100	30,000,000	30
6	Rasuwagadhi Hydropower Co. Ltd.	Hydropower	51,315,750	16,421,040	100	1,642,104,000	24
7	Aarambha Microfinance Bittiya Sanstha Ltd.	Microfinance	600,000	294,000	100	29,400,000	49
8	Kalika Power Company Ltd.	Hydropower	4,800,000	600,000	100	60,000,000	10
<b>Total</b>			<b>96,155,750</b>	<b>28,404,590</b>		<b>2,840,459,000</b>	

### 3.1.2 Right Offerings

SEBON approved right offerings worth Rs 11.5 billion of 16 listed companies in Q2 of FY 2017/18. **On QoQ basis**, it is an increment of 93.3 percent as compared to previous quarter. In previous quarter, 14 listed companies got approval for right offering worth Rs. 6.0 billion (see table 2). During the review period, commercial bank accounted 44.2 percent of total right offering amount, followed by development bank 40.2 percent, and the rest by insurance, finance and micro-finance companies.

**On YoY basis**, amount of right offering increased by 35.4 percent as compared to same period of previous fiscal year. During the review period, 30 companies raised fund of Rs 17.5 billion through right offerings as against Rs 13 billion at the same period of Fiscal Year 2016/17(see table 3). The detail of right offerings during Q2 of Fiscal Year 2017/18 is presented in Table 6.

<b>Table 6</b>					
<b>Right Issue Approval</b>					
<b>(Q2 of FY 2017/18)</b>					
<b>SN</b>	<b>Name of Company</b>	<b>Sector</b>	<b>Ratio</b>	<b>No. of share</b>	<b>Amount of Issue</b>
1	Civil Bank Ltd.	Commercial Bank	10:4	20,740,886.75	2,074,088,675
2	Central Finance Ltd.	Finance	2:1	2,603,314.08	260,331,407
3	Prudential Insurance Co. Ltd.	Insurance	1:0.30	1,283,040.00	128,304,000
4	Shangrila Development Bank Ltd.	Development Bank	10:8	10,867,798.50	1,086,779,850
5	Green Development Bank Ltd.	Development Bank	1:4	4,000,000.00	400,000,000
6	Gandaki Bikas Bank Ltd.	Development Bank	4:1	23,049,077.50	2,304,907,750
7	Shree Investment and Finance Co. Ltd.	Finance	10:8.3	2,867,225.62	286,722,562
8	Karnali Development Bank Ltd.	Development Bank	1:2.25	3,397,500.00	339,750,000
9	Siddhartha Bank Ltd.	Commercial Bank	10:1	6,826,117.19	682,611,719
10	Pokhara Finance Ltd.	Finance	1:0.15	983,682.74	98,368,274
11	Prabhu Bank Ltd.	Commercial Bank	10:4	23,525,608.00	2,352,560,800
12	Lumbini Bikas Bank Ltd.	Development Bank	10:1	2,008,878.27	200,887,827
13	Asian Life Insurance Co. Ltd.	Insurance	2:1	4,027,966.20	402,796,620
14	First Microfinance Laghu Bitta Bittiya Sanstha Ltd.	Microfinance	2:1	2,281,313.00	228,131,300
15	Kamana Sewa Bikas Bank Ltd.	Development Bank	10:1.5	3,094,154.77	309,415,477
16	Neco Insurance Ltd.	Insurance	2:1	3,920,928.11	392,092,811
<b>Total</b>				<b>115,477,490.73</b>	<b>11,547,749,072</b>
<i>Source: Securities Board of Nepal</i>					

### 3.1.3 Further Public Offerings

In Q2 of Fiscal Year 2017/18, two listed companies got approval for further public offerings (FPOs) worth Rs. 2.6 billion. It represents the increase of 25 folds in comparison to Rs. 0.1 billion FPO of previous quarter. Comparing this quarter's FPOs approval status with previous year's Q2, the amount of FPOs is a decrement of 42.2 percent. FPO worth Rs. 4.5 billion was issued in Q2 of previous fiscal year.

**On YoY basis**, three companies got approval for FPOs worth Rs. 2.7 billion which is a decrement of 40.4 percent as compared to corresponding period of previous fiscal year. The detail of FPO during Q2 of Fiscal Year 2017/18 is presented in Table 7.

SN	Name of Company	Sector	No. of Share Registered	Issue price (Rs.)	Amount of Share Registered (Rs.)	Public Issue Amount (Rs.)
1	Premier Insurance Co. (Nepal) Ltd.	Insurance	659,565	799	526,992,435	526,992,435
2	Butwal Power Company Ltd.	Hydropower	4,081,000	501	2,044,581,000	2,044,581,000
<b>Total</b>			<b>4,740,565</b>		<b>2,571,573,435</b>	<b>2,571,573,435</b>

*Source: Securities Board of Nepal*

### 3.1.4 Mutual Fund Scheme Approval

During the review period, three mutual fund schemes worth Rs. 3.3 billion were approved. In previous quarter, one mutual fund scheme worth Rs. 1.5 billion was approved by SEBON. In Q2 of previous fiscal year, one mutual fund scheme worth Rs. 0.8 billion was approved. On YoY basis, four mutual fund schemes worth Rs. 4.8 billion were approved in the review period which was 60 percent more than mutual fund schemes worth Rs. 3.0 billion on corresponding period of previous quarter. The detail of mutual fund schemes approved by SEBON in the review period is presented in Table 8.

