



# SECURITIES BOARD OF NEPAL



## STRATEGIC PLAN

2021-2024

APRIL 19, 2021





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## Governing Board of SEBON



**Mr Bhisma Raj Dhungana**  
Chairman



**Mr Shree Krishna Nepal**  
Member Joint Secretary  
Ministry of Finance



**Ms. Nirmala Bhattarai**  
Member  
Joint Secretary, Ministry of Law,  
Justice and Parliamentary Affairs



**Dr Gunakhar Bhatta**  
Member Executive Director  
Nepal Rastra Bank



**Mr Yuddha Raj Oli**  
Member Vice-President  
Institute of Chartered  
Accountants of Nepal



**Mr Chandra Prasad Dhakal**  
Member  
Vice President, Federation of  
Nepalese Chamber of Commerce  
and Industries



**Mr Ashok Kumar Paudel**  
Expert Member



## Message from the Chairman

It gives me immense pleasure to present the Securities Board of Nepal (SEBON) “The Four Year Strategic Plan 2020/21-2023/24”. As an apex regulator of securities and commodity exchange markets of Nepal, SEBON’s mandate is to protect investors, develop fair, efficient and transparent markets for efficient mobilisation of capital and discover price of commodities required for economic development of the country. This Strategic Plan is a blueprint outlining strategic initiatives and key priorities of SEBON for the next four financial years in order to accomplish SEBON’s mandate.



SEBON has completed 28 years of its establishment and has been regulating and developing the Nepalese securities markets. In this almost three decades time, it has experienced many vicissitudes which can be instrumental in exploring new avenues for market development in the coming days. I believe the implementation of this Strategic Plan will be a milestone for planned development of securities markets and commodity derivatives markets in the country.

The Government of Nepal has envisioned economic prosperity through sustainable development. The Nepalese economy grew at an average rate of 7.3 percent in the last three years. However, COVID-19 pandemic triggered a slowdown in its growth. This said, we need to convert the threats and challenges created by this pandemic into opportunities in order to bring the economy into a growth trajectory. To achieve the vision of economic prosperity, huge investment is required in our country. This plan, through robust regulation and investor protection aims in developing the Nepalese securities and commodity derivatives markets as premier choice available for investors. Nepalese securities markets are in frontier stage at present and commodity derivatives markets are in the process of commencement. With the implementation of this plan, I believe our markets will be transformed into pre-emerging stage from the frontier stage.

SEBON is in the process of obtaining ordinary membership of International Organisation of Securities Commissions (IOSCO). Obtaining this membership requires SEBON to adhere to the principles of IOSCO. This plan aims to align SEBON’s regulatory framework and market infrastructures with IOSCO principles and international best practices through adoption of robust regulation, enhanced enforcement practices and other outcome-based reforms and development. Over the next four years, our focus will be in accomplishing the strategic objectives by relating strategic initiatives with time bound activities thereon as defined in this Plan.



We believe the seven strategic objectives, 23 strategies and a time-bound action plan comprising 139 actions in this strategic plan will be pivotal in complementing SEBON's role of contributing for economic development of the country by protecting investors, developing fair, efficient and transparent securities and commodity derivatives markets, and reducing systemic risk.

I would like to thank our Board of Directors for forming the Special Committee to formulate this strategic plan and for providing valuable suggestions in finalising it. I would also like to thank the Special Committee, without whose rigorous and timely discussions, it would not have been possible to finalise this document. I would also like to extend my profound appreciations to the Technical Committee for their commendable effort in paving the way forward by providing necessary ground works through their initial draft of this plan. Also, I offer my special acknowledgement to former Board Member (SEBON) and Past President (ICAN) Chartered Accountant Mr Prakash Jung Thapa, Expert Board Member of SEBON, Mr Ashok Paudel and former Executive Director of Nepal Rastra Bank Dr Binod Atraya for their invaluable technical expertise and insights in formulating and fine-tuning this strategic plan.

Finally, I believe all our staffs and related stakeholders of securities markets and commodity exchange markets will play an active and responsible role in effective implementation of this plan. Our objective of building a strong foundation for economic development through a developed securities markets and commodity exchange markets is not possible without active involvement and support of all stakeholders. Therefore, we hope and believe in receiving full support and cooperation as usual from all stakeholder to implement the plan.

Bhisma Raj Dhungana

Chairman



## Strategic Plan Formulation Committee



**Mr Bhisma Raj Dhungana**  
Chairman, SEBON  
Coordinator



**Mr Niraj Giri**  
Executive Director, SEBON  
Member



**Mr Prakash Jung Thapa**  
Former Board Member and CA  
Expert Member



**Dr Nabaraj Adhikari**  
Deputy Executive Director,  
SEBON  
Member Secretary



## Strategic Plan Formulation Technical Committee



**Dr Nabaraj Adhikari**  
Deputy Executive Director, SEBON  
Coordinator



**Mr Rupesh K.C.**  
Deputy Executive Director,SEBON  
Member



**Mr Narayan Prasad Sharma**  
Director, SEBON  
Member



**Mr Anuj Kumar Rimal**  
Acting Director, SEBON  
Member



**Mr Rewat Shrestha**  
Assistant Director, SEBON  
Member Secretary



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## Acronyms

ADB	Asian Development Bank
CCP	Central Counter Party
CSD	Central Securities Depository
CDSC	CDS and Clearing Ltd.
CPD	Continuing Professional Development
CRA	Credit Rating Agency
DvP	Delivery versus Payment
FDI	Foreign Direct Investment
FNCCI	Federation of Nepalese Chambers of Commerce and Industries
FinTech	Financial Technology
FSDS	Financial Sector Development Strategy
GDP	Gross Domestic Product
GoN	Government of Nepal
HLFSCC	High Level Financial Sector Coordination Committee
IB	Insurance Board
ICAN	Institute of Chartered Accountants of Nepal
ICTs	Information and Communications Technologies
INFE	International Network on Financial Education
IOSCO	International Organisation of Securities Commissions
IPO	Initial Public Offer
ISO	International Standard Organisation
KRA	KYC Registrant Agency
KPIs	Key Performance Indicators
KRAs	Key Result Areas
MMoU	Multilateral Memorandum of Understanding
M&E	Monitoring and Evaluation
NEPSE	Nepal Stock Exchange Ltd.
NFRS	Nepal Financial Reporting Standards
NGOs	Non-Government Organisations
NOTS	NEPSE Online Trading System
NRB	Nepal Rastra Bank
OCR	Office of the Companies Registrar
OoC	Office of the Chairman
OTC	Over the Counter
PE/VC	Private Equity/ Venture Capital
SDG	Sustainable Development Goal
SEBI	Securities and Exchange Board of India
SEBON	Securities Board of Nepal
SIC	Strategies Implementation Committee
FY	Fiscal Year (The Nepalese fiscal year generally begins on July 16 and ends on July 15)
2021-2024	2020/21-2023/24



# CHAPTER 01

## STRATEGIC PLAN CONTEXT

### 1.1 Overview of Nepalese Economy

Nepalese economy has performed reasonably well over the past five years. The real GDP at basic price reached to be NPR 3,252.29 billion in FY 2019/20. During FY 2015/16 - 2019/20 the real GDP growth rate at basic price was on an average 4.64 percent. Although the share of agriculture sector on overall GDP is declining, agriculture sector continues to play a significant role, contributing around 27.6 percent to the GDP in FY 2019/20. The importance of non-agriculture sector is also growing and its contribution stood at 72.4 percent of GDP in FY 2019/20. The share of exports on GDP stood on an average 2.72 percent and imports on GDP stood on average 36.74 percent over the period of FY 2015/16-2019/20. Remittance was increasing annually over the period of FY 2015/16-2019/20 which reached to be NPR 879.3 billion in FY 2019/20. Inflation was in single digits over FY 2015/16 -2019/20, registering on an average growth of 5.94 percent.

The private sector involvement in the economic activities is increasing with the stability in the Government and initiation of private sector friendly policy and programmes. The total fixed capital formation is increasing over the FY 2015/16 -2019/20 with an average of NPR 952.97 billion and out of the average total capital formation during the period, private sector contribution in an average was NPR 740.52 billion (77.71 percent). The current account deficit over the FY 2015/16 -2019/20 was stood on an average of NPR 114.46 billion which seems manageable given its international norms. Over the FY 2015/16 -2019/20, the average balance of payments (BOP) stood at a surplus of NPR 42.94 billion. Similarly, foreign exchange reserves remained with an average NPR 1061.80 billion over the FY 2015/16 -2019/20. Fiscal balances remained sustainable owing to strong revenue growth and modest spending of the Government.



The average real GDP growth was 6.9 percent (between FY 2016/17 and 2018/19); and grew by 6.7 percent in FY 2018/19 supported by an uptick in tourist arrivals, strong agricultural growth from good monsoons and robust industrial growth due to increased electricity generation. The COVID-19 pandemic started at late 2019 increasing the vulnerabilities in all fronts. The pandemic has delivered a global economic shock of enormous magnitude, leading to recessions in many countries. World Bank has forecasted a 4.4 percent contraction in global GDP in 2020 – the deepest global recession in eight decades, despite unprecedented policy support and rescue packages. The pandemic is expected to derail the strong growth trajectory established over the past three years in Nepal. The increased risk in business and investment environment caused by the pandemic, leading to slump in overall economic activity, with an estimated GDP growth rate of 2.27 percent in FY 2019/20. The macro economic scenario of Nepal is presented in Annex 1.

## 1.2 Outlook of Nepalese Financial System

Nepalese financial system comprises banks and financial institutions (BFIs), securities markets, insurance companies, non-banking financial institutions, saving and credit cooperatives, and non- Government organisations (NGOs) providing limited banking services. BFIs, securities markets and commodity exchange markets, insurance companies, and saving and credit cooperatives are regulated by Nepal Rastra Bank, SEBON, Insurance Board, and Department of Cooperatives respectively. Similarly, Ministry of Finance oversees the non-banking financial institutions, postal saving bank, and NGOs providing micro-finance services. The outlook of Nepalese financial system is presented in Figure 1.1:

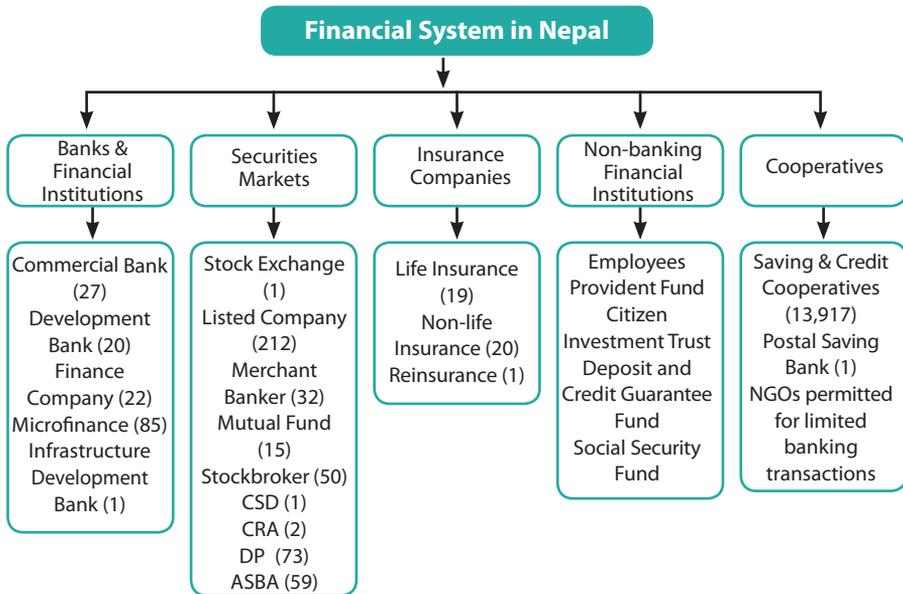


Figure 1.1: Financial System in Nepal

As per the Financial Stability Report published by Nepal Rastra Bank (the Central Bank) in mid-July 2019, out of total assets of financial system, 76.98 percent has been covered by BFIs (62.26 percent by commercial banks, 8.21 percent by development banks, 1.90 percent by finance companies, and 4.61 percent by micro-finance institutions licensed by Nepal Rastra Bank), 14.68 percent has been covered by non-bank financial institutions (the insurance companies has covered 5.82 percent and reinsurance company has covered 0.20 percent, Employees Provident Fund has covered 5.85 percent, Citizen Investment Trust has covered 2.51 percent, and Mutual Funds has covered 0.30 percent) and the remaining 8.30 percent has been covered by cooperatives. The ratio of total assets of the financial system to GDP has been continuously increasing over the past years, and it reached to 170.93 percent in FY 2018/19. Sixty one percent of the total population has accounts at banks and financial institutions (BFIs) in FY 2018/19. In case of securities markets, primary market is accessible to all 77 districts of the country



and the access of secondary market has been increasing with the implementation of online trading system and subsequent improvement in trading and clearing and settlement system. A total of 1.57 million dematerialised account has been opened in FY 2018/19. In the insurance sector, 22 percent of the total population have insurance policy in FY 2018/19.

### 1.3 Securities Board of Nepal

Government of Nepal established Securities Board of Nepal (SEBON) on June 7, 1993 as an apex regulator of Securities Markets. It has been regulating the markets under the Securities Related Act, 2006 whereby SEBON's mandate is to regulate and manage the activities of the securities markets and persons involved in securities business by regularising the issue, purchase, sale and exchange of securities in order to develop capital markets and to protect the interests of investors. SEBON is also mandated to regulate commodity exchange markets after the enactment of Commodity Exchange Market Act, 2017 in 2017. SEBON, with the approval of Government of Nepal, issued Specialised Investment Fund Regulations, 2019 to regulate and manage private equity fund, venture capital and hedge funds.

The Governing Board of SEBON comprises seven members including Executive Chairman appointed by the Government for the tenure of four years. Other members of the Board include the joint secretaries of Ministry of Finance (MoF) and Ministry of Law, Justice and Parliamentary Affairs (MoLJPA), representative from Nepal Rastra Bank (NRB), representative from Institute of Chartered Accountants of Nepal (ICAN), representative from Federation of Nepalese Chambers of Commerce and Industries (FNCCI), and one expert member appointed by the Government. The major functions of SEBON as per the Securities Related Act, 2006 are as follows:

- Offer advice to the Government of Nepal on matters incidental to the development of capital markets.
- Register the corporate securities to make a public issue, and regulate and systematise the issue, transfer, sale and exchange of registered securities.
- Grant permission to any corporate body desirous of operating a stock exchange, and regulate and monitor the activities of the stock exchange.



