

**Notice of His Majesty's Government
Ministry of Housing and Physical Planning
Town Development Fund Rule, 1997**

As authorised by the section 36, sub-section (1) of the Town Development Fund Act, 1997 His Majesty Government has prepared following rules:

1. Short title and commencement:

- (a) The name of these rules is "Town Development Fund Rules, 1997".
- (b) Rules will come into force at once.

2. Definition:

In this rules, unless the subject requires otherwise,

- (a) "**Act**" means the Town Development Fund Act, 1997 (2053).
- (b) "**Investment**" means an investment made by the Fund on bonds, debentures and shares of the banks financing institutions or other organised institutions and on social infrastructure and income generating projects implemented by an institution related with the town development.
- (c) "**Bank**" means the commercial bank established under the Commercial Bank Act, 1994 (2051).
- (d) "**Finance institution**" means a finance institution established with an objective to provide loan for a special use or for an industry, cooperative, urban and rural development.
- (e) "**Investment Promotion Committee**" means an Investment Promotion Committee established under the rule 4.

3. Investment Policy of the Fund:

Fund can invest in the following areas with due consideration on the security of the investment, fluidity and benefit or interest.

- (a) Social infrastructure and income generating projects to be operated jointly with banks or other finance institutions under consortium or bridge financing, or operated by a an institution related with town development.
- (b) To purchase debentures and security bonds issued by the His Majesty Government
- (c) To purchase share, debenture and any other type of debenture issued by the bank, finance institution or organised institution.

4. Investment Promotion Committee:

(1) Fund shall establish an Investment Promotion Committee to adopt an investment policy of the Fund and to advise the Fund regarding the investment of the Fund in secured area.

(2) As per sub-rule (1) members of the Investment Promotion Committee shall be as follows:

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| a) Executive Director | Chairman |
| b) Nominated by the Board among the members of the Board | Member |
| c) Nominated by the Board among finance and investment experts | Member |

(3) Period of members nominated under (b) and (c) of sub-rule (2) shall be 3 years.

(4) Investment Promotion Committee, if necessary, can invite national or international expert, advisor, and representative of an institution providing loan or grant or reputed person in the field of town development as an observer in the meeting of the Investment Promotion Committee.

(5) Other procedures regarding the meeting of the Investment Promotion Committee shall be according to the rules adopted by the Investment Promotion Committee.

5. Consulting fee against the consulting service provided by the Fund:

The consulting service fee against the town development service to institutions related with town development as per section 7 of the Act shall be as prescribed by the Committee.

6. Limit of investment on share, debenture or other type of bond paper:

While purchasing share, debenture or any other type of bond paper issued by a bank, finance institution or organised institution, the Fund can invest 10% of the total capital of the bank or 10 % of the total capital of the Fund, whichever is less.

Approval should be sought from an institution, who has provided grant to the Fund for some specific use, prior to the investment of such grant on the share, debenture or any other type of bond paper issued by the bank, finance institution or an organised institution. If such approval is sought, 10% limitation will not be applicable.

7. Limit of issuing debenture and other type of bond paper:

(1) Fund can issue debenture and any other type of debenture without exceeding 25% of the total fixed and movable asset of the Fund.

(2) Whatever so mentioned in the sub-rule (1), Fund can issue debenture equal to an amount guaranteed by any bank or an institution.

8. Limit of investment in the consortium or bridge financing:

While investing together with any bank or finance institution in social infrastructure and income generating projects under the principle of consortium or bridge financing, which is being implemented by an institution related with town development, the Fund can invest without exceeding 15% of the total capital of the Fund.

Approval should be sought from an institution, which has provided grant to the Fund for some specific use, prior to the investment of such grant on the social infrastructure and income-generating projects together with the bank, finance institution or an organised institution. If such approval is sought, 15% limitation will not be applicable

9. Procedure to be adopted while issuing debenture or other type of debenture:

1) The Fund should take approval of the Nepal Rastra Bank before issuing any debenture Or any other type of debenture.

2) While issuing debenture or any other type of debenture as per sub-rule (1) the Fund should publish notice in two major newspapers with all details like, total price, payment period, interest rate, time of interest payment and other details.

3) Upon publication of the notice as per sub-rule (2) person willing to purchase such debenture should apply to the Fund with all details and required amount.

But, the Fund will have the ultimate authority to decide on the amount of debenture that could be sold to a person or an institution.

