



## **Cooperative Education Report**

### **Foreign Exchange Management System in Nepal: A Glance at Nepal Rastra Bank**

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**This Report is submitted for the partial fulfillment of the requirement for Cooperative  
Education, Faculty of Business Administration**

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**Siam University**

**Title-** Foreign Exchange Management System in Nepal: A Glance at Nepal Rastra Bank

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**Department-**Bachelor of Business Administration (Finance and Banking)

**Academic Advisor-** Dr. Parham Porouhan

We have approved this cooperative report as a partial fulfillment of the Cooperative education program semester 2/2018.

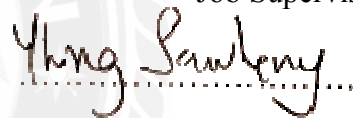
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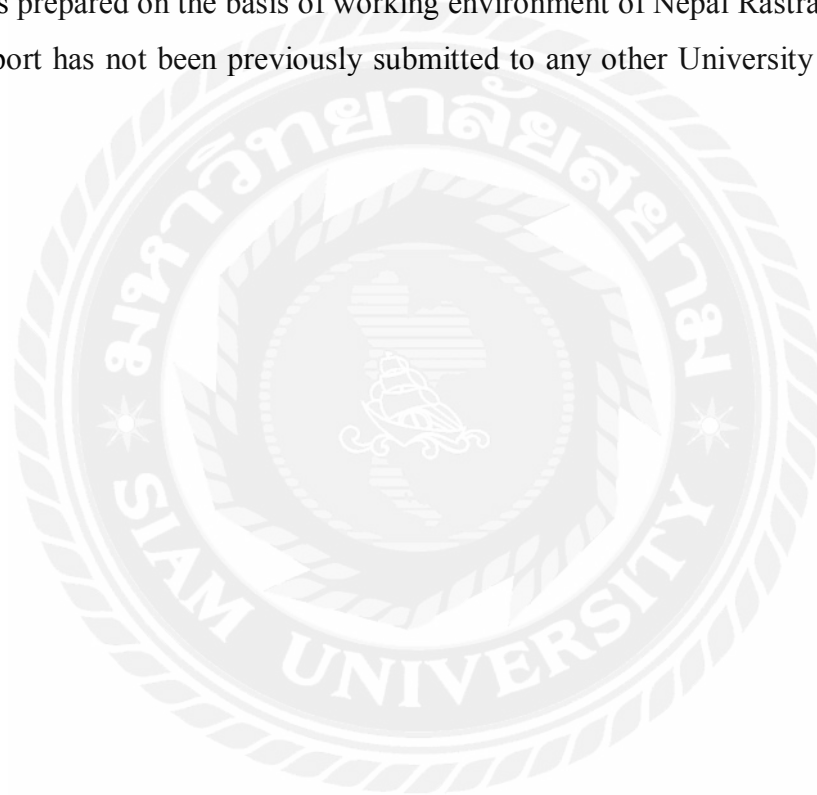
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## DECLARATION

Date: May 2019

I hereby declare that this internship report titled “Foreign Exchange Management System in Nepal: A Glance at Nepal Rastra Bank”, in reference to the organization which located at Balwatar, Kathmandu, Nepal submitted to Siam University is an original work based on the learning during the internship program for the partial fulfillment of the requirement of Bachelor in Business Administration under the supervision of Mrs. Maria E.L. Shrestha. I further declare that this report is prepared on the basis of working environment of Nepal Rastra Bank and assure you that this report has not been previously submitted to any other University or institution for examination.



SumiranGiri

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**Project Title** : Reproduction and Estimation of Sanitary Systems  
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**By** : Simran Tamrakar  
**Advisor** : Dr. Parham Porouhan  
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### **Abstract**

This cooperative report entitled Marketing and OTA Conversion at OYO Nepal has the goals to study the type of demand of the customers in OYO. Objectives of the study include: (1) to understand the marketing concepts of the organization by applying the theoretical knowledge I have acquired to the practical experience in the organization (2) to know the impact of online portals on demand (3) role of CRM to manage a company's interaction with current and potential customers. With the company, the student was assigned to work as a Marketing intern, in the department of Growth and Partnership. Main responsibilities are to customer reply the queries of Booking.com and Facebook, work for different marketing campaigns, demographic research and graphic designing, collecting database for Revenue department, Upon the completion of the internship, it was found that the problem was resolved by the means of practical learning and theories concerning Consumer Behavior, Brand Management, Sales and Innovation. In this matter, the student is able to learn more about demand pattern, customer handling, Operational management, innovating oneself to build client relation through digital platform, relation management with the suppliers which will prove a fruitful experience in the professional career.