- Issue license to companies or institutions desirous of carrying on the securities business, and regulate and monitor the activities of securities businesspersons.
- Grant permission to operate collective investment schemes and investment funds and regulate and monitor the same.
- Systematise the clearance of accounts related to securities transactions.
- Maintain coordination and exchange cooperation with the concerned agencies in order to supervise and regulate matters concerning securities or company affairs.

Organogram of SEBON includes two departments, six divisions, eight sections and twenty-five sub- sections. The Departments are headed by Executive Directors, divisions are headed by Deputy Executive Directors, Sections are headed by Directors and Sub-sections are headed by Assistant Directors. Currently, there are 67 employees at SEBON. The organisation structure and principal officers of SEBON are presented in Annex-4 and 5 respectively.

## 1.4 Securities Markets and Commodity Exchange Markets

Securities markets play an important role in promoting economic activity through providing a mechanism for efficient mobilisation of scattered savings, liquidity management and risk diversification. Government of Nepal has prioritised the securities markets and has recognised as an important medium for capital mobilisation for achieving the sustainable development goal. While the legal framework for regulation of commodity exchange markets is in place, the operational infrastructure is in the process of development.

### Primary Market

The sources of capital mobilisation in the primary market are initial public offerings (IPOs), rights issue, further public offerings (FPOs), debenture and mutual funds (MFs). The trend of capital mobilisation through primary market for last five years has been encouraging as given in Table 1 below.

During the last five years, the highest capital mobilisation was in FY 2016/17 both in term of total amount and number of issues being a total of NPR 59.39 billion and 101 issues respectively. The remarkable increase in the right share issue by

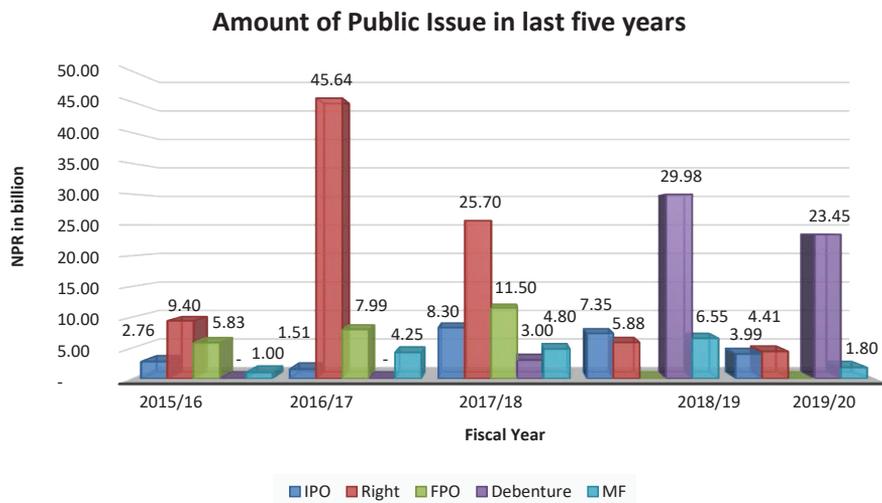


banks and financial institutions for last few years was to meet the minimum paid up capital requirement. Primary market data for the last five years is presented in Table 1 and Chart 1.1

**Table 1: Primary Market (Amount NPR in billion)**

Public Issue	Fiscal Years									
	2015/16		2016/17		2017/18		2018/19		2019/20	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
IPO	14	2.76	17	1.51	21	8.30	28	7.35	9	3.99
Right share	37	9.40	76	45.64	55	25.70	19	5.88	11	4.41
FPO	3	5.83	4	7.99	6	11.50	-	-	-	-
Debenture	-	-	-	-	1	3.00	12	29.98	12	23.45
Mutual Fund	1	1.00	4	4.25	4	4.80	6	6.55	2	1.80
<b>Total</b>	<b>55</b>	<b>19.00</b>	<b>101</b>	<b>59.39</b>	<b>87</b>	<b>53.30</b>	<b>65</b>	<b>49.76</b>	<b>34</b>	<b>33.66</b>

Fund mobilised from the primary market in the last five years is presented in Chart 1.1



### Secondary Market

Secondary markets has remained satisfactory in the FY 2019/20 with the positive trends in most of the market indicators like number of listed securities, paid up capital of listed securities, annual transaction of securities, number of total traded



securities and transactions, market capitalisation, NEPSE Index, and turnover ratios, etc. The number of listed companies has decreased slightly due to the merger and acquisitions particularly of the BFI.

The overall performance of secondary market is encouraging in terms of turnover, market capitalisation and paid-up value, although NEPSE index has witnessed few ups and downs in last five years. NEPSE started trading at the secondary market from 100 points in January 1994 and the Index reached to 1,881.45 points on July 27, 2016. Secondary market data for the last five years is presented in Table 2 and Chart 1.2-1.13.

S.N	Indicators	2015/16	2016/17	2017/18	2018/19	2019/20
1	Number of Listed Companies	229	208	196	215	212
2	Number of Listed Securities (In billion)	2.10	2.97	3.60	4.21	4.82
3	Paid up Capital of Listed Securities (NPR in billion)	204.02	289.6	352.10	412.28	473.39
4	Annual Turnover (NPR in billion)	164.65	205.02	121.39	110.07	150.03
5	Total Traded Securities (NPR in ten million)	30.36	39.29	29.38	38.75	42.85
6	Number of Transactions (Number in million)	0.84	1.36	1.31	1.42	1.85
7	Market Capitalisation of Listed Securities (NPR in billion)	1,890.13	1,856.82	1,435.14	1,567.50	1,792.80
8	Float Market Capitalisation of Listed Securities (NPR in billion)	632.66	641.69	483.90	585.25	638.09
9	Market Capitalisation to GDP (Percent)	84.10	71.44	47.70	45.25	40.9
10	NEPSE Index (Points)	1,718.15	1,582.67	1,212.36	1,259.02	1,362.70
11	NEPSE Float Index (Points)	125.41	116.14	87.15	92.43	95.37
12	Turnover to Market Capitalisation (Percent)	8.71	11.04	8.46	7.02	8.37

*Source: Nepal Stock Exchange Ltd.*

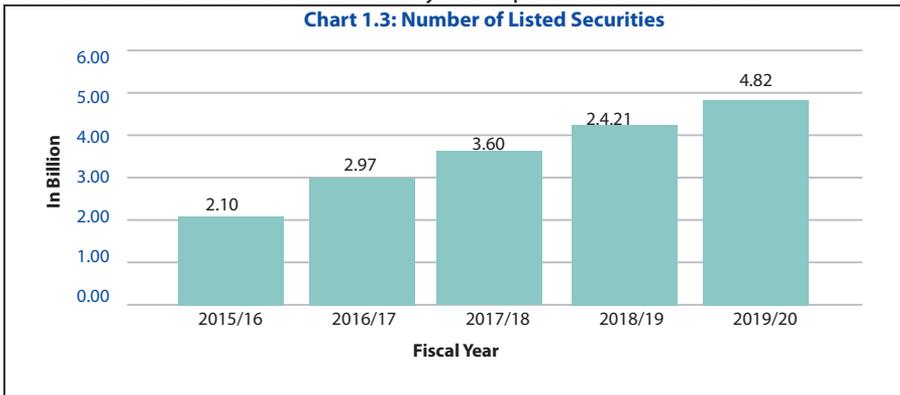
The scenario of Nepalese securities markets is presented in Annex-2.



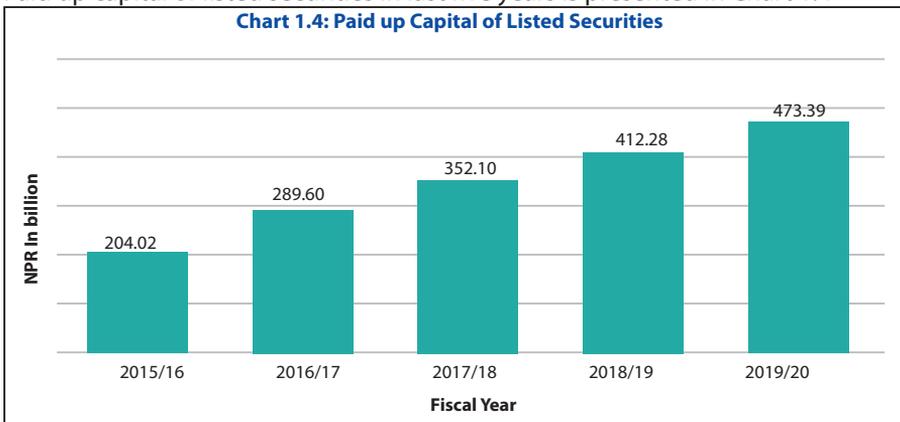
Numbers of listed companies in last five years is presented in Chart 1.2



Number of listed securities in last five years is presented in Chart 1.3

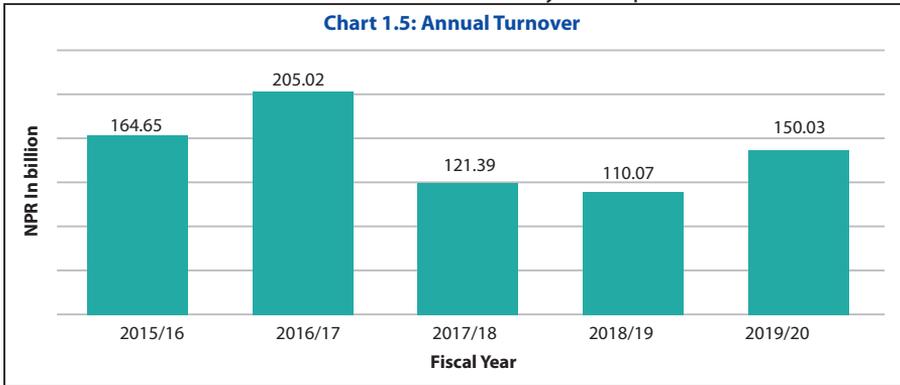


Paid up capital of listed securities in last five years is presented in Chart 1.4

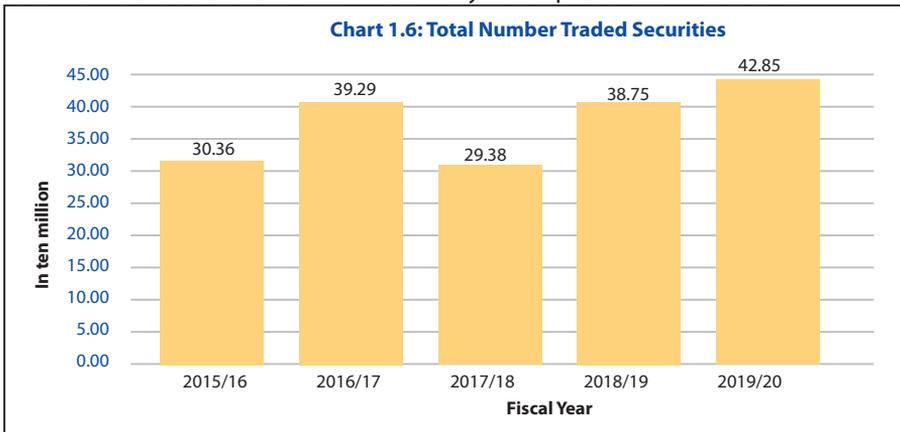




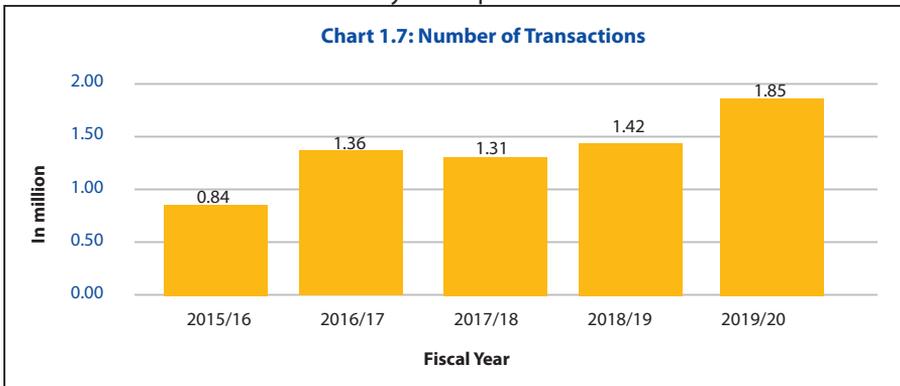
Annual transaction of listed securities in last five years is presented in Chart 1.5



Total number traded securities in last five years is presented in Chart 1.6

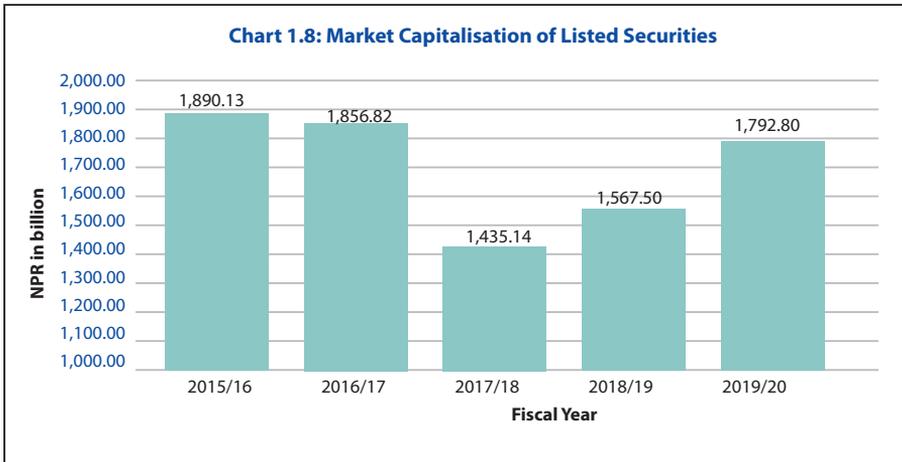


Number of transactions in last five years is presented in Chart 1.7

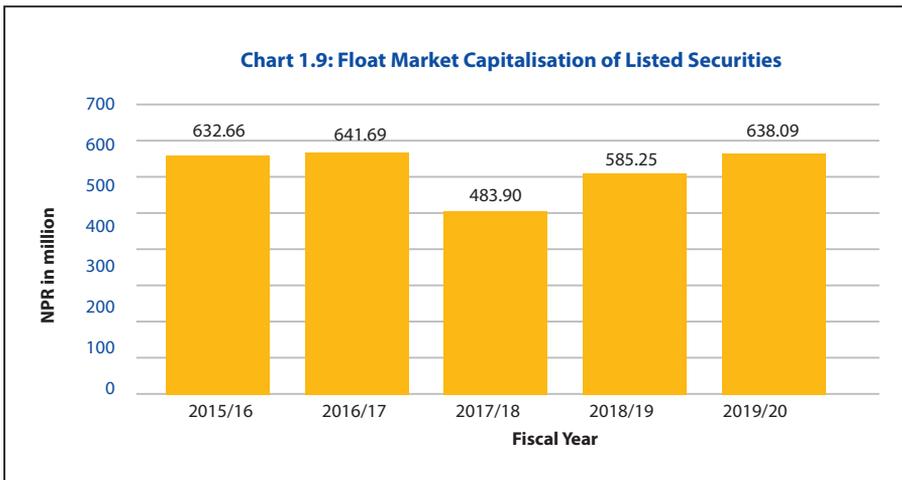




Market capitalisation of listed securities in last five years is presented in Chart 1.8