SN	Name of Scheme	Type	No. of Unit	Amount of Issue (Rs.)	Fund Manager
1	Sanima Equity Fund	Close-ended	130,000,000	1,300,000,000	Sanima Capital Ltd.
2	NIC Asia Growth Fund	Close-ended	100,000,000	1,000,000,000	NIC Asia Capital Ltd.
3	Citizen Mutual Fund-1	Close-ended	100,000,000	1,000,000,000	CBIL Capital Ltd.
<b>Total</b>			<b>330,000,000</b>	<b>3,300,000,000</b>	

*Source: Securities Board of Nepal*

### 3.1.5 Bonus Share Registration

A total of 21 listed companies registered bonus shares amounting to Rs. 6.6 billion in Q2 of fiscal year 2017/18 at SEBON. Out of the 21 listed companies, four commercial banks, four development banks, two finance companies, two hydropower companies, six insurance companies, two micro-finance companies and one from other sector has registered bonus share. The detail of bonus share registered during Q2 of Fiscal Year 2017/18 is depicted in Table 9.



<b>Table 9</b>					
<b>Bonus Share Registration</b>					
<b>(Q2 of Fiscal Year 2017/18)</b>					
<b>SN</b>	<b>Name of Company</b>	<b>Sector</b>	<b>Bonus Share (%)</b>	<b>Total No. of Share</b>	<b>Amount of Issue (Rs.)</b>
1	Mission Development Bank Ltd.	Development Bank	11	428,835	42,883,500
2	Nepal Insurance Company Ltd.	Insurance	5	143,804	14,380,410
3	Prime Life Insurance Company Ltd.	Insurance	25	1,220,400	122,040,000
4	Western Development Bank Ltd.	Development Bank	10	313,920	31,392,000
5	Arun Valley Hydropower Ltd.	Hydropower	10	848,193	84,819,300
6	First Microfinance Ltd.	Microfinance	15	595,125	59,512,500
7	Laxmi Bank Ltd.	Commercial Bank	18.29	11,563,652	1,156,365,200
8	Rastriya Beema Sansthan Company Ltd.	Insurance	114.27	1,421,996	142,199,559
9	Neco Insurance Ltd.	Insurance	10	712,896	71,289,599
10	Prabhu Insurance Ltd.	Insurance	19.2	1,108,846	110,884,559
11	Citizen Investment Trust	Other	21.85	1,327,649	132,764,873
12	NIC Asia Bank Ltd.	Commercial Bank	20	13,385,195	1,338,519,500
13	Multipurpose Finance Company Ltd.	Finance	12	34,500	3,450,000
14	Multipurpose Finance Company Ltd.	Finance	15	48,300	4,830,000
15	Kabeli Bikas Bank Ltd.	Development Bank	20	140,352	14,035,200
16	Ngadi Group Power Ltd.	Hydropower	10	486,868	48,686,800
17	Mero Microfinance Bittiya Sanstha Ltd.	Microfinance	30	660,000	66,000,000
18	Surya Life Insurance Co. Ltd.	Insurance	10	656,250	65,625,000
19	Tourism Development Bank Ltd.	Development Bank	-	1,710,775	171,077,500
20	Sanima Bank Ltd.	Commercial Bank	16	11,036,215	1,103,621,500
21	Nabil Bank Ltd.	Commercial Bank	30	18,577,140	1,857,714,000
<b>Total</b>				<b>66,420,910</b>	<b>6,642,091,000</b>

*Source: Securities Board of Nepal*

### 3.2 Secondary Market

Major indicators of secondary market decreased during second quarter of this fiscal year. The increase in supply of shares with the listing of right shares and bonus shares, rise in interest rate, decrease in earnings per share of listed companies – banks and financial institutions in particular, are the major causes of decline in major indicators of secondary market.

**On QoQ Basis**, among the major indicators, NEPSE index decreased by 8.2 percent and reached to 1431.10 points at the end Q2 of FY 2017/18. It was 1559.18 points at the end of Q1 of FY 2017/18. Similarly, NEPSE Float Index decreased by 8.8 percent and reached to 102.86 points as against 112.75 points in Q1 of FY 2017/18. During the review period, turnover, market capitalisation and float market capitalisation also decreased by 27.3 percent, 7.6 percent, and 8.1 percent respectively. During the review period, supply of listed securities increased by 10.4 percent though number of listed companies reduced by 2.0 percent in comparison to Q1 of FY 2017/18 due to merger and acquisition of banks and financial institutions. Number of listed companies reached to 192 in Q2 of FY 2017/18. The summary of major indicators of secondary market as of Q2 of this FY 2017/18 in comparison to previous quarters of same fiscal year is presented in Table 10.

SN	Indicators	Unit	FY 2016/17	FY 2017/18		Percentage Change	
			Q4	Q1	Q2	Q1/Q4	Q2/Q1
1	No. of Listed Companies	Number	208	196	192	-5.8	-2.0
2	No. of Listed Securities	No. in Million	2965.9	3055.1	3372.7	3.0	10.4
3	Turnover	Rs in billion	43.2	41.9	30.5	-2.8	-27.3
4	Average Daily Turnover	Rs in billion	0.7	0.7	0.5	0.0	-28.6
5	Trading Days	Days	58	56	57	-3.4	1.8
6	No. of Scripts Traded	Number	178	210	191	18.0	-9.0
7	No. of Securities Traded	No. in Million	82.1	97.3	69.1	18.5	-29.0

Major indicators of secondary market also decreased in Q2 of FY 2017/18 in comparison to Q2 of FY 2016/17. During the second quarter of FY 2017/18, supply of listed securities increased significantly by 35.2 percent. The number of listed companies decreased by 12.3 percent during review period due to the merger and acquisition of Bank and Financial Institutions. Quarterly turnover of securities in Q2 of FY 2017/18 was Rs. 30.5 billion, a decrease of 23.7 percent, as compared to the corresponding period of Fiscal Year 2016/17. During the review period, average daily turnover also decreased by 23.7 percent to Rs. 0.5 billion from Rs. 0.7 billion. However, number of transaction increased by 14.1 percent in the review period.

