

Changes to BAFI Bill provisions draw flak

Finance Committee Chairperson Prakash Jwala says alterations can still be made

Himalayan News Service

Kathmandu, June 15

The amendments made to the draft of the Banks and Financial Institutions (BAFI) Bill by the Parliamentary Committee on Finance can be rolled back if the House sends the legal framework back to the committee, Chairman of Finance Committee, Prakash Jwala, said today.

His remark comes at a time when the Finance Committee has been facing criticisms for altering some of the provisions of the draft BAFI Bill, which, many experts say, could heighten conflicts of interest and weaken governance at banks and financial institutions (BFIs).

The draft BAFI Bill initially contained a provision that barred BFI chairpersons from serving the organisation for more than two terms of four years each. The bill also proposed a lock-in period of 10 years to convert all promoter shares into ordinary shares.

These provisions were later revised by a sub-committee formed under the Finance Committee. This sub-committee comprised a lawmaker, who also wears the hat of a bank chairman.

Presenting its report, the sub-committee recommended that the provision on two-term tenure of BFI chairpersons be scrapped. The suggestion was laid to pave the way for BFI chairpersons to remain in that post throughout their life. Also, each term of chairpersons of BFIs was prolonged to five years from four years. The subcommittee also recommended that the lock-in period for conversion of promoter shares to ordinary shares be reduced to seven years.

Employees fret over amendments

Himalayan News Service

Kathmandu, June 15

Employees of financial institutions have said that the Banks and Financial Institutions (BAFI) Bill endorsed by the Finance Committee of the Legislature-Parliament has overlooked the governance issues, which will hurt the decent working environment in BFIs.

The bill, which was recently approved by the parliamentary panel, has removed a provision of the draft bill that barred a person from holding the post of a chairman of a BFI for more than two terms.

The bill, which was drafted by the Ministry of Finance and Nepal Rastra Bank, had allowed a person to hold the position of a chairman of a BFI for only two terms. However, the parliamentary panel made some amendments to the bill — including the tenure of chairperson — before giving its stamp of approval.

These recommendations made by the subcommittee were later approved by the Finance Committee.

"We expedited the process of amending the draft bill because we were under pressure from the government to endorse it as soon as possible," Jwala told an interaction organised jointly by South Asia Watch on Trade, Economics and Environment (SAWTEE) and

According to the employees, longer tenure of the same person in the topmost post may result in an autocratic system or deviation in governance of the institution, which could deteriorate the working environment.

Employees of BFIs associated under Financial Institution Employee Union of Nepal (FIEUN) today organised an interaction programme on the BAFI Bill that was forwarded to the full house for final approval.

During the interaction, experts and bankers and former governor of Nepal Rastra Bank laid emphasis on the fact that Nepal cannot remain isolated from the global values and practices, as has been ignored in the amended bill.

Former NRB governor Tilak Rawal spoke about widely shared view of conflict of interest in the law-making process because some of the lawmakers, who are holding the position

Nepal Economic Association today. "We have now started to feel whether we failed to conduct thorough discussions with different stakeholders before approving the draft bill."

Jwala, however, said, changes can still be made if the full House sends the draft bill back to the Finance Committee, specifying issues that need to be further discussed.

of chairmen of some BFIs, were involved in amending the draft bill.

Similarly, NRB's former deputy governor Maha Prasad Adhikari said that the bill has not set precautionary measures while transferring promoter shares to the public. The bill has amended the lock-in period of promoter shares to convert as ordinary shares from 10 years to seven years. "Thus, without moving ahead without any precautionary measures like pre-approval from NRB or advance notification to the central bank could result in issues of capital gain tax embezzlement during transfer of promoter shares — like in the case of Reynolds Holdings Ltd, former promoter of Ncell."

Nepal Bankers' Association President Upendra Paudel said that the new act should give supremacy to the NRB for the larger benefit of the financial sector, rather than curbing its authority.

"We'll be very flexible on this issue," he further said.

Former Nepal Rastra Bank (NRB) governor Bijaya Nath Bhattarai said: "Everyone should be careful while dealing with issues related to BFIs because banking isn't like any other business... BFIs are custodians of people's deposits, so caution must be taken."

In this regard, the Finance Committee should have carefully

thought before allowing a lawmaker cum bank chairman to take part in draft bill amendment process, Bhattarai informed, adding, "participation of such a person was ludicrous and embarrassing".

President of Nepal Bankers' Association Upendra Poudyal said: "Investors want to safeguard their investment but banking is an entirely different business which deals with people's money."

Currently, around 10 million account holders have parked around Rs 1,947 billion in various BFIs, whereas number of people who earn \$2 or more per day stands at 6.5 million. This roughly means lots of people who are poor have also deposited money in BFIs.

"These people will get hit if conflicts of interest or weak governance deteriorate performance of BFIs," SAWTEE Executive Chairman Posh Raj Pandey said, adding, "Removal of provision on term of BFI chairpersons will hit governance of BFIs."

Nabil Bank CEO Sashin Joshi said two-term tenure of five years each was adequate for bank chairpersons because 'change is necessary to promote innovation'.

Bhattarai said investors' demand for removal of cap on chairpersons' term and reduction in lock-in period from 10 years to seven years was contradictory.

"If promoters wish to get out of banking business within seven years, why do they want chairpersons to remain in office forever?" Bhattarai questioned.

He, however, added, proposal made by NRB to limit lock-in period at 10 years was reasonable, "otherwise people will just start opening BFIs to make quick profits."