Float market capitalisation of listed securities in last five years is presented in Chart 1.9

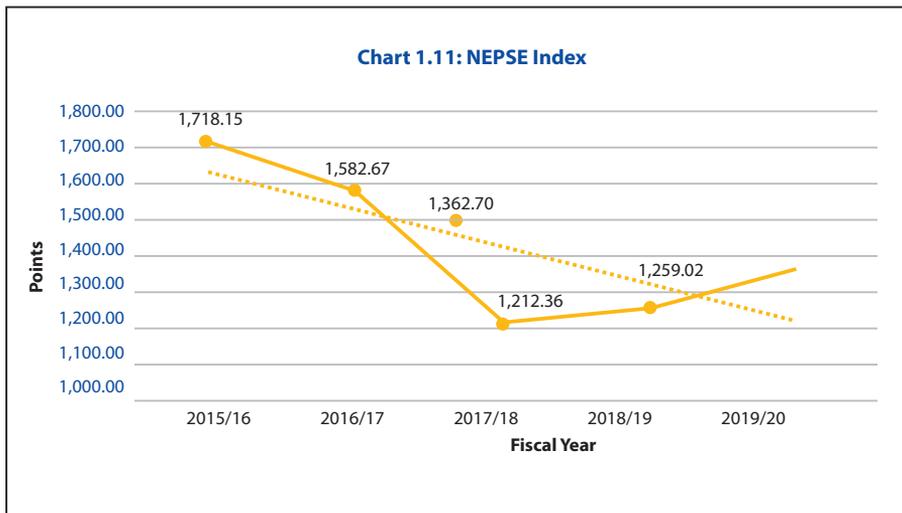




Market capitalisation to GDP percent in last five years is presented in Chart 1.10

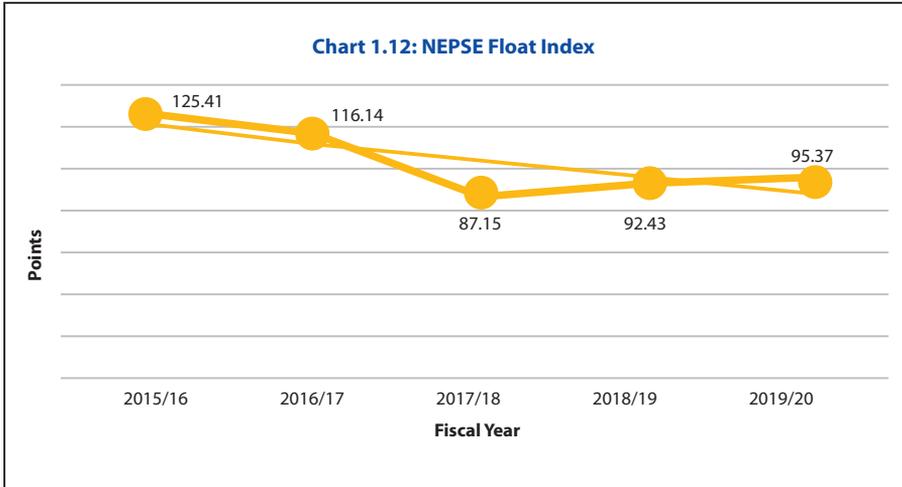


NEPSE Index in last five years is presented in Chart 1.11

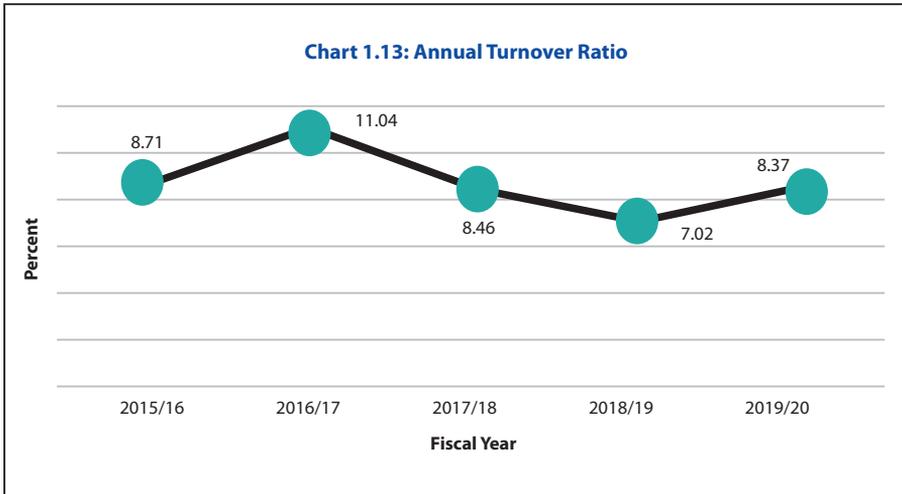




NEPSE Float Index in last five years is presented in Chart 1.12



Turnover to market capitalisation percent in last five years is presented in Chart 1.13





## 1.5 Securities Markets in the South Asian Region

Major securities market indicators of South Asian region are presented in Table 3 for the year 2019.

Table 3: Securities Markets in SAARC Region									
S.N.	Indicators	Unit	Nepal	India	Bhutan	Pakistan	Sri Lanka	Bangladesh	Maldives
1	Public Issue Amount	USD Million	296.1	7,698.8	230.1	65.6	158.4	39.9	-
2	Listed Company	Number	212	7,193	22	544	289	611	10
3	Stock Exchange	Number	1	5	1	1	1	2	1
4	Annual Turnover	USD Million	1318.4	1,114,711	17.1	-	942	13,144	0.172
5	Average Daily Turnover	USD Million	7.2	4,549.8	-	-	3.9	54.3	0.001
6	Trading Days	Days	182	245	-	-	241	242	236
4	Market Capitalisation	USD Million	15840	2,118,737	714.55	41,600	15,721	33,132.8	526.7
8	Turnover/Market Capitalisation	Percent	8.3	52.6	2.4	-	6.0	39.7	0.03
9	Market Cap./GDP	Percent	47.6	79.1	24.2	14.6	17.1	9.5	9.1
10	Exchange Rate	One US dollar equals to	113.8	71.31	70.58	154.87	181.63	85.05	15.15

Source: Stock Exchanges of SAARC region



## 1.6 Securities Markets Instruments

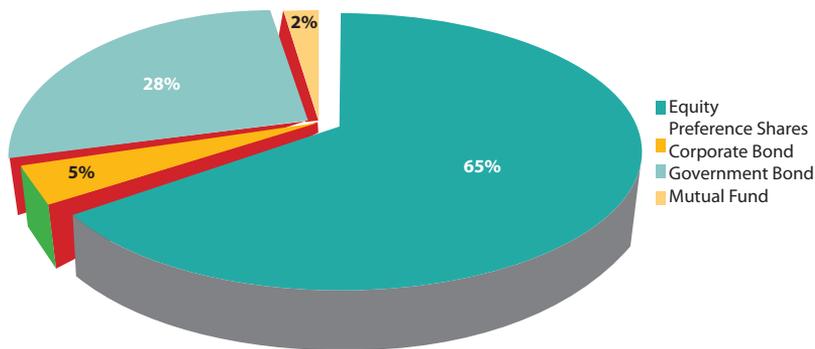
The equity share is the dominant instrument used in Nepalese securities markets for capital mobilisation. The other instruments in practices are debentures/bonds, mutual funds and preference shares. The size of the preference share is very small. The operation of Specialised Investment Fund (especially private equity fund and venture capital), local currency denominated bond, equity and index derivatives are in the process of operation. The paid-up value of securities markets instruments is presented in Table 4 and Chart 1.14.

**Table 4: Status of Securities Markets Instruments' paid-up value (As of November 10, 2020)**

Instruments	Issue Approved and Paid-up Value of listed Securities (NPR in million)	Percent
Equity	472,048	65
Preference Shares	640	0
Corporate Bond	33,269	5
Government Bond	202,140	28
Mutual Fund	15,953	2
	724,050	100

Source: Nepal Stock Exchange Ltd.

**Chart 1.14: Instruments Diversification in Nepalese Securities Markets (As of November 10, 2020)**





## 1.7 Legal Framework

The main legislation governing securities markets and commodity exchange markets of Nepal are Securities Related Act, 2006 and Commodity Exchange Market Act, 2017. The Securities Related Act, 2006 has empowered SEBON to regulate and manage the activities of securities markets and persons involved in the business of dealing in securities by regulating the issuance, purchase, sale and exchange of securities for protecting the interests of investors in securities. Securities Related Act, 2006 is in the process of amendment. Similarly, Commodity Exchange Market Act, 2017 has enabled SEBON to regulate commodity exchange markets. Other relevant laws related to incorporation of public company and preventing anti-money laundering are Company Act, 2006 and Anti-Money Laundering Prevention Act, 2008.

With the approval of Government of Nepal, SEBON has framed 13 regulations under Securities Related Act, 2006 and Commodity Exchange Market Act, 2017 for the operation and licensing of stock exchange, central depository and clearing company, merchant bankers (issue manager, underwriter, portfolio manager, share registrar, corporate advisor), stockbroker, mutual fund, specialised investment fund (alternate investment fund), credit rating and commodity exchange market participants and for the registration and issuance of securities and operation of commodity exchange markets.

## 1.8 Strategic Planning Practices and Developmental Initiatives

SEBON had formulated strategic plan and master plan in the past. In its history of 28 years, Four- year strategic plan (1998-2002) and Five-year capital market development master plan (2011-2016) were formulated. The strategic history and the key achievements from the strategy are briefly reviewed as under:



**Four-Year Strategic Plan (1998-2002) and Key Achievements: Priority goals and key achievements of the Four-year strategic plan are given below.**

S.N.	Strategic Objectives	Key Achievements
<b>1</b>	<b>Policy Development</b>	
	Improvement in the statutory and regulatory framework of the capital markets	<ul style="list-style-type: none"> <li>Established SEBON as an apex securities market regulator</li> </ul>
	Development of market standard and information system	<ul style="list-style-type: none"> <li>Mandatory provision for publishing annual report and other publications by market operators and market intermediaries</li> </ul>
	Improvement in the SEBON's institutional capacity	<ul style="list-style-type: none"> <li>Collaboration with academic institutions and regulators like ICAN and NRB in addressing regulatory overlapping and reporting standards</li> </ul>
<b>2</b>	<b>Surveillance and Compliance</b>	
	Regulations and guidelines	<ul style="list-style-type: none"> <li>Issued surveillance and compliance related regulations and guidelines</li> </ul>
	Financial Compliance and Professional Conduct	<ul style="list-style-type: none"> <li>Introduced fit-and proper criteria for market operators and market intermediaries including the requirement for appointing compliance officer by the listed companies and market intermediaries</li> </ul>
	Monitoring corporate financing transaction	<ul style="list-style-type: none"> <li>Monitoring regularly and other disclosures initiated</li> </ul>
<b>3</b>	<b>Legal Enforcement</b>	
	Strengthening SEBON'S Internal Capacity	<ul style="list-style-type: none"> <li>Services of professional lawyers, accountants and capital market specialists outsourced whenever necessary</li> </ul>
<b>4</b>	<b>Education and Training</b>	
	Industry Training	<ul style="list-style-type: none"> <li>Encouraged industry related studies through scholarship and other measures</li> </ul>
	Investor education	<ul style="list-style-type: none"> <li>Production and distribution of educational materials on risk-related factor on investment and market mechanism to the public</li> </ul>
<b>5</b>	<b>Research and Development</b>	
		<ul style="list-style-type: none"> <li>Monitoring markets, economic indicators and other related factors</li> <li>Dissemination of market data and information publicly to facilitate research and studies as well as informed investment decisions</li> </ul>
<b>6</b>	<b>Private sector development and others</b>	
	Upgrade the accounting and auditing standards of public companies	ICAN issued accounting and auditing standards



**Five-Year Capital Market Development Master Plan (2011-2016):** The Five-year capital market development master plan was framed with the technical assistances of World Bank had six priority goals and had following key achievements.

S.No.	Strategic Objectives	Key Achievements
1	<b>The Supply and Demand for Securities</b>	<ul style="list-style-type: none"> <li>Amendment in Central Securities Depository Service Regulations, 2010, Securities Registration and Issuance Regulations, 2016, and Mutual Fund Regulations, 2010</li> <li>Reduced the securities transaction costs by reducing brokerage commissions by 40 percent</li> </ul>
2	<b>Strengthening SEBON Capacity</b>	<ul style="list-style-type: none"> <li>Organogram restructured with new departments</li> <li>Obtained Associate Membership of IOSCO in July 2016</li> </ul>
3	<b>Completing the Regulatory Regime</b>	<ul style="list-style-type: none"> <li>Developed supervision manual for on-site inspections of market intermediaries</li> </ul>
4	<b>Enforcing the Regulatory Regime</b>	<ul style="list-style-type: none"> <li>Minimum capital requirements for Merchant Bankers and Stockbrokers increased</li> </ul>
5	<b>Strengthening the Trading and Settlement Infrastructure</b>	<ul style="list-style-type: none"> <li>OTC market for non-listed companies started and decreased the charges of OTC transactions</li> </ul>
6	<b>Investor and Intermediary Education</b>	<ul style="list-style-type: none"> <li>Training and awareness programmes on securities markets and commodity markets conducted throughout the country</li> </ul>

## 1.9 Other Developmental Initiatives

SEBON had other institutional and developmental initiatives such as project implementation and expert studies.

### Capital Market Development Projects in Nepal

Capital market development project prepared by the Aries Group Ltd. USA with the assistance of Asian Development Bank in 1993 was focused on the development of fixed income securities markets, equity markets and institutions. The goals of the project were partially achieved.