NEPSE index, benchmark index of secondary market, was at 1431.10 points at the end of second quarter of FY 2017/18, a slight decrease of 3.3 percent as compared to the same period of previous fiscal year. Similarly, NEPSE float index also declined to 102.86 points. During the review period, market capitalisation increased marginally by 0.7 percent though float market capitalisation decreased by 1.3 percent. Turnover to market capitalisation ratio, an indicator of liquidity of secondary market, decreased significantly by 24.2 percent. During the review period, annualized turnover to market capitalisation ratio stood at 7.3 percent which was 9.6 percent in Q2 of FY 2016/17. The summary of secondary market indicators of Q2 of previous three fiscal years is presented in Table 11.

SN	Indicators	Unit	Fiscal Year			Percentage Change	
			2015/16	2016/17	2017/18	2016/17	2017/18
1	No. of Listed Companies	Number	230	219	192	-4.8	-12.3
2	No. of listed Securities	No. in Million	2973.4	2493.7	3372.7	-16.1	35.2
3	Turnover	Rs in billion	19.2	40.0	30.5	107.6	-23.7
4	Average Daily Turnover	Rs in billion	0.3	0.7	0.5	107.6	-23.7
5	Trading Days	Days	57	57	57	0.0	0.0
6	No. of Scripts Traded	Number	189	171	191	-9.5	11.7
7	No. of Securities Traded	Million	35.8	63.9	69.1	78.4	8.1
8	No. of Transaction	Number	163,199	262,192	299,221	60.7	14.1
9	Total Paid up value of Listed Shares	Rs in billion	252.1	242.4	329.5	-3.9	35.9
10	Market Capitalisation	Rs in billion	1282.9	1660.3	1671.6	29.4	0.7
11	Float Market Capitalisation	Rs in billion	416.1	569.2	561.5	36.8	-1.3
12	Turnover/Market Capitalisation	Percentage	6.0	9.6	7.3	60.4	-24.2
13	Turnover/Float Market Capitalisation	Percentage	18.5	28.1	21.7	51.8	-22.7
14	Market Capitalisation/ GDP	Percentage	60.2	73.9	64.3	22.7	-12.9
15	Float Market Capitalisation/ GDP	Percentage	19.5	25.3	21.6	29.7	-14.7
16	NEPSE Index	Points	1190.16	1479.86	1431.10	24.3	-3.3
17	NEPSE Sensitive Index	Points	255.83	319.96	302.20	25.1	-5.6
18	NEPSE Float Index	Points	85.04	110.09	102.86	29.5	-6.6

*Source: Nepal Stock Exchange Ltd.*



**On YoY review** of secondary market in FY 2017/18, market sketched downtrend in terms of turnover, capitalisation and market indices. At the end of first six month of FY 2017/18, NEPSE index reached to 1413.10 points, decrease of 3.3 percent as against 1479.86 points at the end of corresponding period of FY 2016/17. NEPSE float index, also, followed the same trend as NEPSE Float index decreased to 102.86 points, decrease of 6.6 percent against 110.09 points at the end of first six month of FY 2016/17. During the review period, market capitalisation was Rs. 1671.6 billion, which is an increase of 0.7 percent with comparison to corresponding period of previous fiscal year. Turnover to float market capitalisation ratio was 25.8 percent though turnover to market capitalisation was just at 8.7 percent. The detail of secondary market during the first six months of last three fiscal years is presented in Table 12.

SN	Indicators	Unit	Fiscal Year			Percentage Change	
			2015/16	2016/17	2017/18	2016/17	2017/18
1	No. of Listed Companies	Number	230	219	192	-4.8	-12.3
2	No. of Listed Securities	No. in Million	1919.5	2493.7	3372.7	29.9	35.2
3	Turnover	Rs in billion	50.0	115.0	72.4	129.9	-37.0
4	Average Daily Turnover	Rs in billion	0.4	1.0	0.6	143.6	-44.0
5	Trading Days	Days	113	113	113	0.0	0.0
6	No. of Scripts Traded	Number	253	228	228	-9.9	0.0
7	No. of Securities Traded	No. in Million	97.1	192.1	166.4	97.9	-13.4
8	No. of Transaction	Number	337,887	631,446	704,041	86.9	11.5
9	Total Paid up Value of Listed Shares	Rs in billion	185.4	242.4	329.5	30.7	35.9
10	Market Capitalisation	Rs in billion	1282.9	1660.3	1671.6	29.4	0.7
11	Float Market Capitalisation	Rs in billion	641.7	611.1	561.5	-4.8	-8.1
12	Turnover/Market Capitalisation	Percentage	7.8	13.9	8.7	43.1	-38.3
13	Turnover/Float Market Capitalisation	Percentage	15.6	37.6	25.8	31.4	37.0
14	Market Capitalisation/ GDP	Percentage	60.2	73.9	64.3	22.7	-12.9
15	Float Market Capitalisation/ GDP	Percentage	30.1	27.2	21.6	-9.7	-20.6
16	NEPSE Index	Points	1190.16	1479.86	1431.10	24.3	-3.3
17	NEPSE Sensitive Index	Points	255.83	319.96	302.20	25.1	-5.6
18	NEPSE Float Index	Points	85.04	110.09	102.86	29.5	-6.6

Source: Nepal Stock Exchange Ltd.