## ACKNOWLEDGEMENT

I would like to express my sincere gratitude to Nepal Rastra Bank for providing me with an opportunity to work in the Foreign Exchange Management Department which helped me learn the practical aspects of the theoretical knowledge gained in courses of the BBA program. Also, I am grateful for having been provided the opportunity to meet with various professionals from within and beyond the organization who guided me throughout the internship tenure with various tasks, while also helping me develop my networking skills.

I would like to use this opportunity to express my heartfelt gratitude and special thanks to my supervisor, Mr. Prem Lal Gyawali, who appointed me to various divisions of the department while making sure that I learnt the work and guide me through it when needed.

I would like to thank Mr. Bhagwat Acharya- Deputy Director of License Division, Mr. Ashok Sunwar- Assistant Director of Investment Division and Ms. Sita Chaulagain - Assistant of Import and Export Division for teaching and guiding me regarding the works and ways of their respective divisions.

Further, I'd like to thank Mrs. Kalpana Devi Bhattraï, Ms. Pratistha Paneru, and Mr. Keshar Man Maharjan for their precious guidance, which helped in clearing up my confusions throughout my tenure, despite their busy schedule; which were extremely helpful for my understanding of the tasks.

This opportunity has not only been a wonderful experience, but has aided immensely in my personal, professional, and career development.

Sumiran Giri

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## LIST OF ACRONYMS

1. NRB- Nepal Rastra Bank
2. BFIs- Banks and Financial Institutions
3. FOREX- Foreign Exchange Management
4. ACU- Asian Clearing Union
5. SWIFT- Society for Worldwide Interbank Financial Telecommunication



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## CHAPTER 1: Introduction

### 1.1 Company profile

Nepal Rastra Bank (NRB) is the central bank of Nepal. Established in 1956, under the NRB Act 1955, it is the sole monetary, regulatory and supervisory authority of Banks and Financial Institutions (BFIs) operating in the Nepalese economy. NRB was formed in order to release the central banking obligations including managing the advancement of the Nepalese financial sector. The Board of Directors, chaired by the Governor Dr. Chiranjibi Nepal along with other 6 members, is the apex body of policy making while the Governor also carries out his duty as the chief executive of the bank.

The primary functions of NRB are as follows:

- To formulate necessary monetary and foreign exchange policies to maintain the stability in price and consolidate the balance of payments for sustainable development of the Nepalese economy;
- To develop a secure, healthy and efficient system of payments;
- To make appropriate supervision of banking and financial system in order to maintain its stability and foster healthy developments; and
- To further enhance public confidence in Nepal's entire banking and financial system.

The objectives of the bank are:

- To achieve price and balance of payments stability,
- Manage liquidity and ensure financial stability,
- Develop a sound payment system, and
- To promote financial services.

Vision:

To become a modern, dynamic, credible and effective central Bank.

Mission:

To maintain macro-economic stability through sound and effective monetary, foreign exchange and financial sector policies. (Nepal Rastra Bank, 2019)

### 1.2 Organization structure

There are a total of 16 departments with sub-departments, 2 department level offices, 2 divisions, and one unit functioning in 9 different locations, two being in Kathmandu itself.

The functioning departments of NRB are as follows:

1. Research Department
2. Banks and Financial Inst. Regulation Dept.
3. Foreign Exchange Management Department
4. Currency Management Department
5. Financial Management Department
6. Human Resources Management Department
7. Internal Audit Department
8. General Services Department
9. Public Debt Management Department
10. Micro-Finance Promotion & Supervision Department
11. Bank Supervision Department
12. Development Bank Supervision Department
13. Finance Company Supervision Department
14. Information Technology Department
15. Corporate Planning Department
16. Payment Systems Department

Department Level Offices:

1. Banking Office, Thapathali
2. Office of the Governor

Divisions:

1. Legal Division
2. Problem Bank resolution Division

Units:

1. Financial information Unit

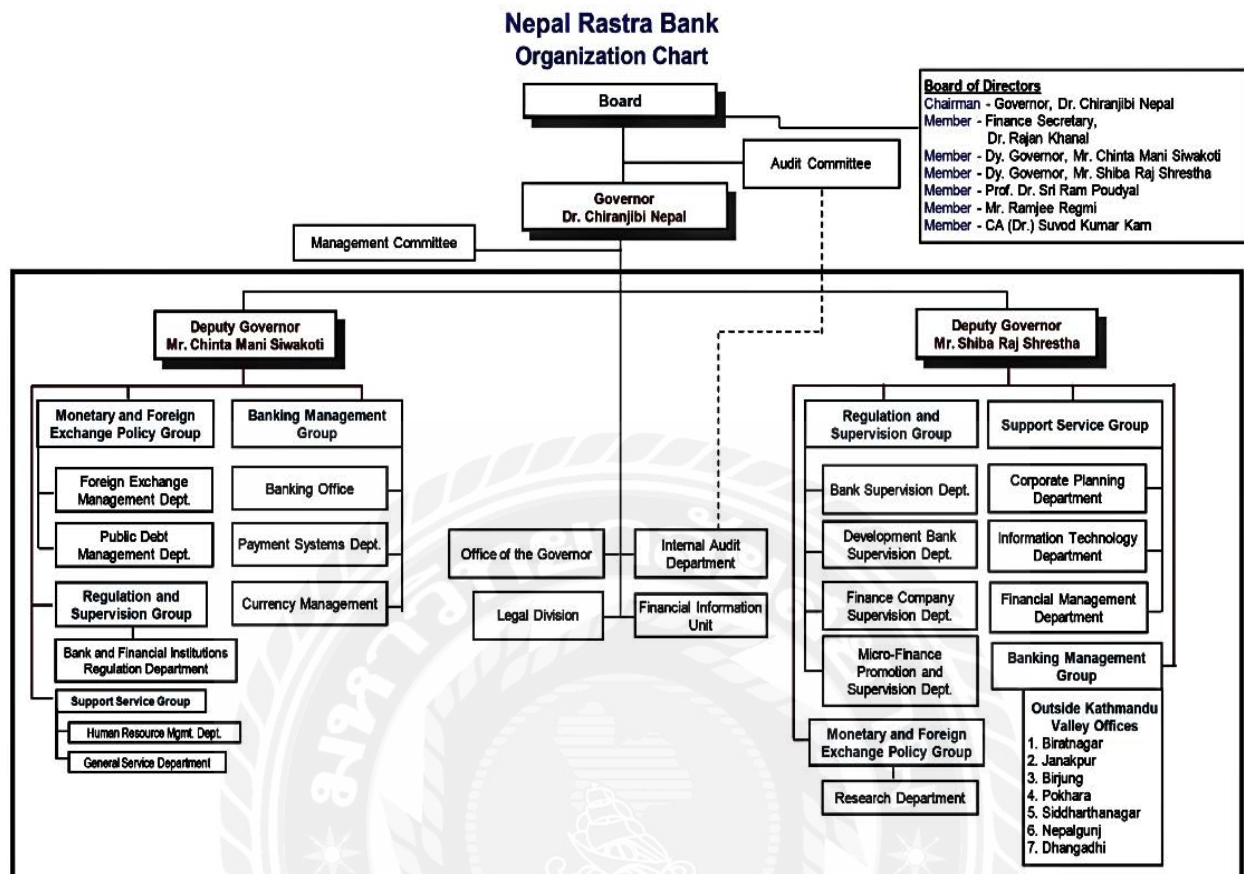


Figure 1 Organizational structure of Nepal Rastra Bank (NRB)

(Nepal Rastra Bank, 2019)

### 1.3 Statement of report

The purpose of this internship is to utilize the theoretical knowledge gained throughout the course in a practical day to day scenario in a corporate working environment. During the 14 weeks period, the intern is to fully work as a part of the organization as well as their own personal development and growth. This report highlights the aspects of working in the organization while implementing all of the learnings previously provided to the student while also helping to develop their work ethics.

### 1.4 Objective of the study

The main objective of cooperative education are as follows:

- To experience real working environment
- To be able to use theoretical knowledge in day to day practices

- To develop our personal and professional skills
- To be understand the process of Foreign Exchange Management of NRB as central bank.