### Corporate and Financial Governance Project

Corporate and Financial Governance Project (CFG) was implemented in 2005 under the ADB assistance to enhance the institutional capacity of SEBON and Company Registrar Office, to modernise NEPSE trading system and to establish central securities depository.



### **Securities Data Management System Project**

Securities Data Management System Project (SDMS), implemented in 2008 with the assistance of World Bank under Economic Reform Programme of Government of Nepal thereby strengthened the capacity of SEBON by enhancing ICT sophistication, website upgradation and managing capacity building programme for officials. Under this project, among others, SEBON developed the Central Securities Data Bank in Nepal. This project was awarded with the best contribution award among all the projects implemented under the then high-level economic reform programme for the contribution to Economic and Governance Reform of the country.

### **Capital Market and Infrastructure Capacity Support Project**

Under the financial and technical assistance of ADB, capital market and infrastructure capacity support project was implemented to develop the bond market in Nepal as well as to enhance the institutional capacity of SEBON.

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**CAPITAL  
MARKET**



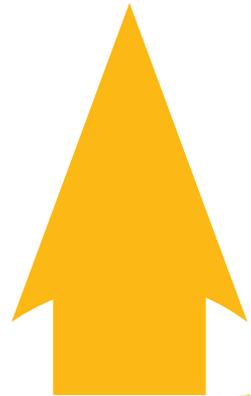


# Stock Markets

**SELL**



**BUY**





## CHAPTER 02

# STRATEGIC CONSIDERATIONS

The Strategic Plan 2020/21–2023/24 of SEBON has considered the different aspects which play a crucial role to make it implementable and attainable. The major aspects considered are as under.

### 2.1 Government Policy, Plan, and Programmes

Systematic development planning in Nepal started in 1956 A.D. Since then, 14 periodical plans have been implemented. Currently, 15<sup>th</sup> five- year plan is in its 2<sup>nd</sup> year of implementation. The programmes related to securities markets was begun to be included from the 7<sup>th</sup> five- year plan. A comprehensive plan and programme related to securities markets were incorporated in the 8<sup>th</sup> plan and it is continued thereafter including the 15<sup>th</sup> Plan.

Macroeconomic stability, sound banking systems, institutional capacity with quality and adequate regulatory and supervisory framework are interrelated and complementary in order to develop and stabilise the securities markets. Macroeconomic policy and periodic plans of Government have been supportive for market reform and development. At present, 15<sup>th</sup> plan, Financial Sector Development Strategy (FSDS), fiscal policy, monetary policy are in implementation for overall financial sector reform and development which have set the direction of financial system including securities markets and commodity exchange markets of the country. The main essence of these plans, policies and programmes is to use the securities markets as an important mechanism for the economic development of country by mobilising the scattered savings for investment at the least possible costs.

Constitution of Nepal has set the economic, commerce and industry policies for encouraging and mobilising foreign capital and technology for infrastructure



development in the areas of export promotion, and import to suit national interest and utilising the knowledge, skill, technology and capital of Non-resident Nepalese for national development.

High-level Financial Sector Coordination Committee chaired by Finance Minister and members being the chief executives of regulatory bodies of financial system including SEBON is in action for policy level coordination. The committee monitors and reviews the issues, plans, policies and programmes related to financial sector and provides policy guidance to related agencies in the financial system of the country.

Industrial Policy 2011 of GoN, has set the objectives of promoting industrial activity, increase in employment generation, and boost per capita income. The government intends to increase contribution of the industrial sector to the economy and expects a reduction in poverty. Securities markets and commodity exchange markets play crucial role in the effective implementation of Industrial Policy through providing mechanism for effective long-term capital mobilisation and price discovery of financial instruments.

Foreign Investment and Technology Transfer Act (FITTA), 2019 has broadened the scope of foreign investment and securities markets under which permits the investment in venture capital fund and financing managed by issuing securities in foreign capital markets by Nepalese entity are under the jurisdiction of SEBON. The budgetary programme of FY2020/21 has set the programmes such as restructuring the SEBON, NEPSE, CDSC, instrument diversification, legal infrastructure, etc.

The aforementioned facts legal provisions evidence securities markets development has been the national priority of GoN. Further, all macro-economic policies are designed to achieve various national goals such as Sustainable Development Goal (SDG) by 2030 AD and aspiration of long-term vision by 2044 AD. In this context, securities markets and commodity exchange markets being the efficient mechanism of capital allocation and price discovery can be important mechanism for supporting the national aspiration. The existing Government policy, plan and programme provide the strong basis in formulating and implementing this strategic plan.



## 2.2 Systemic Risk Management

Though risk is a fundamental feature of competitive and dynamic financial markets, enhancing the market's capacity for maintaining financial stability is the challenge for which a framework to enhance capacity for maintaining market stability and resilience to systemic shocks is required.

The major risk pertaining to Nepalese securities markets and commodity exchange markets include, but not limited to sectoral, legal and policy, default, liquidity and technological risks. The identification of risk concentration and systemic vulnerability, enhanced surveillance of market activity and processes, and ensuring the availability of arrangements for effective crisis management play a greater role for the reduction of systemic risk.

Systemic risk management framework is more important in securities markets and commodity exchange markets in order to improve the market microstructure to reinforce the integrity of existing systemic linkages; including through the progressive and consistent application of high standards of security and reliability. Greater inter-agency collaboration and strong communication lines with other regulators and market participants, enhancing early warning mechanisms, strengthening avenues for multilateral regulatory co-operation are the baselines to ensure timely and effective action where systemic disturbances emanate from the external markets. Establishing automated market surveillance system and risk-based supervision of market participants are necessary to manage and reduce the systemic risks.

## 2.3 Regulatory Readiness and Strengths

Nepalese securities markets has been facing rapid changing environment. SEBON's infrastructures need to be improved to cope with such challenges that have come with the changes in various factors such as global context of securities markets, technology changes, investment behaviour, etc. However, adequate number of employees with competency and their readiness for changes are strong basis for execution of strategic plan. SEBON is in process of restructuring organogram and institutional capacity.



## 2.4 Corporate Governance Practices, Enforcement and Compliances

Effective governance, compliance and enforcement are key factors to achieve the objectives of SEBON. Effective compliance programmes, targeted enforcement of regulation, and effective administration can help to achieve the desired outcomes more efficiently. Regulators use various tools to achieve policy objectives, promote institutions, set standards and practices in order to maintain good governance and sound system. Strengthening governance can contribute to improve regulatory outcomes. SEBON is responsible for promoting effective governance, compliance and enforcement among the financial intermediaries licensed by it.

**Corporate Governance Practices:** SEBON has issued Corporate Governance Directives, 2017 for the listed companies. Shareholders and other stakeholders are to be made aware and sensitised for their professional and meaningful involvement in the securities markets, and improving corporate governance, reporting and disclosures.

**Enforcement:** Securities enforcement activities include prevention, monitoring and information gathering. The power of interventions includes sanctions, penalties and judicial proceedings. The enforcement power of SEBON needs to be strengthened in line with IOSCO principles by addressing legal gaps for maintaining fair, efficient and transparent securities markets.

SEBON has powers of inspection, investigation and surveillance of market intermediaries, however, yet to have access to banking records, information sharing with foreign agencies/counterparts and power to curb the emerging challenges related to cyber security.

**Compliances:** SEBON emphasizes in improving the compliance practices of market participants in line with IOSCO principles considering accountability, adequate internal structure and controls, and monitoring of the effectiveness of the procedures and controls.



## 2.5 Capacity and Service Delivery of Market Intermediaries

SEBON regulates various intermediaries in the primary and secondary markets with the provisions under the Act and Regulations in order to provide level playing field. SEBON has defined the role of each of the intermediary, eligibility criteria for registration, functions and responsibilities. These regulations also empower SEBON to inspect the functioning of these intermediaries, to collect fees and to impose penalties on non-compliances with the provision under the securities laws.

The capacity and service efficiency of market intermediaries needs to be improved in terms of research and new products development initiatives, increasing market access, qualified human resources and adequate capital in view of expanding markets and emerging challenges.

## 2.6 Market Characteristics and Status

**Size and Liquidity:** The market size, both primary and secondary trading are growing. Though the liquidity is increasing, it is still below the threshold of 7.5 percent turnover, required for being categorised as the emerging markets as specified by the World Bank. More than 51 percent of total listed shares are promoter share, which is less tradable. Trading of bond and debenture is still insignificant.

**Market Access:** The Nepalese Securities market is being modernised with the structural changes in recent years. The dematerialised transaction of securities, the introduction of ASBA and C-ASBA system in the primary market making access to the applicants from all districts with the services through more than 2500 BFIs branches, branch expansion of Merchant Bankers and Stockbrokers to outside of Kathmandu valley has made Nepalese securities markets countrywide in recent days. Secondary market access has also been gradually increasing with the introduction of NEPSE Online Trading System (NOTS); which allows investors buy and sell shares through the online trading system.

**Diversification Constraints:** Unlike developed markets where investors have many choices of securities instruments, we have limited securities instruments available to the investors. Market is highly dominated by equity shares, thus



requiring introduction of different products to attract risk neutral and risk averse investors as well.

## 2.7 Capacity Building

**Regulatory Capacity Building:** The functional structure of SEBON requires to be restructured to make parallel with the increased complexity in regulating and developing the securities markets in Nepal. Autonomy of SEBON needs to be enhanced as per international principles and practices.

SEBON, as capital market regulator, has been regulating and supervising more than 440 entities viz. Listed Companies, Stock Exchange, Stockbrokers, Merchant Bankers, Mutual Funds, Central Securities Depository Company, Depository Participants, Credit Rating Agency, etc. The securities transactions have also increased manifolds. Hence, there is a great challenge for SEBON to regulate effectively. This necessitates formulating and implementing the strategic plan to enhance the regulatory and institutional capacity of SEBON.

## 2.8 Market Infrastructure and Technology Gaps

Market infrastructure including technological development is key to development of any markets which includes market design, technological developments, settlement practices and introduction of new instruments. The stability of market and its capacity to attract investment heavily depends upon market infrastructures. The market infrastructure and technology gaps of Nepalese securities markets are briefly highlighted hereunder.

**Trading, Clearing and Settlement Infrastructure:** The issues related to trading, clearing and settlement infrastructure include reduction of settlement cycle from T+3 to T+2, making internationally compatible trading system, and ensure proper management and adequate level of Settlement Guarantee Fund (SGF) for managing counterparty and credit risk in trading. Further, the functions of Clearing and settlement, and depository services are to be separated.

**Market Surveillance Infrastructure:** Market surveillance infrastructure includes establishment of automated surveillance system and development of risk-based supervision manuals in order to make market supervision effective and efficient.



**ICT Policy and Guidelines:** ICT (Information and Communication Technologies) Policy and Guidelines include development of ICT Operation Manual, directives for market operators and intermediaries and development of electronic reporting and retrieval system (ERRS).

The system and processes of securities market needs to be fair, efficient, and transparent in order to safeguard the interest of investors. Investor protection functions include strengthening regulatory independence, access to bank account, and enhanced investigation and enforcement power. Moreover, investor protection funds need to be appropriately placed and managed.

**Investor Education and Awareness:** Low financial literacy and awareness, lack of financial consumer protection framework, lack of institutional set up for investor education and awareness, and lack of financial literacy strategies are some of the challenges that needs to be addressed in line with regional and global practices.



## 2.9 SWOT Analysis

SWOT analysis of SEBON is as follows.

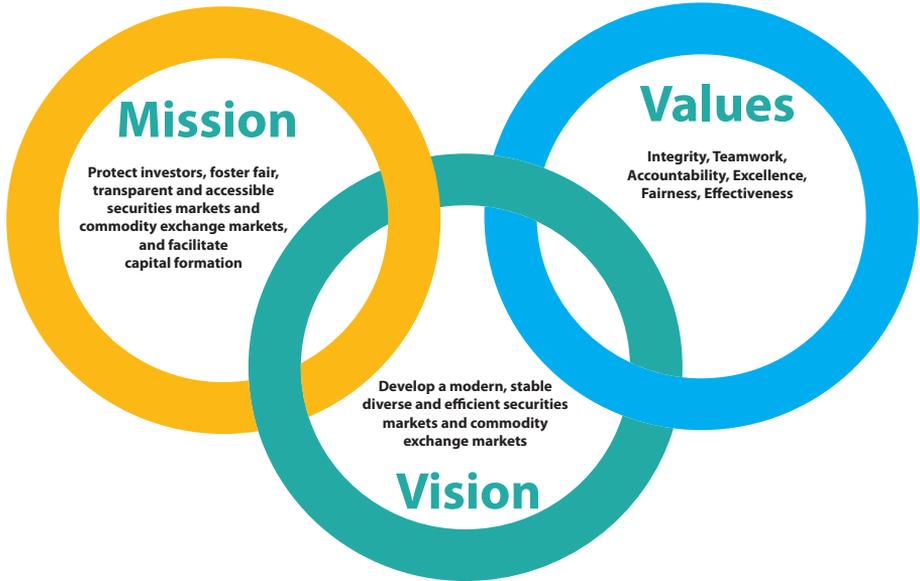
SWOT Matrix	
<b>Strengths</b>	<b>Weaknesses</b>
<ol style="list-style-type: none"> <li>1. Gradual adherence to international principles and best practices</li> <li>2. Annual programme and policies and their implementation and mechanism of regular review.</li> <li>3. Country wide access in primary market</li> <li>4. Dematerialised trading of securities</li> <li>5. Relation with international regulatory and development agencies</li> <li>6. Participatory decision-making process</li> <li>7. Internal control system and practice in place</li> <li>8. Committed towards good governance</li> <li>9. Comprehensive ICT policy</li> <li>10. Qualified and competent human resources.</li> </ol>	<ol style="list-style-type: none"> <li>1. Lack of full autonomy</li> <li>2. Legal gaps and overlapping</li> <li>3. Inadequate institutional capacity and physical infrastructure</li> <li>4. Limited financial resources</li> <li>5. Inadequate legal, accounting and IT expertise</li> <li>6. Irregular strategic planning practice</li> <li>7. Inadequate investigation and enforcement capacity</li> <li>8. Inadequate Management Information System</li> <li>9. Lack of ICT technology and automation</li> <li>10. Absence of automated market surveillance system</li> </ol>
<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. Increasing number of institutional investors and issuers</li> <li>2. Market friendly government policy and programme</li> <li>3. Increasing trend of ICT usage in the markets</li> <li>4. Growing interest of NRN, foreign institutions to enter securities markets</li> <li>5. Membership of international institutions such as IOSCO, OECD/INFE</li> <li>6. Political stability and supportive government</li> <li>7. Increasing emphasis on mobilising offshore financing</li> <li>8. Increasing emphasis on market-based financing for national pride projects</li> <li>9. Market demand for establishing new markets institutions</li> <li>10. Demand for new instruments in the markets</li> </ol>	<ol style="list-style-type: none"> <li>1. Organisational and market level structural deficiency</li> <li>2. Lack of internationally compatible trading, and clearing and settlement system.</li> <li>3. Volatile financial markets</li> <li>4. Lack of proper coordination between regulators</li> <li>5. Evolving tax policy and practices</li> <li>6. Inadequate regulation of financial crime, cybercrime, money laundering activities</li> <li>7. Low level of financial literacy and education</li> <li>8. Ownership issue hydro-electricity sector affecting investors' confidence</li> <li>9. Concentration of BFI in securities markets.</li> <li>10. Poor corporate governance framework and practices</li> </ol>