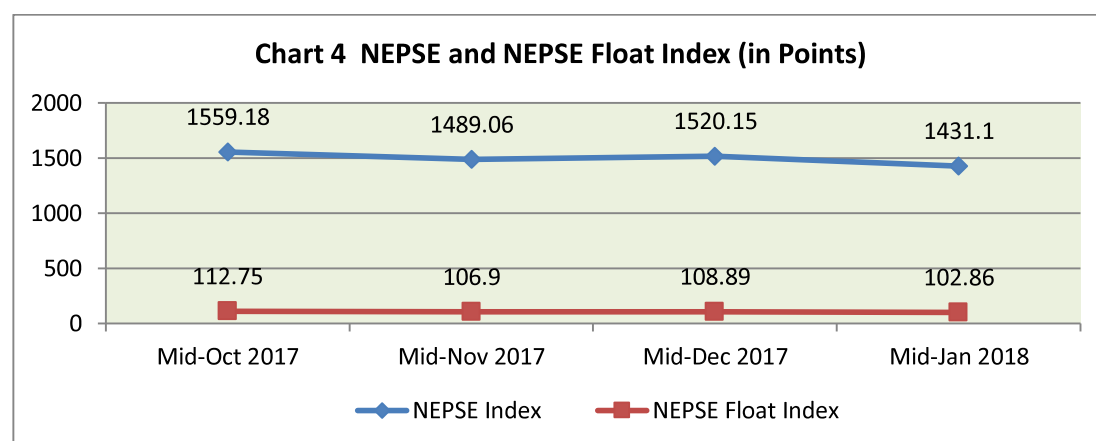
### 3.2.1 NEPSE Index

NEPSE index and other indices decreased in Mid-November of FY 2017/18. NEPSE index decreased by 8.2 percent and reached to 1489.06 points in Mid-Nov, 2017 from 1559.18 points in Mid-Oct 2017. Nevertheless, in Mid-Dec 2017, it traced an increase of 2.1 percent and reached to 1520.15 points in Mid-Jan 2018. Similarly, NEPSE float index and NEPSE Sensitive Index also followed the same trend in Mid- Dec 2018 with marginal increase of 1.9 percent and 2.4 percent respectively as compared to the index of previous month of same fiscal year. However, the upward trend was not sustained for long. In Mid- Jan 2018, all indices decreased by almost 5 percent as compared to previous month of same fiscal year.

The month end data of NEPSE index and other indices in Q2 of Fiscal Year 2017/18 is presented in Table 13 and in Chart 4.

SN	Index	Q1 of FY 2017/18	Mid-Nov 2017	Mid-Dec 2017	Mid-Jan 2018	Percentage Change		
						Mid- Dec	Mid- Jan	Q1-Q2
1	NEPSE Index	1559.18	1489.06	1520.15	1431.10	2.1	-5.9	-8.2
2	NEPSE Sensitive Index	328.34	313.12	320.65	302.20	2.4	-5.8	-8.0
3	NEPSE Float Index	112.75	106.9	108.89	102.86	1.9	-5.5	-8.8
4	NEPSE Sensitive Float Index	100.49	95.22	96.99	91.83	1.9	-5.3	-8.6

*Source: Nepal Stock Exchange Ltd.*



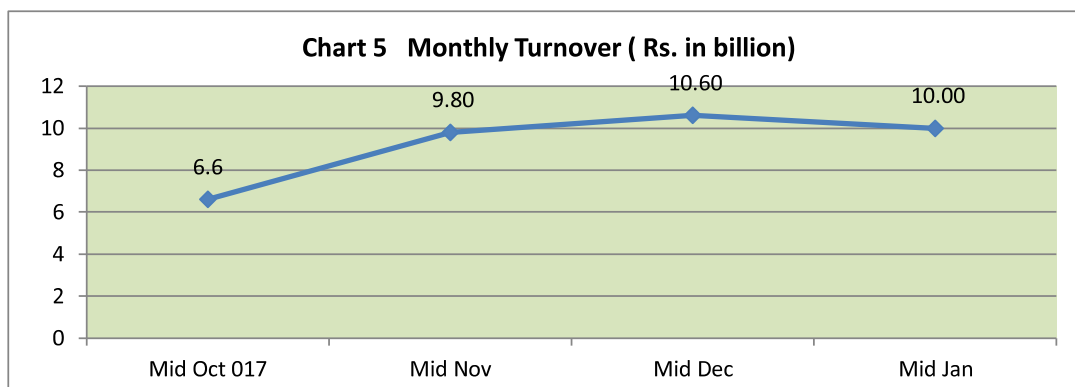
As we look over the sectorial indices of secondary market, indices of most of the sector increased except development bank, insurance and trading sector in Mid-Dec, 2017 with comparison to Mid-Nov, 2017. However, in Mid- Jan, 2018, all sectorial indices decreased as compared to Mid-Dec 2017. The highest fall (14.6 percent) was seen in others sector, followed by development banks (8.8 percent) in Mid-Jan, 2018 as compared to previous month. Hotel sector index decrease marginally by 0.9 percent. The MoM movement of sectorial indices of NEPSE in three months of Q2 of FY 2017/18 and comparison of review period with previous quarter is presented in Table 14.

