

Mutual funds an investment tool, says NRB

Himalayan News Service

Kathmandu, December 27

As the Nepali capital market is getting ready to receive more mutual funds, the central bank has recognised mutual funds as an investment instrument for financial institutions.

Nepal Rastra Bank (NRB) had recently issued a directive saying that financial institutions that buy mutual fund units have to consider it a risky asset while calculating capital adequacy against risk, for mutual funds being a relatively risky investment instrument.

"This has clarified that financial institutions are allowed by the regulator to invest in mutual funds," said CEO of Nabil Investment Banking Pravin Raman Parajuli. Nabil Investment is preparing to launch a mutual fund scheme soon. "Any financial institution that was apprehensive about mutual funds due to lack of clarity now have an understanding regarding the risk assessment of the units in their portfolio," he added.

There was no such provision in the regulations earlier, but now, Nepal Rastra Bank has recognised mutual fund investment as stock investment. As mutual funds primarily invest in shares, it is considered somewhat risky. However, some schemes invest entirely in gilt-edged securities such as government bonds that are relatively risk free.

"Hopefully, NRB will revise

the provision for mutual fund schemes that invest in gilt-edged securities," pointed out Parajuli. Nabil Investment has already applied for the approval of the upcoming mutual fund scheme for the regulator's approval.

Likewise, NRB has also allowed mutual fund sponsoring banks that invest their seed capital in the mutual fund schemes to calculate

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Siddhartha Mutual Fund had launched its new fund offer of Siddhartha Investment Growth Scheme I in November-end. Siddhartha Capital — the fund manager of the mutual fund — has also completed the allotment of the units. Of the total scheme worth more than Rs 400 million, institutional investors such as banks and financial institutions and insurance companies subscribed 68 per cent, while the rest was for the public.

"We will apply next week for the listing at the stock exchange and hopefully the scheme will be listed within one month," pointed out COO of Siddhartha Capital Mekh Thapa. The scheme will also publish its Net Asset Value before listing which will be calculated by an independent auditor.