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# STRATEGIC PLAN





# Mission & Vision



# CHAPTER 03

## STRATEGIC DIRECTION

The vision, mission, core values, objectives and assumptions underlying strategic plan are as follows:

### 3.1 Vision



**Develop a modern, stable, diverse and efficient securities markets and commodity exchange markets.**

### 3.1 Mission



**Protect investors, foster fair, transparent and accessible securities markets and commodity exchange markets, and facilitate capital formation.**



### 3.3 Core Values



### 3.4 Strategic Domains





### 3.5 Strategic objectives

The strategic objectives are as follows:

1. Strengthening the legal and regulatory framework relating to securities markets and commodity exchange markets
2. Facilitating the development of the markets in terms of instruments, institutions and infrastructures
3. Building regulatory capacity
4. Improving the governance, disclosure and compliance relating to regulator, securities markets and commodity exchange markets
5. Reducing the systemic risk and other risks of the securities markets and commodity exchange markets
6. Promoting investor education, public awareness and understanding of securities markets and commodity exchange markets
7. Enhancing the national and international relation and cooperation to facilitate the development of securities markets and commodity exchange markets

### 3.6 Assumptions Underlying the Strategic Plan

The assumptions underlying the strategic plan are as follows

- Government's priority for overall financial system reform and development
- Facilitative foreign exchange policy and initiation of sovereign rating
- Expedient licensing for various business activities
- Efficient law-making process and legal certainty
- Improved corporate governance framework and practices, and increasing level of financial literacy
- Market friendly tax, accounting and court system and practices
- Increasing use of advanced information and communication technology

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# CHAPTER 04

## STRATEGIC INITIATIVES

Based on strategic considerations discussed in Chapter Two, the key strategies have been developed in consistent with strategic objectives discussed in Chapter Three. For each objective, the priorities are determined, goals are set and strategies are defined as stated below.

### Strategic Domain 1: Acts and Regulations

**Strategic Objective:** Strengthening the legal and regulatory framework relating to securities markets and commodity exchange markets.

Strategies	Priorities	Goals
1. Review and formulate securities Act in line with national policy, plan and IOSCO principles.	1. Review Acts to identify gaps between the national agenda and international principles, and extant laws and rules of securities markets and commodity exchange markets.	Make the legal and regulatory framework comprehensive, effective and facilitative.
	2. Formulate the Securities Market Related Acts to enhance the regulatory independence, investigation and enforcement power with accountability and complete regulatory regime.	
	3. Develop regulatory framework in line with IOSCO objectives and principles.	
2. Review and formulate securities regulations in line with new Acts and market conditions.	1. Formulate Securities Board of Nepal Regulations, Securities Exchange Regulations, Trust Regulations (financial sector), Warehouse related Regulations, Bond Transaction Regulations.	
	2. Develop regulatory framework in line with international principles and best practices.	





## Strategic Domain 2: Market Development

**Strategic Objective:** Facilitating development of the markets in terms of instruments, institutions, and infrastructures

Strategies	Priorities	Goals
1. Develop and diversify securities market sector and instruments: Debt, Equity Derivatives, Exchange Traded Fund.	1. Introduce Government bond for secondary trading in the markets.	Develop broad based and competitive markets.
	2. Rationalise Index and introduce equity derivatives-Index futures and Exchange Traded Fund-ETF in the markets.	
	3. Introduce real sector companies in the securities markets.	
2. Facilitate the institutional development in securities markets.	1. Enable to enter securities market intermediaries and institutional investors in the markets.	
	2. Facilitate the entry of KYC Registrant Agency in the markets.	
	3. Attract the institutional investors in the securities markets with the scope of portfolio management in the investment and increase the supply and demand of fixed return instruments.	
3. Facilitate to improve and standardise trading, clearing and settlement, and depository infrastructures to enhance the market efficiency.	1. Reform and strengthen trading system of stock exchange, depository and broker-dealer services.	
	2. Develop risk management infrastructure in clearing and settlement of the securities traded.	
4. Introduce and promote the Special Investment Funds-private equity, venture capital (PE/VC) and Mutual Funds.	1. Facilitate the entry of private equity and venture capital in the markets.	
	2. Develop a conducive environment to operate PE/VC.	
	3. Promote Mutual Fund to develop as industry	
5. Develop commodity exchange markets.	1. Develop and regulate commodity exchange markets.	
	2. Facilitate to develop commodity exchange markets.	
6. Enable the entry of Small and Medium Enterprises (SMEs) in the securities markets.	1. Develop regulations related to issuance of shares by SMEs.	
	2. Develop secondary markets for trading of the securities of SMEs.	



## Strategic Domain 3: Regulatory Capacity

**Strategic Objective:** Building Regulatory Capacity

Strategies	Priorities	Goals
1. Develop SEBON's institutional capacity.	1. Strengthen organisational structure and human resource management.	Enhance SEBON's regulatory and supervisory capacity.
	2. Build office infrastructures and develop better work environment.	
	3. Develop capacity building programmes for SEBON officials by having alliances with national and international training provider and professional development institutions.	
	4. Strengthen the regulatory access by initiating presence in some provinces.	
2. Enhance the responsiveness and enforceability of SEBON to improve investors' confidence.	1. Strengthen the market surveillance and enforcement system to ensure adherence to standards and regulations.	
	2. Ensure costs and service effectiveness to enhance market confidence.	
	3. Promote proper market conduct through effective investigation and prosecution of market crimes	
3. Establish the technological standards, protocols and capacity requirements to ensure greater inter-operability across a broad range of systems, data environment, and entities.	1. Develop ICT infrastructures and build capacity to support technology-driven innovation and business strategies.	

## Strategic Domain 4: Governance, Disclosure and Compliance

**Strategic Objective:** Improving the governance, disclosure and compliance relating to regulator, securities markets and commodity exchange markets.

Strategies	Priorities	Goals
1. Improve corporate governance standards and practices.	1. Strengthen governance of SEBON.	Enhance market stability and credibility.
	2. Develop corporate governance standards for markets.	
	3. Monitor, supervise and enforce the corporate governance standards.	
2. Develop standards for disclosures and compliances.	1. Strengthen disclosure requirements.	
	2. Strengthen compliances.	





## Strategic Domain 5: Risk Management

**Strategic Objective:** Reducing the systemic risk and other risks of the securities markets and commodity exchange markets.

Strategies	Priorities	Goals
1. Strengthen risk management capacity of market operators.	1. Mandate stock exchange and securities depository to introduce risk management system at par with international standards.	Develop and adopt best risk management system and practices.
	2. Mandate stock exchange and securities depository company to conduct system audit in consistent with the ISO standards.	
2. Manage and reduce systemic risk.	1. Develop a system and procedure for preventing and managing market failures to ecogniz damage and loss.	
	2. Facilitate to develop capacity to assess and contain risk.	
	3. Enhance the ICT capacity and standards of market operators and market intermediaries.	
1. Enhance the prudential standards of market operators and intermediaries to increase the scope of operation and absorb the shocks.	1. Increase the regulatory requirements for minimum capital, internal control and human resources.	
	2. Strengthen supervisory and operational system of market operators and intermediaries.	
4. Ensure efficiency, integrity, and risk minimisation in regulation, and the trading and post-trading environment.	1. Promote the competitive trading system, clearing and settlement, and securities business through proper licensing policy and strategic alliances.	
	2. Enable the capacity of market intermediaries to manage and mitigate the risks in trading, and post trading environment.	

**Develop institutional capacity for investor education and public awareness.**



**Promote public awareness and understanding on the securities markets and commodity exchange markets.**

**Enhance service delivery efficiency of securities markets and commodity exchange markets.**



## Strategic Domain 6: Investor Education and Public Awareness

**Strategic Objective:** Promoting investor education, public awareness and understanding of securities markets and commodity exchange markets.

Strategies	Priorities	Goals
1. Develop institutional capacity for investor education and public awareness.	1. Initiate establishment of securities and futures markets institute.	Promote informed decisions in the securities markets and commodity exchange markets.
	2. Launch investors' education and awareness building programmes.	
	3. Coordinate to include Capital Markets course / Syllabus for high school level students	
2. Promote public awareness and understanding on the securities markets and commodity exchange markets.	1. Improve public awareness and industry understanding on securities markets and commodity exchange markets.	
3. Enhance service delivery efficiency of securities markets and commodity exchange markets.	1. Build service delivery and educational and awareness building capacity of market operators and intermediaries.	
	2. Conduct interaction programmes for assessing legal and regulatory effectiveness and market development.	



## Strategic Domain 7: National and international relation

**Strategic Objective:** Enhancing the national and international relation and cooperation to facilitate the development of securities markets and commodity exchange markets

Strategies	Priorities	Goals
1. Build relationship with international regulatory agencies/ authorities to. Enhance the regulatory, operational and market infrastructural capacity in consistent with international principles and best practices.	1. Initiate preparatory works To obtain ordinary membership of IOSCO.	Enhance the cooperation and value recognition of the Nepalese securities markets and commodity exchange markets nationally and internationally.
	2. Obtain ordinary membership of IOSCO and join into international initiatives.	
2. Develop partnership with the relevant international professional bodies and academia in key areas of research, training and professional development.	1. Conduct capacity-building programme jointly with international professional bodies on market complexity and regulatory development.	
	2. Build relationship with international securities and commodity exchange market regulators to share expertise and strengthen regulatory capacity and standards of market infrastructures.	
3. Build strategic alliances with national regulators and professional bodies and capacity building institute.	1. Develop coordination with related national regulators to share information and expertise to address regulatory gaps and avoid regulatory overlapping..	
	2. Collaborate and coordinate in the initiatives and efforts of other national regulators to promote financial literacy and financial education in the country.	



## CHAPTER **05**

# **ACTION PLAN**

In consistent with strategies and priorities stated in Chapter Four, the Action Plan for each strategy and priority for the FY2020/21–FY2023/24 has been developed along with performance indicators and responsible authority for its execution.



Strategic Planning meeting



## Strategic Domain 1: Acts and Regulations

**Strategic Objective:** Strengthening the legal and regulatory framework relating to securities markets and commodity exchange markets

Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
<b>1. Review and formulate securities Act in-line with national policy, plan and IOSCO principles.</b>	1. Review Acts and Regulations, Bye-Laws to identify gaps between the national agenda and international principles, and extant laws and rules of securities markets and commodity derivatives markets.	a) Review of Securities Related Act, 2006, Commodity Exchange Market Act, 2017 and Regulations under the Act s in order to find gaps and recognized in line with national policy, plan and IOSCO principles and international best practices.					Review Report Prepared.	Securities and Commodity Exchange Markets Research Division (Lead); Legal Division; and Regulation Division
	2. Formulate Securities Market Related Acts & Regulations to enhance the regulatory independence, investigation and enforcement power with accountability, and complete regulatory regime.	a) Formulation and submission of new Acts to GoN:					Securities and Commodity Exchange Board of Nepal Act and Securities Exchange Act formulated and submitted to MoF	Legal Division (Lead); Governing Board of SEBON; and MoF
		i. Securities and Commodity Exchange Board of Nepal Act						
		ii. Securities Exchange Act						
		iii. Draft the Trust Act (Financial Sector)					Trust Act (Financial Sector) formulated and submitted to MoF	Legal Division (Lead); Governing Board of SEBON; and MoF
	a) Amend the Commodity Exchange Market Act, 2017.					Proposed amendment of Commodity Exchange Market Act, 2017 submitted to MoF	Legal Division (Lead); Governing Board of SEBON; and MoF	
	• Incorporate the Warehouse related matter.							
	3. Develop regulatory frame work in line with IOSCO objectives and principles.	a) Review the regulatory frame work in line with IOSCO objectives and principles.					Annual Assessment Report Prepared and implemented	Securities and Commodity Exchange Markets Research Legal Division; and Governing Board of SEBON



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
		b) Standardise the regulatory framework and practices to meet the standards of IOSCO principles.					Regulatory framework is cognized .	Securities and Commodity Exchange Markets Research (Lead); Legal Division; Governing Board of SEBON; and MoF
<b>2, Review and formulate securities regulations in line with new laws and market conditions.</b>	1. Formulate Rules and Regulations: Securities Board of Nepal Regulations, Securities Exchange Regulations, Trust Regulations, (financial sector), Warehouse related Regulations, Bond Transaction Regulations.	a) Formulation and implementation of the Rules and Regulations:						
		1. Bond Transaction Regulations					Bond Transaction Regulations formulated	Securities and Commodity Exchange Markets Research (Lead); Legal Division; Governing Board of SEBON; and MoF
		2. Securities Exchange Regulations 3. Trust Regulations (Financial Sector)					Securities Exchange Rules and Trust Rules Related to Financial Sector formulated	Legal Division (Lead); Governing Board of SEBON; and MoF
		b) Warehouse Related Rules c) Amend Commodity Exchange Market related Rules and Regulations.					Warehouse Related rules formulated Commodity Exchange Market Related Rules and Regulations amended	Legal Division (Lead); Governing Board of SEBON; and MoF



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
	2. Develop regulatory framework in line with international principles and best practices.	a) Formulate and implement Bye Laws, Guidelines, Manuals and Directives including: i) Infrastructure financing (blended financing) through securities markets and issuance of offshore bonds; merger and acquisition for listed companies ii) Merger and acquisition of market intermediaries and warehousing.					Bye Laws, Guidelines, Manuals, and Directives formulated and implemented	Legal Division (Lead); and Governing Board of SEBON
		b) Review and develop regulatory framework for margin trading in consistent with international best practices.						