SN	Indicators	Q1 of FY 2017/18	Q2 of FY 2017/18			Percentage Change	
			Mid-Nov	Mid-Dec	Mid-Jan	Mid-Dec	Mid-Jan
1	Banking	1347.51	1270.7	1295.78	1236.15	1.9	-4.6
2	Development Bank	1900.44	1749.98	1748.23	1594.03	-0.1	-8.8
3	Finance	781.48	755.68	760.4	725.98	0.6	-4.5
4	Micro-finance	-	1777.7	1845.48	1715.67	3.8	-7.0
5	Hotels	2418.38	2141.22	2146.25	2126.59	0.2	-0.9
6	Hydro Power	1859.73	1873.17	2056.83	1976.48	9.8	-3.9
7	Insurance	8496.88	8047.69	7894.84	7359.84	-1.9	-6.8
8	Manufacturing and Processing	2550.97	2470.24	2523.01	2458.29	2.1	-2.6
9	Trading	222.13	214.95	205.24	192.4	-4.5	-6.3
10	Others	782.03	841.6	920.91	786.73	9.4	-14.6

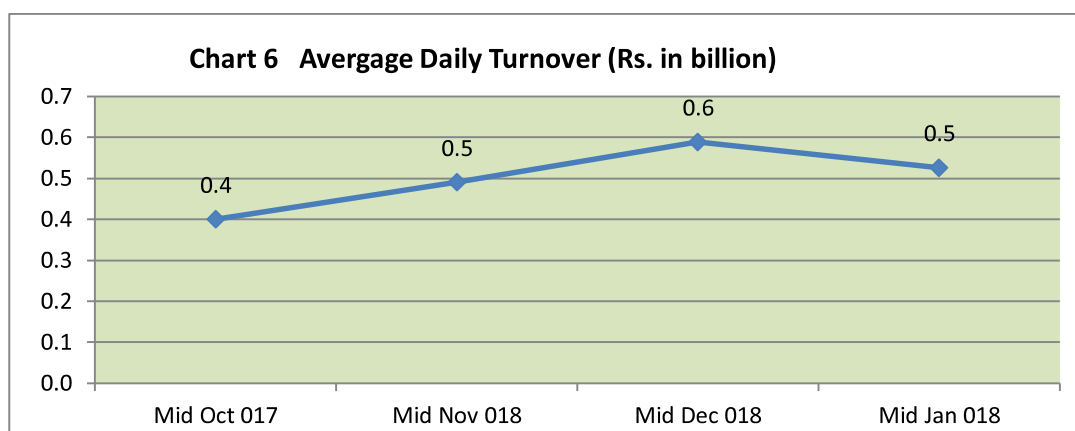
*Sources: Nepal Stock Exchange Ltd.*

### 3.2.2 Market Turnover

Market turnover is the trading volume of listed securities of secondary market. The increasing turnover indicates the high liquidity of securities. Market turnover was Rs. 30.5 billion in Q2 of FY 2017/18, a decrease of 27.3 percent in comparison to turnover of Rs. 41.9 billion on previous quarter (Q1 of FY 2017/18). Nevertheless, the monthly turnover in three months of the review quarter is in the uptrend. It was Rs. 9.8 billion in first month, Rs. 10.6 billion and Rs. 10.0 billion in second and third month of the this quarter. The monthly turnover of Q2 of FY 2017/18 is depicted in chart 5.



**On QoQ basis**, average daily turnover of Q2 of FY 2017/18 decreased by 28.6 percent and reached to Rs. 0.5 billion in comparison with Rs. 0.7 billion average daily turnover of previous quarter. Despite downfall in turnover in this quarter, **the MoM turnover** showed marginal increase during the quarter. It was Rs. 0.5 billion in first month of this quarter. The next month, it was up by 20 percent and recorded daily average turnover of Rs 0.6 billion. However, in the third month of this quarter, it again decreased by 20 percent and reached to Rs. 0.5 billion. The trend of average daily turnover during each month of first quarter of Fiscal Year 2017/18 is depicted in chart 6.

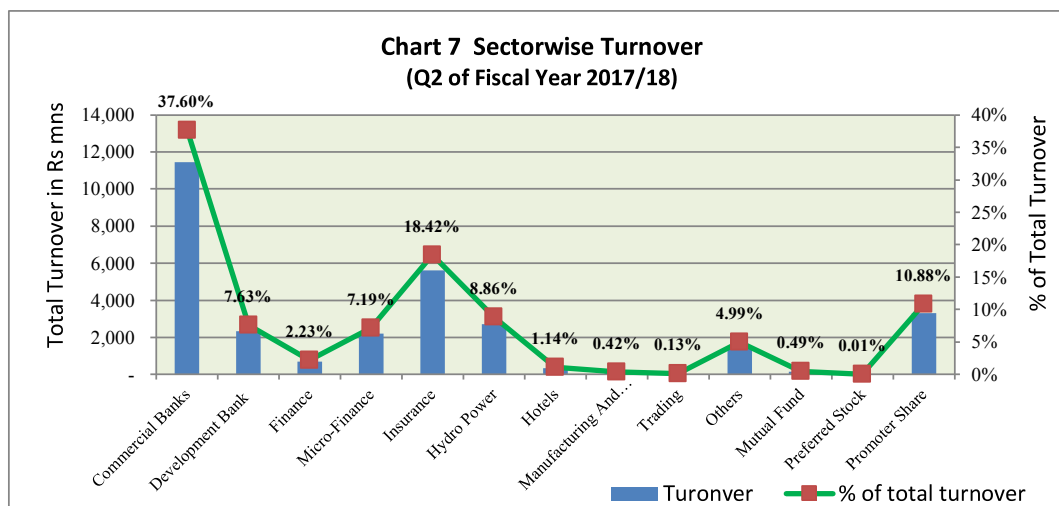


### 3.2.3 Sectorwise turnover

Turnover of secondary market consists of trading ordinary shares, preferred stocks, promoter shares of different listed companies representing from 10 sectors and mutual fund units as well. Among them, commercial bank occupied the highest 37.6 percent, followed by Insurance 18.4 percent and hydropower 8.9 percent in second quarter of Fiscal Year 2017/18. The detail of sectorwise turnover is presented in Table 15 and overview of sectorwise representation in turnover is depicted in Chart 7.