### 1.5 Expected outcomes

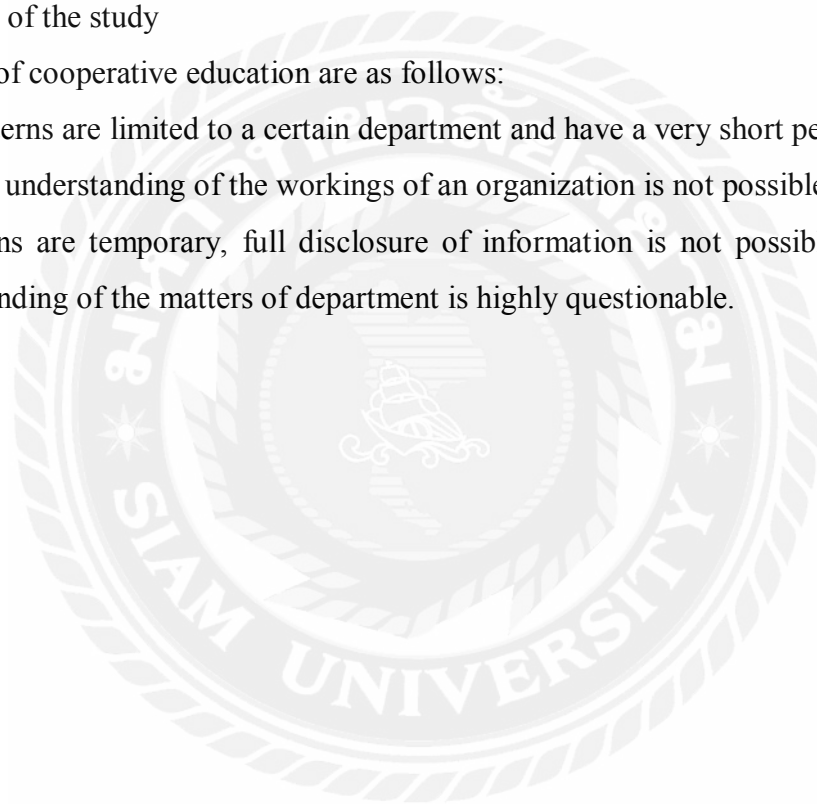
The expected outcomes of cooperative education are as follows:

- Ability to use theoretical knowledge to practice
- Understand the corporate working environment in order for personal development
- To have a clear understanding of foreign exchange management scenario in Nepal
- To have a basic understanding of how central bank works

### 1.6 Limitations of the study

The limitations of cooperative education are as follows:

- Since interns are limited to a certain department and have a very short period of exposure, the clear understanding of the workings of an organization is not possible.
- As interns are temporary, full disclosure of information is not possible and hence the understanding of the matters of department is highly questionable.



## CHAPTER 2: Internship Activities

Out of all the various department present in NRB, I had the opportunity to work in Foreign Exchange Management Department (FOREX). In a central bank, it is one of the most important departments as it tracks and controls the inflows and outflows of currencies, remittance, import and export as well as makes investments and payments on behalf of the government while also issuing license to trade and/or hold foreign currency for business purposes. Also, since any SWIFT sent from any Nepalese BFIs also goes through NRB, the department is easily one of the main departments. There are 6 sub-divisions in this department as listed below:

1. Investment Division,
2. Inspection Division,
3. License and Permit Division,
4. Foreign Direct Investment Division (FDI),
5. Import and Export Division, and
6. Internal Administration Division.

### 2.1 Roles and responsibilities assigned by the organization

During my internship tenure, I have been assigned to three of divisions namely License and Permit, Import and Export, and Investment division. The roles and responsibilities assigned by the department are as follows:

1. License and Permit Division: As the name suggests, this division provides new license and permit as well as renewal to trade and/or hold foreign currency to various organizations based on the nature of their business. Apart from BFIs and money exchange, various business such as travels and tours, trekking, hotels, remittance companies, cargos as well as airlines are some business that are frequently issued the permit.

Due to the lack of human resource here, I was assigned specifically to take responsibility for licensing of Trekking, and Travels and Tour. My role here was to check whether the documents submitted for new and renewal of license were complete. If not, a follow up would be done to insure completeness of the document. I then wrote a request note insuring that the documents presented were appropriate to be granted permission and then passed on to seniors for further examination and decision. Since, the documents required for travel and tours as well as trekking

company were very basic, I was to do the above mentioned steps to these documents. Other sectors were more complex and handled by the seniors.