## Strategic Domain 2: Market Development

Strategic Objective: Facilitating development of the markets in terms of instruments, institutions, and infrastructures

Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
<b>1. Develop and diversify securities market sector and instruments: Debt, Equity Derivatives, Exchange Traded Fund</b>	1.Introduce corporate debenture and Government bond for secondary trading in the markets	a) Coordinate with GoN, NRB, NEPSE and CDSC for listing and trading of Government bonds.					Government Bonds Dematerialised and listed.	Market and Listed Companies Division (Lead); Stockbroker Dealer Division; NRB; NEPSE; and CDSC
		b) Facilitate to develop automated trading system for corporate and Government bonds.						Market and Listed Companies Division (Lead); Stockbroker Dealer Division; NRB; NEPSE; and CDSC
		c) Conduct a study on debt market development to further develop a broad based and deep debt markets.					Study report prepared.	Securities and Commodity Exchange Markets Research Division (lead) and Regulation Division
	2. Rationalise Index and introduce equity derivatives-Index futures and Exchange Traded fund-ETF in the markets.	a) Develop operational guidelines to introduce index futures and ETF, and Index calculations					Operational Guidelines/ Procedure in place for index futures/ETF. Index calculations improved.	Market and Listed Companies Division
		b) Facilitate to develop trading and settlement mechanism for index futures.					Trading, Settlement and Disclosure mechanism prepared.	Market and Listed Companies Division (Lead) Stockbroker Dealer Division; NEPSE; and CDSC
		d) Develop mechanism for index futures and ETF related disclosure and dissemination of trading information						



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
	3. Facilitate real sector companies in the securities markets	a) Prepare and implement free pricing -Book Building Directives					Book building guidelines in place	Regulations Division (Lead) and Governing Board of SEBON
		b) Provide license to qualified institutional investors (QIIs).					QIIs operationalised	Regulations Division
		c) Conduct a study on conversion mechanism of public shares of Hydro power sector companies after licensing period.					Study completed	Securities and Commodity Exchange Markets Research Division
<b>2.Enable to develop commodity derivatives markets.</b>	1. Facilitate to establish commodity derivatives markets and other markets infrastructures.	a. Issue licenses to the commodity derivatives exchanges to operate commodity derivatives markets with the terms and conditions of dealing with specific local products along with international products.					Regulated Commodity Derivatives Markets in the country; Warehouses Accredited by SEBON are in operation.	Commodity Exchange Markets Division and Governing Board of SEBON
		b. Issue licenses to the commodity brokers and market makers.						Commodity Exchange Markets Division (Lead) and Governing Board of SEBON
		c. Formulate Regulations for warehousing relating to commodity derivatives markets.						Legal Division (lead); Commodity Exchange Markets Division (Lead) and Governing Board of SEBON MOF
		d. Provide accreditation to at least two warehouses and facilitate for warehouse receipt financing for full-fledged commodity derivatives markets.						Commodity Exchange Markets Division (Lead) and Governing Board of SEBON



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
<b>3.Facilitate the institutional development in securities markets.</b>	1. Enable to enter securities market intermediaries and institutional investors in the markets.	a) Provide licenses to securities dealers as institutional investor. b) Provide licenses of stockbroker to additional companies and bank subsidiaries to increase the secondary market access throughout the country.					Securities Dealers in the markets. Stockbrokers in the different places of country.	Regulation Division (Lead); Stockbrokers Dealer Division; and Governing Board of SEBON; and NEPSE
		c) Facilitate and encourage long-term fund recognized institutions to invest in the listed securities on stock exchange.					Long-term fund recognized institutions investing in securities markets.	Securities and commodity Exchange Markets Research Division (Lead); Regulation Division; Market and Listed Companies Division; and Governing Board of SEBON; and NEPSE
	d) Facilitate to widen and deepen close-end and open-end mutual funds industries					Mutual funds Industry in the markets.	Securities and commodity Exchange Markets Research Division (Lead); Regulation Division; Stockbroker Dealer Division; and Governing Board of SEBON; and NEPSE Regulation Division	
	2. Facilitate entry of the KYC Registrant Agency in the markets.	a) Develop operational procedure guidelines for Centralised KYC registration services for the capital markets.					Centralized KYC registration service and KYC registrant agencies in operation	Regulation Division (Lead); Market and Listed Companies Division; and Governing Board of SEBON; and CDSCL



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
4. Facilitate to improve and recognise the trading, clearing and settlement, and depository infrastructures to enhance the market efficiency.	1. Reform and strengthen trading system of stock exchange, depository and broker- dealer services.	a) Facilitate for developing a full-fledged automated NEPSE online trading system integrating client's demat and bank accounts.					Improved online trading system of securities in practice	Market and Listed Companies Division (Lead); Stockbroker Dealer Division; NEPSE; and CDS
		b) Conduct study on the restructuring of the NEPSE and CDS and submit report to MOF						Market and Listed Companies Division (Lead); Governing Board of SEBON; and MoF
		c) Facilitate to bring structural improvement in ownership and management of stock exchange and depository company.					Structural improvement of stock exchange and depository company	Market and Listed Companies Division (Lead); NEPSE; and CDS
		d) Issue Directives and facilitate stockbrokers to recognized the TMS and back-office infrastructures.					Improved TMS and back-office infrastructure of stockbrokers	Market and Listed Companies Division (Lead); Stockbroker Dealer Division; NEPSE; and CDS
		e) Issue Directives to stock exchange, depository company, and market intermediaries to introduce and manage Disaster Recovery System (DRS) and Business Continuity Plan (BCP).					Improved DRS and BCP of stock exchange, depository company, and market intermediaries.	Market and Listed Companies Division (Lead); Stockbroker Dealer Division and Securities Businesspersons Division; NEPSE; and CDS
		f) Facilitate to implement T+2 clearing and settlement system					T+2 clearing and settlement system in place	Market and Listed Companies Division (Lead); Stockbroker Dealer Division; NEPSE; and CDS



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
		g) Facilitate depository and central clearing company to recognize the trading systems of all products in securities markets efficiently and implement Delivery Versus Payment (DvP) system.					Modernised system of Depository and Central Clearing Company with netting facilities	Market and Listed Companies Division (Lead); Securities Businesspersons Division; NEPSE; and CDSC
	2. Develop an infrastructure of risk management in clearing and settlement of the securities traded	a) Conduct a study to recognized recentral Clearing Company that can effectively act as Central Counter Party-CCP to ensure settlement guarantee and securities borrowing and lending of securities.					Operationalization of Central Clearing Company	Securities and Commodity Exchange Markets Research Division (Lead); Regulation
		b) Develop fit-and-proper criteria for entry of Central Clearing Company (CCC).					Market entry of CCC.	Division, Market and Listed Companies Division; and Governing Board of SEBON; NEPSE; and CDSC
		c) Develop and implement disclosure and reporting requirements of Central Clearing Company.					Disclosure and reporting formats developed.	



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
5. Introduce and promote the Special Investment Funds-private equity, venture capital (PE/VC) and Mutual Funds.	1. Facilitate the entry and operation of private equity and venture capital in the markets.	a) Provide license to fund manager applying for operating private equity and venture capital businesses					Operation of PE/VC	Regulation Division (Lead); Stockbroker Dealer Division; and Governing Board of SEBON
		b) Develop and implement proper disclosure and reporting formats for recognized investment funds (SIF).					Disclosure and reporting formats for recognized investment funds (SIF) developed	Stockbroker Dealer Division (Lead); and Governing Board of SEBON
		c) Conduct study about the operation of hedge funds.					Study Report prepared	Securities and Commodity Exchange Markets Research Division (Lead)
		d) Conduct a study on Auction market Development.					Report on study of Auction market Development	Securities and Commodity Exchange Markets Research Division (Lead); and Market and Listed Companies Division
	2. Develop a conducive environment to operate PE/VC.	a) Review fit-and-proper criteria of venture capital and private equity for making PE/VC operational.					Criteria of PE/VC reviewed	Regulation Division (Lead); and Stockbroker Dealer Division
		b) Set disclosure requirements for PE/VC.					Disclosure standards for PE/VC introduced	Stockbroker Dealer Division
		c) Review SIF Regulations to facilitate exit of PE/VC.					SIF Regulations reviewed	Securities and Commodity Exchange Markets Research Division (Lead); Governing Board of SEBON; and MoF



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
	3.Promote Mutual Fund to develop as industry	Facilitate Mutual Fund and PE/VC to get Pass-Through Tax Status and facilities.					Mutual Fund and PE/VC recognised as Pass Through Vehicles and received necessary facilities	Securities and Commodity Exchange Markets Research Division (Lead); Stockbroker Dealer Division
6. Enable the entry of Small and Medium Enterprises (SMEs) in the Securities Markets	1. Develop regulations related to issuance of shares by SMEs.	Facilitate to develop trading rule and plat form for the securities of SMEs.					Availability of Two Tier Trading Platform (Main Board and SME trading platform).	Legal Division (Lead); Governing Board of SEBON; and NEPSE
	2. Develop secondary markets for trading of the securities of SMEs	Amend the Securities Registration and Issuance Regulations to incorporate the issuance of shares by SMEs.					Securities Registration and Issuance Regulations amended	Regulation Division (Lead); Legal Division; and Governing Board of SEBON



## Strategic Domain 3: Regulatory Capacity

**Strategic Objective:** Building Regulatory Capacity

Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
<b>1. Develop SEBON's institutional capacity.</b>	1. Strengthen organisational structure and human resource management.	a) Conduct O&M Survey					New organisational structure implemented	Management Division (Lead); Governing Board of SEBON; and MoF
		b) Implement new organisation structure.						Management Division
		c) Recruit qualified and competent human resources to carry out increased regulatory responsibility					Qualified and competent manpower at SEBON	Management Division; and Governing Board of SEBON
		d) Conduct Training and Study Need Assessment					Training Assessment Need conducted	Management Division
		e) Provide training and exposures to the officials of SEBON					Training and exposures provided	Management Division
	2. Build office infrastructures and develop better work environment.	a) Procure land for office building of SEBON.					Land for office building of SEBON procured	Management Division; and Governing Board of SEBON
		b) Construct office building of SEBON and develop better working environment.					Office building of SEBON being constructed.	Management Division
	3. Develop capacity building programmes for SEBON officials by having alliances with national and international training provider and professional development institutes.	a) Design capacity development (training, exposures, studies,etc.) programme.					MoU signed with the relevant global professional development institutes.	Securities and Commodity Exchange Markets Research Division (Lead); Management Division; and Governing Board of SEBON
		b) Entering into MoU with the relevant global professional development institutes and conduct programmes jointly.						
	4. Strengthen the regulatory access by initiating presence in some provinces.	a) Conduct feasibility study and initiate for establishing branch offices of SEBON at the provinces.					Feasibility study Completed and initiation made for establishing branch offices.	Management Division



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities	
<b>2. Enhance the responsiveness and enforceability of SEBON to improve investor confidence.</b>	1. Strengthen the market surveillance and enforcement to ensure proper adherence to standards and rules.	a) Conduct a study on identifying and controlling misconduct and frauds.					Study completed	Securities and Commodity Exchange Markets Research Division	
		b) Review and develop risk-based supervision manual.					Risk-based supervision manual and enforcement manuals are in practice.	Securities and Commodity Exchange Markets Research Division (Lead); and Governing Board of SEBON,	
		c) Develop and implement enforcement manuals							
	2. Ensure costs and service effectiveness to enhance market confidence.		a) Periodically review and rationalise brokerage charges and commission.					Brokerage charges and commission reviewed	Securities and Commodity Exchange Markets Research Division (Lead); Governing Board of SEBON; and MoF
			b) Review and rationalise the costs and charges of primary market and secondary market.					Primary Market and Secondary Market costs and charges rationalised	Securities and Commodity Exchange Markets Research Division (Lead); and Governing Board of SEBON
			c) Facilitate market operators and intermediaries to explore new business opportunities.					New business emerged for market operators and intermediaries	Securities and Commodity Exchange Markets Research Division (Lead); and Governing Board of SEBON
			d) Maximize facilities and quality service delivery to investors through licensed entities.					Quality and timely service delivery to investors.	Securities and Commodity Exchange Markets Research Division (Lead); and Governing Board of SEBON
	3. Promote proper market conduct through effective investigation and prosecution of market crimes		a) Review enforcement actions and disclosures mechanism					Enforcement actions and disclosure mechanism reviewed and disclosures made regularly.	Securities and Commodity Exchange Markets Research Division (Lead); and Governing Board of SEBON
			b) Disclose all types of enforcement actions.						



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
		c) Widening the sources of market intelligence and recognise the role and importance of whistle blowers for proper conduct of markets.						Market and Listed Companies Division (Lead); Stockbroker Dealer Division and securities Businessperson Division
<b>3. Establish the technological standards, protocols and capacity requirements to ensure greater interoperability across a broad range of systems, data environment, and entities.</b>	1.Develop ICT infrastructures and build capacity to support technology-driven innovation and business strategies.	a) Develop and implement the Electronic Reporting and Retrieval System ((ERRS).					ERRS in place	Securities and Commodity Exchange Markets Research Division (Lead); Management and Finance Division
		b) Formulate and implement SEBONICT Operation Manual.					SEBON ICT Operation Manual implemented	Securities and Commodity Exchange Markets Research Division (Lead); Management and finance Division; and Governing Board of SEBON
		c) Develop Central Securities and Future Data Bank software (CSFDB) for data processing and management.					Central Securities and Futures Data Bank software developed	Securities and Commodity Exchange Markets Research Division (Lead); Management and finance Division; and Governing Board of SEBON
		d) Procure and install Automated Market Surveillance System (AMSS) to supervise market trading activities.					Automated market surveillance system (AMSS) procured and installed	Securities and Commodity Exchange Markets Research Division (Lead); Management Finance Division; Governing Board of SEBON



## Strategic Domain 4: Governance, Disclosure and Compliance

Strategic Objective: Improving the governance, disclosure and compliance relating to regulator, securities markets and commodity exchange markets.

Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
<b>1. Improve corporate governance standards and practices.</b>	1. Strengthen governance of SEBON.	a) Review and amend codes of conduct for employees and board of directors.					Code of Conduct reviewed and amended.	Management Division (Lead); and Governing Board of SEBON
		b) Develop Accounting manuals.					Accounting manuals in place.	Management Division (Lead); and Governing Board of SEBON
		c) Develop mechanism for timely organisational planning, budgeting and controlling.					Organisational planning, budgeting and controlling mechanism in place	Management Division (Lead); and Governing Board of SEBON
	2. Develop the corporate governance standards for markets.	a) Review and update corporate governance Directives to the listed companies.					Corporate governance Directives reviewed and updated.	Market and Listed Companies Division (Lead); and Governing Board of SEBON
		b) Formulate and issue corporate governance Directives to the market operators and intermediaries.					Corporate governance Directives formulated	Market and Listed Companies Division; Stockbroker Dealer Division; and Securities Businessperson (Lead) Securities Governing Board of SEBON
		c) Develop standards for disseminating market information publicly to ease the access of data and information.					Standards developed	Market and Listed Companies Division (Lead); Stockbroker Dealer Division; Securities Businesspersons Division; and Governing Board of SEBON; and NEPSE



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
	3. Monitor, supervise and enforce the corporate governance standards and best practices.	a) Monitor and supervise corporate governance practices and standards of the listed companies, market operators, market intermediaries.					Compliance of corporate governance directives monitored as per annual plan.	Market and Listed Companies Division (Lead); Stockbroker Dealer Division and Securities Businesspersons Division.
		b) Monitor and supervise the market related news and information.					Monitored and supervised the market related news and information.	Office of the Chairman public and International relation section Market and
		c) Formulate and issue Directives relating to grievance handling mechanism.					Grievance handling Directives implemented,	Listed Companies Division (Lead); Stockbroker Dealer Division and Securities
<b>2. Develop standards for disclosures and compliances.</b>	1.Strengthen disclosure requirements.	a) Review and develop disclosure standards and formats for market participants including compliances with NFRS and other standards.					Disclosure standards developed.	Businesspersons Division
		b) Monitor and supervise the disclosure practices to ensure information is true, fair and complete.					Monitored and supervised on half yearly basis.	Market and Listed Companies Division (Lead); Stockbroker Dealer Division and Securities Businesspersons Division
	2. Strengthen compliances.	a) Provide orientation to market participants on new standards and changes relating to disclosure and compliances.					Orientation to market participants provided.	Regulation Division (Lead); Market and Listed Companies Division; Stockbroker Dealer Division Securities Businesspersons Division



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
		b) Mandate market participants to provide training and exposure to their employees.					Directives issued for providing training and exposure.	Market and Listed Companies Division (Lead); Stockbroker Dealer Division and Securities Businesspersons Division
		c) Initiate enforcement action for non-compliances of codes, standards and practices including insider trading.					Timely enforcement action initiated.	Legal Division (Lead) Market and Listed Companies Division; Stockbroker Dealer Division; and Governing Board of SEBON



## Strategic Domain 5: Risk Management

**Strategic Objective:** Reducing the systemic risk and other risks of the securities markets and commodity exchange markets.

Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
<b>1. Strengthen risk management capacity of market operators.</b>	1. Mandate stock exchange and securities depository system to introduce risk management system at par with international standards.	a) Issue Directives to stock exchange and depository company to develop and implement risk management mechanism and manuals..					Directives issued.	Market and Listed Companies Division
	2. Mandate stock exchange and securities depository company to conduct system audit in consistent with the ISO standards.	a) Issue Directives to stock exchange and depository company to upgrade the system and remove the deficiency to enhance system efficiency.					System upgraded and made efficient.	Market and Listed Companies Division
<b>2. Manage and reduce systemic risk.</b>	1. Develop system and procedure for preventing and managing market failures to minimise damage and loss.	a) Issue Directives to NEPSE to develop and implement the risk-based supervision manual.					Directives issued to NEPSE.	Regulation Division (Lead); Market and Listed Companies Division
		b) Operationalise settlement guarantee fund (SGF) appropriate to the size and potential default in the markets.					Operationalised settlement guarantee fund (SGF).	Securities and Commodity Exchange Markets Research Division (Lead); Market Listed Companies Division; and Governing Board of SEBON.
		c) Establish and operationalise Investor Protection Fund (IPF) in coordination with Office of Company Registrar.					Provision incorporated in the proposed Act.	Legal Division; Market and Listed Companies Division and Governing Board of SEBON; and Office of Company Registrar (OCR)



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
	2. Facilitate to develop capacity to assess and contain risk.	a) Conduct annual assessment for Financial Technology (FinTech) adoption across the securities markets and commodity derivatives markets value chain.					Assessment report prepared.	Securities and Commodity Exchange Markets Research Division
		b) Issue Directives to the stock exchange and depository company to: (i) Rectify gaps and deficiencies as per assessment, (ii) conduct capacity building programmes related to risk management.					Directives issued.	Securities and Commodity Exchange Markets Research Division (Lead); and Regulation Division
	3.Enhance the ICT capacity and standards of market operators and market intermediaries.	a) Mandate to use robust Trade Management System (TMS)					Robust TMS in place	Market and Listed Companies Division (Lead); and NEPSE
		b) Formulate and implement ICT Directives to market participants in line with SEBON ICT policy and ISO/IEC 27000 series (Information Security Management) and ISO/IEC 38500 series (Corporate Governance of IT).					ICT Directives issued.	Securities and Commodity Exchange Markets Research Division
		c) Issue Directives for Standardising the requirements for Business Continuity Plan (BCP), Disaster Recovery System (DRS), System Audit, and ICT management protocols					Directives for standardising the requirements for BCP, DRS, System Audit and ICT Management Protocols issued.	Securities and Commodity Exchange Markets Research Division



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
		d) Conduct annual assessment for ICT adoption across the securities markets and commodity exchange markets value chain.					Assessment for ICT prepared	Securities and Commodity Exchange Markets Research Division
		e) Procure services of FinTech innovators to develop and enhance market and regulatory related information technology.					Services of FinTech innovators procured	Securities and Commodity Exchange Markets Research Division (Lead); Management and Finance Division
<b>3. Enhance the prudential standards of market operators and intermediaries to increase the scope of operation and absorb the shocks.</b>	1.Increase the regulatory requirements for minimum capital, internal control and human resources.	a) Review the Regulations relating to market operators and intermediaries on capital requirements that reflect the risk undertaken.					Regulations reviewed.	Securities and Commodity Exchange Markets Research Division
		b) Amend Regulations relating to market operators and intermediaries for capital requirements and internal control and risk management.					Regulations amended.	Legal Division (Lead); and Governing Board of SEBON



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
		Conduct a study on introducing continuing professional development programmes for the Key Management personnel/ professionals of securities exchange and commodity exchange businesses.					Study report on introduction of CPD prepared.	Securities and Commodity Exchange Markets Research Division
		d) Conduct a study on increase scope of work for market intermediaries for competitive and integrated services.					Study report on increasing scope of market intermediaries prepared.	Securities and Commodity Exchange Markets Research Division
	2.Strengthen supervisory and operational system of market operators and intermediaries.	a) Issue Directives to market operators to develop and enhance the supervisory capability.					Directives issued for enhancing supervisory capability.	Market and Listed Companies Division (Lead); and Regulation Division
		b) Review the operational and rating aspects of credit rating agencies to enhance the quality of rating.					Study report prepared	Securities and Commodity Exchange Markets Research Division
		c) Issue Directives for credit rating agencies to enhance the operational capacity and objectivity in rating.					Directives issued	Regulation Division (Lead); Securities Businesspersons Division



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
<b>4. Ensure efficiency, integrity, and risk minimization in regulation, and the trading and post- trading environment.</b>	1.Promote the competitive trading system, clearing and settlement, and securities business through proper licensing policy and strategic alliances.	a) Review and formulate licensing policy for licensing market participants.					Licensing policy in place.	Securities and Commodity Exchange Markets Research Division (Lead); and Regulation Division
		b) Formulate policy for stock exchange and market intermediaries to have strategic alliances to enhance business capacity and expertise.					Policy formulated.	Market and Listed Companies Division (Lead); and Securities Businesspersons Division and Stockbroker Division Regulation Division (Lead);
	2. Enable the market intermediaries to develop the capacity to manage and mitigate the risks in the trading, and post trading environment.	a) Issue Directives to develop and implement a mechanism for sharing information amongst market participants on fraud and misconduct risks					Directives issued	Market and Listed Companies Division; Stockbroker Dealer Division and Securities Businesspersons Division



## Strategic Domain 6: Investor Education and Public Awareness

Strategic Objective: Promoting investor education, public awareness and understanding of securities markets and commodity exchange markets.

Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
<b>1. Develop the institutional capacity for investor education and public awareness.</b>	1. Initiate establishment of securities and futures institute.	a) Conduct a study to identify the structure and modality of establishing securities and futures market institute.					Study Report prepared.	Securities and Commodity Exchange Markets Research Division (Lead), and NPC-SEBON
		b) Based on study findings, move forward to follow appropriate structure and modality in establishing securities and futures market institute.					Structure and modality finalised.	Securities and Commodity Exchange Markets Research Division
	2. Launch investors' education and awareness building programmes.	a) Develop a course/ syllabus for effective investors' education and awareness building programmes for the general investors.					Course/syllabus developed.	Securities and Commodity Exchange Markets Research Division (Lead)
			b) Conduct investors' education and awareness building programmes				At least 12 Educational and awareness programmes conducted annually.	Securities and Commodity Exchange Markets Research Division (Lead)
		c) Mandate market operators and market intermediaries to conduct investors' education and awareness building programmes					Educational and awareness programmes conducted by market intermediaries.	Securities and Commodity Exchange Markets Research Division (Lead); Market and listed Companies Division; Stockbroker Dealer Division and Securities Businesspersons Division



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
	3. Coordinate to include Capital Markets course /Syllabus for School level students	a) Coordinate with Curriculum Development Centre - Secondary level for inclusion of capital markets in their syllabus/course.					Capital Markets course contents developed and submitted to CDC	Securities and Commodity Exchange Markets Research Division (Lead); Curriculum Development Centre; MoE; and MoF
<b>2. Promote public awareness and understanding on the securities markets and commodity exchange markets.</b>	1. Improve public awareness and industry understanding on securities markets and commodity exchange markets.	a) Conduct the securities markets and commodity exchange markets related interaction programmes with the businesspersons and industrialists.					At least one interaction programme conducted annually.	Securities and Commodity Exchange Markets Research Division
		b) Develop and publish securities markets and commodity derivatives markets Information, Education and Communication-IEC materials for investors and issuers and disseminate them publicly.					Handbooks/ Booklets and other informative study materials published and disseminated.	Securities and Commodity Exchange Markets Research Division
	c) Conduct investor education impact assessment and implement its recommendations to enhance the efficiency and awareness.					Investor education impact assessment report prepared.	Securities and Commodity Exchange Markets Research Division	
<b>3. Enhance service delivery efficiency of securities markets and commodity exchange markets.</b>	1. Build service delivery and educational and awareness building capacity of Market operator and intermediaries.	a) Develop procedural guidelines for Certification programme.					Procedural guidelines developed.	Securities and Commodity Exchange Markets Research Division
		b) Develop course/ syllabus for certification programme.					Course/syllabus in place.	Securities and Commodity Exchange Markets Research Division



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key Performance Indicators (KPIs)	Responsible Authorities
		c) Conduct continuing professional development (CPD) programme for the market operator					At least two CPD programmes conducted,	Securities and Commodity Exchange Markets Research Division (Lead)Market and Listed companies Division; Stockbroker Dealer Division; and Securities Businesspersons Division
		d) Issue Directives to market operator and intermediaries to conduct capacity building programmes for their employees.					Directives issued.	Market and Listed Companies Division (Lead); Stockbroker Dealer Division and Securities Businesspersons Division
	2. Conduct interaction programmes for assessing the legal and regulatory effectiveness and market development.	a) Conduct necessary interaction programme on the securities and commodity exchange laws and practices, and market dynamics with the member of parliaments, judges, lawyers, tax assessors, and the media persons					At least one interaction programme conducted.	Securities and Commodity Exchange Markets Research Division (Lead); Management and finance Division
		b) Conduct a survey on regulator effectiveness and market development.					Survey report prepared.	Securities and Commodity Exchange Markets Research Division



## Strategic Domain 7: National and International Relation

**Strategic Objective:** Enhancing the national and international relation and cooperation to facilitate the development of securities markets and commodity Exchange Markets.

Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key performance Indicators (KPIs)	Responsible Authorities
<b>1. Build relationship with international regulatory agencies/ authorities to enhance the regulatory, operational and market infrastructural capacity in consistent with international principles and practices.</b>	1.Initiate preparatory works to obtain ordinary membership of IOSCO.	a) Conduct a comprehensive assessment of the regulatory framework and market infrastructure and market regulation, surveillance and enforcement practices in order to respond to the IOSCO MMoU questionnaire.					Assessment report prepared.	Securities and Commodity Exchange Markets Research Division
		b) Address the gaps identified.					Acts, Regulations and regulatory framework are in place.	Securities and Commodity Exchange Markets Research Division (Lead); Management and finance Division; OoC; and Governing Board of SEBON
	2.Obtain ordinary membership of IOSCO and join into international initiatives.	a) Apply to obtain the ordinary membership of IOSCO.					Application submitted to IOSCO for Ordinary Membership; and MoU signed with IOSCO for ordinary membership.	Securities and Commodity Exchange Markets Research Division (Lead); OoC; and Governing Board of SEBON
		b) Consult with the international and regional regulators to the international initiatives for the development of securities and commodity exchange markets.					Responded to international regulators/ agencies.	Securities and Commodity Exchange Markets Research Division (Lead); Management and finance Division; OoC; and Governing Board of SEBON



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key performance Indicators (KPIs)	Responsible Authorities
<b>2. Develop partnership with the relevant international professional bodies and academia in key areas of research, training and professional development.</b>	1. Conduct capacity-building programme jointly with international professional bodies on market complexity and regulatory development.	a) Initiating to sign MoUs with international professional bodies such as Toronto Centre, others.					Agreement signed	Securities and Commodity Exchange Markets Research Division (Lead); Legal Division; Management and Finance Division; OoC; and Governing Board of SEBON
	2. Build relationship with the international securities and commodity derivatives market regulators to share expertise and strengthen the regulatory capacity and standards of market infrastructures.	a) Initiate for entering into MoU with emerging and other market regulators to exchange information and expertise					At least two MoU signed with other emerging securities and futures markets regulators.	Securities and Commodity Exchange Markets Research Division (Lead); Management and Finance Division; OoC; and Governing Board of SEBON
		b) Strengthen cooperation with other regulators to strengthen the regulatory capacity and standards of market infrastructures.					At least one MoU signed with other national regulators.	Securities and Commodity Exchange Markets Research Division (Lead); Management and Finance Division; and Governing Board of SEBON
		c) Initiate for entering into MoU with emerging and other market regulators to staff exchange programme.					At least two MoU signed with other emerging securities and futures markets regulators.	Management Division (Lead); OoC; and Governing Board of SEBON