SN	Sector	Mid Nov	Mid Dec	Mid Jan	Total Amount	Proportion
1	Commercial Bank	3,590.8	3,869.2	3,998.6	11,458.6	37.6%
2	Development Bank	1,503.0	442.5	381.1	2,326.5	7.6%
3	Finance	274.6	190.7	213.2	678.6	2.2%
4	Micro-Finance	-	1,155.5	1,037.2	2,192.7	7.2%
5	Insurance	1,904.7	1,937.9	1,771.3	5,613.8	18.4%
6	Hydro Power	679.0	1,330.1	690.4	2699.5	8.9%
7	Hotels	90.7	140.5	117.3	348.5	1.1%
8	Manufacturing and Processing	27.5	28.4	72.4	128.3	0.4%
9	Trading	8.4	16.4	14.9	39.7	0.1%
10	Others	527.9	380.0	613.7	1,521.6	5.0%
11	Mutual Fund	71.6	34.5	44.3	150.5	0.5%
12	Preferred Stock	0.4	1.5	1.5	3.5	0.01%
13	Promoter Share	1,158.8	1,104.2	1,052.7	,3315.7	10.9%
Total		9,837.3	10,631.5	10,008.5	30,477.3	100%

*Source: Nepal Stock Exchange Ltd.*



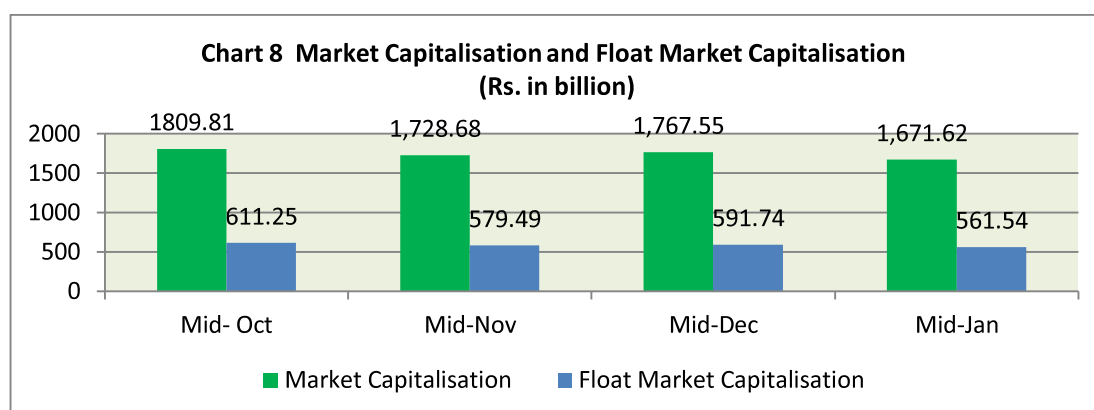
### 3.2.4 Market Capitalisation

Market capitalisation gives insight of market valuation of securities listed on stock exchange. On QoQ basis, market capitalisation decreased by 7.6 percent and reached to the level of Rs. 1671.6 billion, as against to the end of Q1 of Fiscal Year 2016/17.



Similarly, on MoM Basis, this capitalisation decreased by 5.4 percent as against to Rs. 1767.5 billion in Mid-Dec 2017. Market capitalisation to GDP was 64.3 percent in Mid-Jan which was 73.9 percent in the same period of FY 2016/17.

Float market capitalisation is the market capitalisation of tradable shares of listed companies. **On QoQ basis**, it decreased by 8.1 percent in second quarter of Fiscal Year 2017/ 18 and reached to Rs. 561.5 billion as against of Rs. 611.1 billion at the end of Fiscal Year 2017/18. **On MoM basis**, this capitalisation also decreased by 5.1 percent in Mid-Jan with comparison to that of Mid-Dec 2017. This capitalisation was Rs. 591.7 billion in Mid-Dec, 2017. The ratio of float market capitalisation to GDP remained 21.6 percent at the end of Q2 of FY 2017/18 which was 25.3 percent in corresponding period of previous FY 2016/17. The Market capitalisation and float market capitalisation of each month during Q2 of Fiscal Year is displayed in Chart 8.



#### 4. OTC Market

SEBON, exercising the power as per Section 117 of Securities Related Act, 2006, approved OTC Market Byelaws, 2008 under the rule 23 of Stock Exchange Regulations, 2008 and NEPSE implemented the same on June 4, 2008. Then after, this market was almost passive with transactions of very few companies including shares of Nepal Bank Limited at the very beginning. SEBON informed Office of the Company Registrar that the shares of unlisted and delisted securities of public limited companies can be traded on OTC market and also directed NEPSE to operate OTC market effectively. As a result, OTC market operation was regularised after a notice related to transaction of shares of unlisted, delisted and those public limited companies ineligible for listing on OTC market was published in the review period. A total of 12,919,331 shares of different companies were traded on OTC market in Fiscal Year 2015/16. Similarly, in first six months of Fiscal Year 2017/18, a total of 2,660,316 shares of 21 companies from different sectors were traded.

## 5. Mutual Funds' Net Assets Value

The Net Assets Value (NAV) of most of the mutual fund scheme decreased during Q2 of FY 2017/18 in comparison to previous quarter. The major investment of mutual fund scheme is securities market and the situation of securities market affects the NAV of mutual fund. Siddhartha Investment Growth Scheme -1(SIGS 1), a close-end mutual fund of Siddhartha Capital Ltd, got matured on Dec 24, 2017. The NAV of SIGS-1 at that date was Rs 21.08. The another mutual fund named Siddhartha Equity Fund-1, issued by Siddhartha Capital Limited, was listed in NEPSE in December, 2018. Its NAV increased by 0.3 percent in Mid-Jan 2018 as compared to Mid- Dec 2017. Similarly, Sanima Equity Fund, a close-end fund of Sanima Capital Ltd, was also listed in NEPSE in January 2018. The number of mutual fund scheme reached to 12 by Q2 of this fiscal year.