Also, after the permission was granted, I was to make and print the certificate of license and forward it to the Deputy Director of the division.

After the companies received the license, the office copy of the license along with their bank guarantee and voucher was to be filed by me in their respective files.

2. Import and Export Division: Import and Export division deals with the inflow and outflow of cash in and out of the country linked with import and export of goods and services. When companies or individuals have to import or export goods and services, send foreign currencies abroad for study/medical purpose, salary payment to foreign nationals whose service had been taken, etc. the parties have to submit all the documents as listed as proof along with an application requesting the central bank to grant permission for them to carry out such transaction. For this, import and export section is present. After that, the authorized personnel reviews the documents and cross-checks or make corrections as required. He or she approves the documents and issues a letter on behalf of the concerned party to the organization or authorities to permit them to carry out their transaction. Further, the division is responsible to grant cash incentives to those companies that are eligible for it.

Cash incentives: The Government of Nepal has declared 3% and 5% cash incentives to companies that import various selected goods abroad which are of local origin. This step was taken to promote imports of local goods and boost the Nepalese economy.

The responsibilities and duties that were granted during the internship tenure are:

- a) Review files submitted by companies filing for cash incentives (check whether they have submitted all the documents and whether they are genuine or not)
  - b) Dispatch the letters issued by the banks to various parties.
  - c) Filing off the completed documents in their respective section.
3. Investment Division: The Investment division of FOREX further consists of three offices. They are:
    - a) Front office: This is the place where actual deals take place. Deals for investment, intervention as well as the exchange rates are determined here. All of this takes

place through Bloomberg and Reuter's software. Deals made via these software are considered to be official. They also prepare the currency exchange rates at the end of the day to be published on the next day.

Intervention: As the name suggests, NRB intervenes to buy dollars from the commercial bank in order to regulate the amount of foreign currency floating in the market if the banks are unable to sell them for a prolonged period of time.

- b) Middle office: This is where the research and analysis takes place. They collect data and analyze the market in order to determine new securities that are eligible for investment which may yield profit in the future. Apart from this, they prepare timely reports to analyze and keep track of foreign investments made by banks across the country which helps the front office with Intervention.
- c) Back office: Here, the data entry, filling and other tasks required to keep a record are done in order to cross check the tasks performed by the front office. This is usually done with the software called OLYMPIC as well as some physical documentation is also kept. A part of this subdivision is also responsible for the SWIFT transactions and ACUs. Asian Clearing Union (ACU) is a payment procedure whereby the members settle payments for intra-regional transactions among the participating central banks on a net multilateral basis.(Asian Clearing Union, 2019)

I mostly worked in the middle office and the back office. In middle office, I aided to complete the weekly foreign assets report on time as well as analyze it. Along with this we were made to research upon various news and be aware of the economic activities going throughout the world which would affect the values of our investment.

In the Back office, where I worked most days, the reconciliation of ACU and other SWIFT transactions were major tasks and I was familiarized with the OLYMPIC software. Also, the bonds that were nearing expiry were evaluated for automatic roll or if the interest rates were low they were withdrawn and reinvested in another. I had to check and account these transactions in the software and then file them for future use. Of course, since all these are quite sensitive tasks, and there are two different people for input and recheck, all of

these tasks were double checked to insure the authenticity and accuracy of the data.

I did go to front office to observe the process of intervention and locking of deals, however any transactions done through the software used i.e. Bloomberg and Reuter's chat are official and considered to be authentic, for safety reasons, I as an intern was not allowed to practically work with it.





## CHAPTER 3: Identification of Problems Encountered During Internship

Since, all of my supervisors were quite supportive and taught me firsthand about the tasks, not many problems were encountered till date. Some problems that were encountered are mentioned below.

### 5.1 Problems faced during internship and how they were solved

- In the license and permit department, various incomplete files would be left off by the company trying to get permission for new license. This was mainly a problem of pending files as they were left before anyone checked them. Although we provided the companies with detailed information on the documents, most people would not check the NRB website.

This was solved by calling them up and having them bring the documents that were remaining and if someone would try to leave an incomplete file we would also check it briefly just then to ensure none were incomplete. This reduced the pending files and reduced working time it took to complete a file.