Strategies	Priority	Actions	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Key performance Indicators (KPIs)	Responsible Authorities
<b>3. Build strategic alliances with national regulators and professional bodies and capacity building institute</b>	1. Develop coordination with related national regulators to share information and expertise to address regulatory gaps and avoid regulatory overlapping.	a) Enter into agreement with Nepal Rastra Bank (NRB), Insurance Board (IB), Institute of Chartered Accountants of Nepal (ICAN), Centre for Economic Cooperation and Development (CEDA), Universities in the areas of information sharing, enforcement, research, training and professional development.					At least two MoU signed with other national regulators and research institute and professional development institutes.	Securities and Commodity Exchange Markets Research Division (Lead); Management and Finance Division; and Governing Board of SEBON
		b) Initiate to form a technical and coordination committee with the representation of SEBON, Nepal Rastra Bank, Insurance Board, Institute of Chartered Accountants of Nepal (ICAN), and Office of Companies Registrar (OCR) to share information and expertise, and enforcement to address regulatory gaps and avoid regulatory overlapping.					Technical and coordination committee operationalised.	Securities and Commodity Exchange Markets Research Division (Lead); Regulation Division; Market and Listed Companies Division; Securities Businesspersons Division; and MoF
	2. Collaborate and coordinate in the initiatives and efforts of other agencies to promote securities markets and commodity exchange markets literacy and awareness in the country.	a) Conduct securities markets and commodity exchange markets literacy and education promotion programme jointly with other agencies, including private sector.					Technical and coordination committee operationalised. Securities markets and commodity exchange markets literacy and education promotion programmes jointly conducted.	Securities and Commodity Exchange Markets Research Division



## CHAPTER 06

# MONITORING AND EVALUATION

Monitoring and Evaluation (M&E) is integral and individually distinct parts of plan preparation and implementation. They are critical tools for forward-looking strategic positioning, organisational learning and for effective management. Based on performance indicators, the plan will be monitored using both qualitative and quantitative approaches. The performance targets and actual results will be compared and variance analysis will be carried out. Based on the variance analysis report and identification of cause of variance, Governing Board of SEBON in recommendation of Steering Committee, will take appropriate remedial-actions.

### 6.1 Monitoring and Evaluation, and Risk Monitoring Strategies

The strategic plan will be monitored and evaluated in the following ways:

#### a) Steering Committee

The Steering Committee (SC) will be formed, led by Chairman with departmental heads as members, to critically measure, track and review the key performance indicators (KPIs). The SC is the body to take detailed implementation responsibility for the strategic plan and report to the Governing Board of SEBON. The SC should meet at least every quarter (three months) to review progress. The SC should ensure that actions are implemented as planned and report the status of progress made to the Governing Board on a quarterly basis. Monitoring and Evaluation and risk management framework will be developed by SC.

#### b) Develop Detail Work Plans

Detail time bound work plans will be developed across all divisions with clear roles and responsibilities. Actions identified in this strategic plan will be allocated to related divisions. The division head further divide the actions to the section. The division heads are responsible for providing reports to the SC on a monthly basis.



## 6.2 Strategic Plan Review

The Governing Board will conduct the mid-term, end-term and a comprehensive review of the strategic plan in order to ensure that action plan and activities are performed within the prescribed time frame to meet the objectives of the Plan. Additionally, the Governing Board will conduct bi- annual review in order to evaluate each year's activities as well as achievement of performance indicators. A comprehensive discussion and review of the strategic plan implementation will be undertaken every year at the time of preparation of annual policy and programmes.

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# Annexures


**Annex 1: Macro Economic Scenario of Nepal**

S.N.	Particulars	Unit	Fiscal Year				
			2015/16	2016/17	2017/18	2018/19	2019/20*
	<b>Real Sector and Price</b>						
	a) Real Economic Growth	Percentage	0.2	7.7	6.3	6.7	2.3
	Agricultural	Percentage	0.2	5.2	2.8	5.1	2.6
	Industry	Percentage	-6.4	12.4	8.8	7.7	3.2
	Service	Percentage	2.4	7.4	6.6	7.3	2
1	b) Per Capital Gross National Income	US Dollar	748.0	877	998	1034	1095
	c) Gross Consumption / GDP Ratio	Percentage	95.9	86.6	83.4	81.0	81.9
	d) Gross Domestic Saving / GDP Ratio	Percentage	4.1	13.4	16.6	19.0	18.1
	e) Gross National Saving / GDP Ratio	Percentage	40.1	46.4	45.8	48.9	46.0
	f) Gross Fixed Capital Investment / GDP Ratio	Percentage	28.7	31.4	34.5	33.7	28.1
	g) Average Annual Inflation	Percentage	9.90	4.5	4.2	4.6	6.5
	<b>Monetary and Financial Sector</b>						
	a) Narrow Money (M1)	Percentage	18.5	13.1	17.6	8.6	11.0
2	b) Broad Money (M2)	Percentage	19.5	15.5	19.4	15.8	13.0
	c) Lending Growth in Private Sector	Percentage	23.2	18.0	22.3	19.1	15.0
	d) Gross Saving Growth	Percentage	19.4	14.0	19.2	18	13.8
	e) Capital Market: NEPSE Index	Points	1718.15	1582.67	1212.36	1279.6	1377.2
	<b>Government Finance Sector</b>						
	a) Revenue Growth	Percentage	15.1	26.4	19.3	14.2	-
3	b) Government Expenditure Growth	Percentage	32	39.3	29.9	2.1	-
	d) Gross Outstanding Loan	NPR Billion	627.80	702.56	916.5	1047.9	1139.8
	<b>External Sector (Foreign Trade and Payment)</b>						
	a) Export Growth	Percentage	-17.80	4.2	11.4	19.4	-9.3
	Export / GDP Ratio	Percentage	3.10	2.7	2.7	2.8	2.3
	b) Import Growth	Percentage	-0.10	28.0	25.5	13.9	-19.0
	Import / GDP Ratio	Percentage	34.40	37.0	40.9	41.0	30.5
4	c) Export / Import Ratio	Percentage	9.10	7.4	6.5	6.8	7.7
	d) Increase in Trade Deficit	Percentage	2.0	30.4	26.9	13.5	-19.8
	Trade Deficit / GDP Ratio	Percentage	-31.3	-34.3	-38.2	-38.2	-28.1
	e) Terms of Trade (Average Change)	Percentage	140.4	-10.1	-246.8	-265.4	-190.4
	f) Current Account Balance	NPR Billion	140.4	-10.1	-246.8	-265.4	-190.4
	g) Balance of Payment	NPR Billion	189.0	82.1	1.00	-67.4	10.0
	h) Foreign Currency Reserve (Capacity to import Goods and Service)	Months	14.1	11.4	9.4	7.8	9.7

Source: Economic Survey of MoF, Central Bureau of Statistics and Nepal Rastra Bank



## Annex 2 : Overall Scenario of Nepalese Securities Markets

S.No.	Institution	Mid July 2019	Mid July 2020
1.	No. of Stock Exchange	1	1
2.	No. of Central Securities Depository	1	1
3.	No. of Clearing Banks	4	4
4.	No. of Stockbrokers	50	50
5.	No. of Listed Companies	215	212
6.	No. of Credit Rating Agencies	2	2
7.	No. of ASBA/C-ASBA	59	52
8.	No. of Merchant Bankers	32	30
9.	No. of Mutual Funds	15	16
10.	No. of Depository Participants	66	79
11.	No. of D-MAT A/Cs	1,571,000	1,753,000
12.	No. of Active Traders	159,212	245,474
13.	No. Qualified Institutional Buyers (QIBs)	-	88
14.	No. of Investors Using Online Trading System	11,703	35,159
15.	IPO Issued Amount (Rs. in Billion)	49.76	33.65
16.	Paid up Value of Listed Securities (Rs. in Billion)	412.30	473.39
17.	Market Capitalisation (Rs. in Billion)	1567.50	1792.80
18.	No. of Securities Transaction (yearly in Million)	1.42	1.85
19.	Annually Securities Turnover (Rs. in Billion)	110.07	150.03
20.	Average Daily Turnover (Rs. in Million)	447.50	824.40
21.	Market Index (NEPSE in Points)	1259.02	1362.35
22.	No. of Listed Securities (in Million)	4207.00	4828.00
23.	No. Traded Securities (in Million)	387.50	428.50
24.	No. of Meroshare A/Cs (for IPO subscription)	564,462	742,580
25.	Capital Gain Tax (Rs. in Million)	641.40	984.80
26.	Outstanding Mutual Funds (Rs. in Billion)	18.20	16.81
27.	Market Capitalisation to GDP (%)	42.1	48

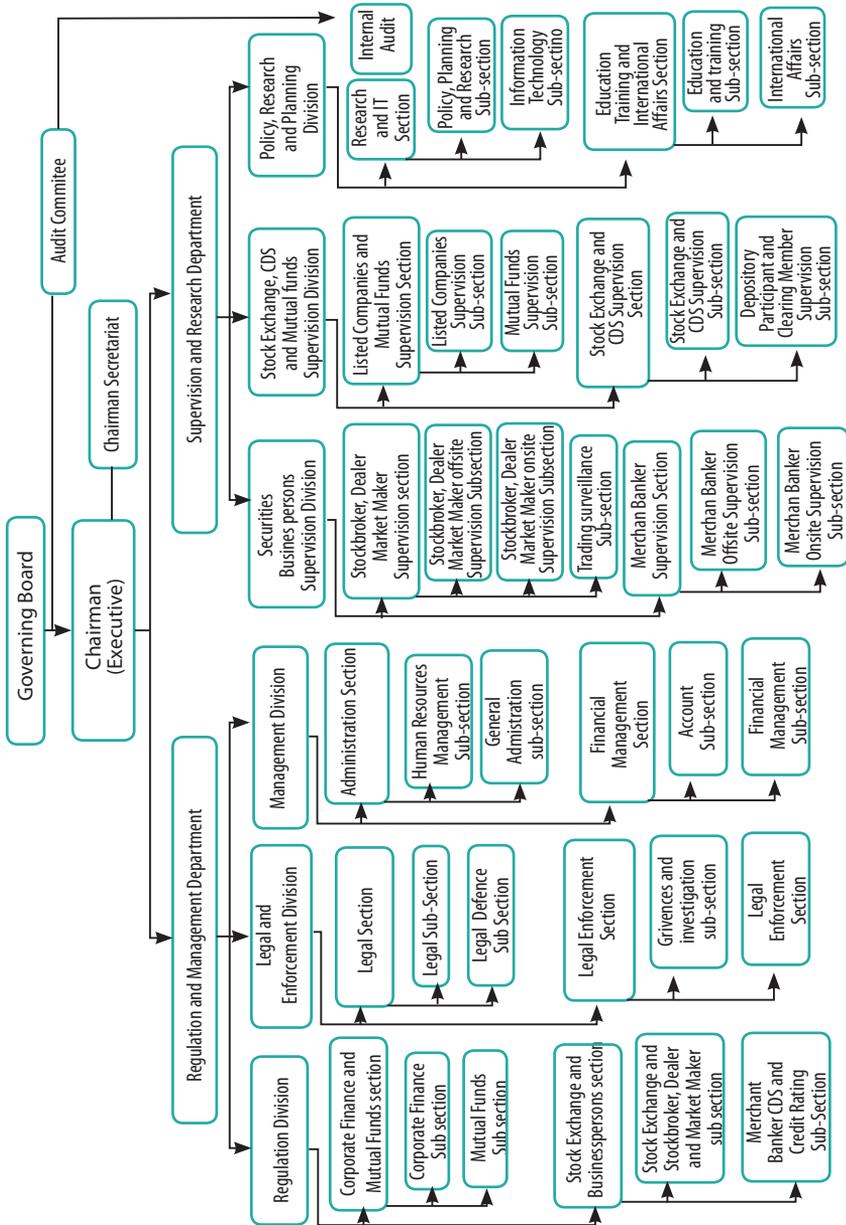


Annex 3: Outlook of International Securities Markets						
S.NO	Particulars	Annual			2020 (First Quarter)	2018.19 (Percentage Change)
		2017	2018	2019		
1	Domestic Market Capitalisation (US \$ Trillion)					
	Americas	36.49	34.21	40.86	31.79	19.44
	APAC	31.27	23.86	31.02	25.61	30.01
	EMEA	19.41	16.37	21.45	16.56	31.03
	Total Market Capitalisation	87.17	74.43	93.32	73.96	25.38
2	Value of Share Trading (US \$ Trillion)					
	Americas	41.87	54.62	45.13	17	-17.37
	APAC	30.24	29.18	32.37	11.49	10.93
	EMEA	12.13	13.52	11.42	3.98	-15.53
	Total Traded Amount	84.24	97.32	88.92	32.47	-8.63
3	Number of listed companies					
	Americas	9,832	10,075	10,014	10,008	-0.61
	APAC	26,661	27,347	28,021	28,387	2.46
	EMEA	13,727	14,160	14,228	14,309	0.48
	Total listed companies	50,220	51,582	52,263	52,704	1.32
4	Investment flows, IPOs (US \$ billion)					
	Americas	49.18	52.41	52.86	7.91	0.86
	APAC	103.5	92.44	98.6	19.78	6.66
	EMEA	52.31	37.16	52.67	1.67	41.74
	Total Investment flows from IPOs	204.97	182.00	204.12	29.36	12.15

Source: World Federation of Exchanges



### Annex 4: SEBON Organisation Structure





## Annex : 5 Name of Principal Officers

### **Niraj Giri**

Executive Director  
Regulation and Management Department

### **Mukti Nath Shrestha**

Deputy Executive Director

### **Binay Dev Acharya**

Deputy Executive Director  
Stock Exchange, CDs and Fund Supervision Division

### **Dr Nabaraj Adhikari**

Deputy Executive Director  
Policy, Research and Planning Division

### **Krishna Raj Pokhrel**

Deputy Executive Director  
Legal and Enforcement Division

### **Rupesh KC**

Deputy Executive Director  
Regulation Division

### **Deepa Dahal**

Deputy Executive Director  
Management Division



# Photo Gallery



Interaction through webinar with stakeholders for formulation of Annual Plan and policies for FY 2020/21



Receiving direction for the development of Nepalese capital market from Honorable Minister in the Ministry of Finance



# SECURITIES BOARD OF NEPAL



SEBON Management Level



# SECURITIES BOARD OF NEPAL



SEBON Family





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