The highest fall in NAV occurred in Laxmi Equity Fund. It decreased by 7.7 percent and recorded NAV of Rs. 9.18 at the end of Mid-Jan 2018 as compared to NAV of Rs 9.95 in previous quarter. The Lowest fall is faced by NMB Hybrid Fund L-1. It's NAV decreased marginally by 0.9 percent. In Mid- Jan 2018, its NAV was Rs. 10.46 which was Rs 10.55 at the end of previous quarter. The NAV report of mutual fund schemes of each month of Q2 of FY 2017/18 is presented in Table 16.

SN	Name of Mutual Funds Scheme	End of Q1 of FY 2017/18	Q2 of FY 2017/18			% Change		
			Mid-Nov	Mid-Dec	Mid-Jan	Mid-Dec	Mid-Jan	Q1-Q2
1	Siddhartha Investment Growth Scheme -1 (SIGS 1)	21.56	21.08	NA	21.46	-100.0	-	-0.5
2	Siddhartha Equity Oriented Scheme (SEOS)	13.21	12.83	13.1	12.68	2.1	-3.2	-4.0
3	Siddhartha Equity Fund	-	-	9.98	10.01	-	0.3	-
4	Nabil Balance Fund -1	19.24	18.7	18.86	18.36	0.9	-2.7	-4.6
5	Nabil Equity Fund	9.77	9.54	9.61	9.38	0.7	-2.4	-4.0
6	NMB Sulav Investment Fund -1	14.47	14.16	14.32	14.01	1.1	-2.2	-3.2
7	NMB Hybrid Fund L-1	10.55	10.47	10.57	10.46	1.0	-1.0	-0.9
8	Global IME Samunnat Scheme -1	10.34	9.9	9.99	9.64	0.9	-3.5	-6.8
9	NIBL Samriddhi Fund -1	13.31	12.82	13.09	12.61	2.1	-3.7	-5.3
10	NIBL Pragati Fund -1	9.91	9.37	9.56	9.16	2.0	-4.2	-7.6
11	Laxmi Value Fund -1	11.81	11.53	11.65	11.44	1.0	-1.8	-3.1
12	Laxmi Equity Fund	9.95	9.62	9.72	9.18	1.0	-5.6	-7.7
13	Sanima Equity Fund	-	-	-	9.96	-	-	-

*Source: Fund Manager of respective mutual fund schemes*

## 6. Reforms in Securities Market

The reform initiatives taken by SEBON during second quarter of Fiscal Year 2017/18 for the development of Nepalese securities market are briefly stated as under.

### 6.1 Major Reforms

- i. SEBON penalized brokerage firms under AML Act for the first time:** According to the provision of Anti Money Laundering Act, 2008, SEBON, first time in the history of Board, penalised a fine of Rs.1 million each on two stock brokering companies - Agrawal Securities Pvt Ltd and Shreehari Securities Pvt. Ltd. on 5<sup>th</sup> January 2018 for carrying out transactions of counterfeit share certificates of three listed hydropower companies. SEBON also fined Rs. 50,000 each on concerned executive officers of same brokerage firm for failing to keep the complete record of their clients. Similarly, SEBON fined Rs. 50,000 on one brokerage firm for failing to keep the records of their client in details and also warned the executive officer of same brokerage firm in this regard under the provision of Securities Board of Nepal Regulation, 2008. Similarly, under the provision of Securities Related Act, 2007, SEBON penalised a fine of Rs 75,000 to one brokerage firm on 29<sup>th</sup> December 2017, for failing to follow the business code of securities businesspersons under the provision of Securities Related Act, 2007.
- ii. Margin Trading Facilities Directive, 2018:** SEBON issued "Margin Trading Facilities Directives, 2018", in order to standardise the secondary market as per international standard by providing margin trading facilities and also directed NEPSE to formulate working guidelines on it. It helps to increase the scope of securities businesspersons.
- iii. Introduction of ASBA system for right offerings:** SEBON introduced ASBA system for the right offering of listed companies. It also directed merchant banker and depository participants to broaden the right offerings practices so that investors, all over the Nepal, will be benefited by equal opportunity to participate in right offerings. Although investors can apply in right shares through manual system too.
- iv. Approval to C-ASBA Directives, 2017:** SEBON approved C-ASBA directive, 2017, of CDS & Clearing Ltd, on 5<sup>th</sup> November 2017. The Directive is formulated to make uniform all the services rendered by market participants those involved in securities issuance process. The implementation of Directives helps the primary market to be more automated and allotment time to decrease. C-ASBA system was successfully implemented in IPO of Arambha Mirco-finance Bittiya Sanstha Ltd as its issue manager allotted the shares within 2 days of issue closed date.