- In the Import and Export department, the cash incentive files were most complicated. Since the incentive had gone up from 1-2% to 3-5% in this fiscal year but only implemented since the past month, many small business would come to claim the increased incentive percentage for whole of the year. Some would even come up and start arguing in the office hours.

By showing the circulars for the incentive change and tedious logical and persuasive conversations, this problem was solved.

- Investment department itself is a very sensitive department amongst all other in the FOREX department. However, even as an Intern, I was seen to perform my tasks diligently and hence, granted permission to work here. Since the SWIFT section and front office are the most sensitive part, with access to only few authorized personnel, the whole process of this department was never fully accessible to me for practice.

However, the theoretical knowledge gained here was quite enough to understand the department and anything too complex for me to practice was explained by them for me to understand how it all worked.

## CHAPTER 4: Contribution and Learning Process

### 4.1 Contribution made and tasks performed during the internship period

During the internship, a certain level of authority was delegated to me as the manpower was really lacking when I first started working there. Due to this, I quickly gained trust and was handed responsibility. Timing is quite essential when you're starting out at a new workplace, but so is work ethics. The diligent performance of task assigned may have contributed towards a positive attitude of my seniors, which was immensely helpful in my learning process and growth during my internship period. The contributions made are as follows:

- In the License and permit department, many documents were piled up which were waiting to be checked and verified due to lack of manpower as well as license expiry season kicking in when I got to the department. I followed up with these pending files, as well as checking up new ones every day. I ended up finished most of the files and issuing license to more than 60 travel and tours, trekking and hotels during my 3 weeks in that section, which was comparatively a short span of time to finish that many pending files as it was a long and tedious process.
- In the import and export division, I dispatched letters issued by the department. At least 15 letters would have to be dispatched every day, and it has many processes to be fulfilled before it can be given to the beneficiary. In this division I made the work easier for the staffs by dispatching and filing the letters for them while they continued with their tasks. Also, I checked the pending cash incentives files and made sure all the remaining files were done checking within my tenure, which was then passed on to my senior in order to grant the cash incentive.
- In the Investment division, I mostly made the weekly foreign currency reserve report, which helped to shorten the length for analysis as the seniors could work on their tasks and the report would be ready to be analyzed when required. Also at back office, I helped my seniors to report the ACU transactions, as the after weekends there were more than 50 of such transactions needing to be recorded and it would be a good practice for me as well as a tremendous help. Apart from this, I would also help with filing and record keeping of the deal tickets and other securities. These were the various tasks I performed during my tenure in this division. Since I was here for almost 6 weeks, this is where I gained most of my experience in. The field of

knowledge gained here was similar to the theoretical knowledge I gained through my other courses at KCM and Siam. Dealing with investment in bonds, securities and foreign currency while using the software we had read about was a knowledgeable experience.



## CHAPTER 5: Conclusion

The past 14 weeks spent at Nepal Rastra Bank, where I have been working at, has developed me in various ways than one. I got to learn about various subject matter which I wouldn't have otherwise known if not for the internship, all the while using my knowledge to perform the task at hand. The objective of this internship was to be able to experience the professional working environment, be able to maintain a work ethics, learn about the principles and practices of the workplace; which I believe I was able to fulfill all the objectives set. The experience is indeed an enriching one and I hope it will be so too in further days.

My main goal while joining the organization was to use my theoretical knowledge in practical scenarios while also working and understanding the corporate environment. Apart from this, I also wanted to understand the workings of the central bank which looks after and incorporates all other banks to insure a cohesive financial sector of the country while also acting as the government's financier with regards to foreign exchange and other related activities.

Due to the fulfillment of all of these tasks, I consider my internship a successful one with regards to this.

### 5.1 Self-assessment as future professional

In contrast to gaining knowledge about the sector, developing interpersonal skills, improving work skills by applying the knowledge gained while working; being at a workplace is definitely challenging as it requires many skills. I personally think communication skills; the ability to work in a team, patience, interpersonal skills, and professionalism while handling daunting tasks is what it takes to be able to become a professional and have a good reputation at work.

I followed the dress-code, treated my seniors with utmost respect, reached the work on time, and followed the instructions given and completed my tasks within the allocated time. I saw to it that the work was done correctly and efficiently. I learnt all that was taught attentively and asked questions to clear my confusion. I did not hesitate to take up responsibilities and work hard.

So, I definitely think I was able to accomplish all the skills and ethics a professional should have at workplace.

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