- v. **Provision for submission of compliance report to SEBON:** SEBON made the provision for NEPSE, CDS, Securities Businessperson and Merchant Banker to submit their semi-annual audit report approved by auditor to SEBON. This provision is expected to strengthen the compliance status of market participants.
- vi. **SEBON's direction to Securities Businessperson (Merchant Banker and Stockbrokers):** After receiving numerous grievances from the investors, SEBON notified Merchant Bankers and Stock Brokers not to make or publish any statement by their employees and executives regarding to the price fluctuation that supposed to influence the securities market. SEBON made alert all market participants that making or publishing a false or misleading statement, promise or projection with malafide intention attracts the provision of section 97 of Securities Related Act, 2007 and Securities Business Persons Business Code Guidelines, 2001.
- vii. **MMoU between SEBON and NRB:** SEBON and NRB signed on MMoU on 6<sup>th</sup> November 2017 drafted by SEBON for mutual cooperation and exchange of information that is believed to be useful for investigating frauds in securities market as this agreement allows SEBON for the access in banking records. This agreement helps to make the securities market to be more fair, transparent and credible and thereby facilitating to get ordinary membership of IOSCO.
- viii. **Issue of Commodity Exchange Market Regulations, 2017:** SEBON issued and implemented Commodity Exchange Market Regulations, 2017 on 25<sup>th</sup> November 2017 in order to develop and regulate the commodities derivatives market in Nepal. The regulation has made the provision regarding to licensing procedure for exchange, paid up capital, requirement of shareholders, types of commodities, investor protection fund, settlement guarantee fund along with cease of approval, dismissal of exchange, penalty, etc.
- ix. **Approval to new Credit Rating Agencies:** SEBON granted approval to Care Rating Nepal Ltd to operate the credit rating business in Nepal on 16<sup>th</sup> November 2017. With this now, two credit rating companies have presence in Nepalese securities market. It helps to make the credit rating business more fair, transparent and competitive.
- x. **Systematisation on Merchant Bankers' activities:** SEBON directed Merchant Bankers not to underwrite or act as issue manager of parent companies and also, those companies on which it holds major stock. SEBON also directed the Merchant Banker not to act as underwriter for

the issue that is managed by self. Such provision is expected to avoid the conflict of interest between Merchant Banker and issuing company during the issuing process.

- xi. Special provisions on public offerings:** SEBON provisioned to mention major indicators like earning per share, cost per megawatt, payback period, credit rating grade, net assets per share of last three years, etc. on front page of prospectus. Such provision helps the investor to be more informed on the performance of Issuing Company.

## 6.2 Other Initiatives

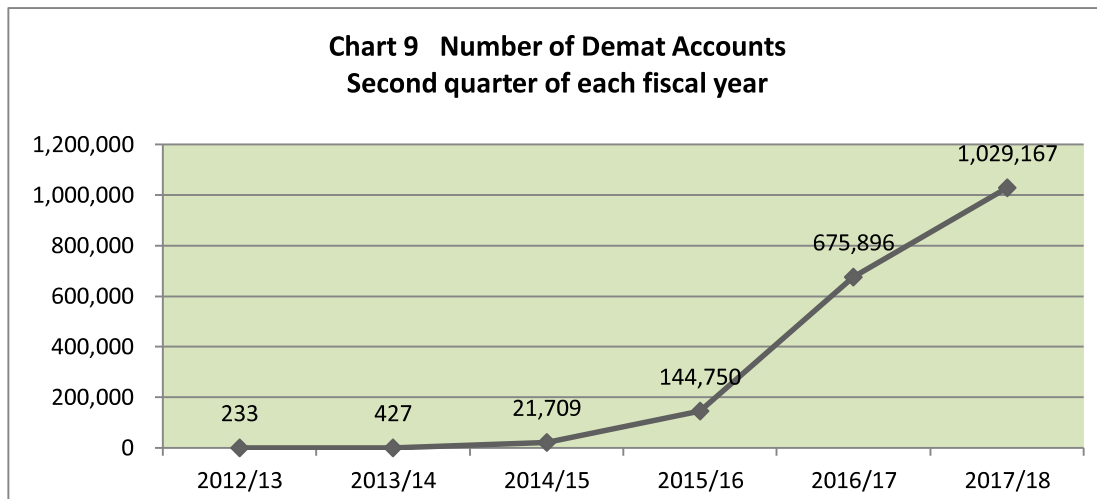
- i. Discussion with NRN authorities:** SEBON discussed with newly elected member of NRN on 19<sup>th</sup> December 2017 on the topic of NRN investment prospects in Nepalese securities market. SEBON notified the NRN member that a committee is working on it and also asked the members to submit their suggestions including expectation and required provisions regarding the investment in Nepalese securities market.
- ii. Interaction Programme:** SEBON jointly organised an interaction programme on 12<sup>th</sup> January 2018 with Nepal Stock Exchange Ltd and Kathmandu District Court Bar Association on the topic of regulation and legal provision of securities market. SEBON organised another interaction programme on 7<sup>th</sup> November 2017 to discuss with stakeholders of commodities derivative market on relevant issues of commodities derivative market. SEBON also conducted two days interaction programme with technical assistance of MCX India in order to enhance the regulatory capabilities of SEBON employees.

## 7. Demat Account Trends

Demat Account is the account on which securities like share, bond, preferred stock, mutual fund etc. are deposited in electronic or dematerialised form. After the implementation of Central Depository Service Regulations, 2010, depository participants commenced the operation of demat account opening from fiscal year 2012/13. 256 demat accounts were opened and 6,561 securities were dematerialised in that fiscal year. After the implementation of full-fledged dematerialised trading system from Mid-January 2016, the number of demat account and dematerialised securities increased significantly at meteoric speed. SEBON made it mandatory to have demat account for IPO application from Mid-July 2016 for Kathmandu valley and from Mid-January 2017 all over the country. At present, allotted shares of primary issues, right shares and bonus shares are being deposited in respective demat account of investors.



The number of demat accounts reached 1,029,167 at the end of Q2 of FY 2017/18 which is an increase of 52.3 percent in comparison to corresponding period of previous fiscal year. 675,896 demat accounts were opened during Q2 of Fiscal Year 2016/17. The detail of demat accounts in first quarter of past five fiscal years is depicted in Chart 9.



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**Securities Board of Nepal  
Policy, Research and Planning Division**

Supervision and Research Department

P.O.B. No.: 9031, Jawalakhel, Lalitpur

Phone: +977-1-5541057, 5000201

Fax No.: +977-1-5541058

Toll Free Hotline No.: 1660-01-44433

Website: <http://www.sebon.gov.np>

E-mail: [support@sebon.gov.np](mailto:support@sebon.gov.np)