10. Procedure regarding the debenture:

Transfer, payment of principle and interest and any other procedure regarding the debenture and other type of debenture issued by the Fund shall be as prescribed by the Board. While prescribing such procedures the Board should seek approval from the Nepal Rastra Bank.

11. Interest rate:

What so ever mentioned in the prevailing laws, the Board will prescribe interest on the loan provided by the Fund to an institution related with urban development only on the recommendation of the Investment Promotion Committee.

12. Payment of the loan:

As mentioned in the loan agreement the debtor shall pay the interest and the principle of the loan to the Fund in one or more than one installment.

13. Procedure of evaluation of the property of the debtor:

(1) In case the property of the debtor is to be acquired by the Fund as per section 11, sub-section (3) of the Act, the Fund can acquire such property by fixing the price of such property on the recommendation of the Investment Promotion Committee.

(2) While recommending the price of the property of the debtor as per sub-rule (1) the investment Promotion Committee should recommend after necessary review of market price and depreciation of similar property in the market.

14. Qualification of the Executive Director:

In order to be appointed for the post of the Executive Director one must have five years minimum experience in the relevant field after having received Master degree either in Economics, Management, Chartered Accountancy or Engineering from a recognised university or seven years minimum experience in the relevant field with a Bachelor degree in one of the above mentioned field.

15. Salary, condition of service and facilities of the Executive Director:

Salary, condition of service and facilities of the Executive Director shall be as prescribed in the rules and until any such rules is finalised the salary, condition of service and facilities of the Executive Director will be as prescribed by the Board.

16. Procedure for dismissing from the post of the Executive Director:

- (1) If the Board comes to know that the Executive Director has carried out activities, which is the harmful to the fund and is against the policy and directives of the fund, the Board will form an inquiry committee comprising three members selected among the members of the Board to inquire on above-mentioned matters.
- (2) The inquiry committee formed under sub-rule (1) can ask the Executive Director, employee of the Fund and other related persons to be present for necessary investigation.
- (3) The inquiry committee should submit the inquiry report with its recommendation to the Board.
- (3) If it is found in the inquiry report submitted by the inquiry committee as per sub-rule (3) that the Executive Director has carried out activities, which has harmed the Fund and is against the policy and directives of the Fund, the Board should notify the Executive Director for clarification with reason and basis within reasonable time before dismissing him from the post. If the Executive Director does not submit necessary justification within the stipulated time or the justifications submitted are not satisfactory, the Board can dismiss the Executive Director from the post.
- (4) If the Board thinks that the continuity of the Executive Director during the process of inquiry will harm the Fund, then the Board should stop him from continuing the office.
- (6) If it is proved that the Executive Director has caused losses to the Fund knowingly, the losses will be recovered from him as per the prevailing laws.

17. Account of the Fund:

- (1) Income and expenditure account of the Fund shall be as prescribed by the Board. While prescribing the format of the account, the Board should prescribe on the basis of the double entry system.
- (2) It shall be the duty of the Fund to make the account of the Fund as per sub-rule (1) mandatory.

18. Meeting allowance:

Meeting allowance of the members of the Board, Investment Promotion Committee and other sub-committees formed under section 17 of the Act shall be as prescribed by the Board with due approval of the Ministry of Finance.

19. Oath of the office:

Members, Executive Director and all staff of the Fund should take the oath of the office upon joining of the office as stated in the Annex.

20. Issue of directives:

- (1) The Board can prepare and implement directives to manage the loan policy of the Fund remaining within the Act, byelaws and the rules made under the byelaws.
- (2) It will be the duty of all those concerned to follow the directives made as per sub-rule (1).

Appendix

(Related with rule – 19)

Format of the Oath of the Office

I solemnly affirm/swear in the name of the God that subject to the Town Development fund Act, 1997, Town Development Fund Rules 1997 and the Bye-Laws to be framed thereunder. I will discharge my duty and perform the functions assigned to me as the Member/Executive Director/Employee of the Town Development Fund to the best of my knowledge and conscience, taking them as the matters of honestly, sacred duty and obligation and being loyal to the Fund, without having any fear, biasness or jealousy and without any greed, avarice and partiality, and being disciplined. I will not tell or gesture directly or indirectly made known to me to any one except the authorised person in any circumstances whether I am assuming or not assuming the office.

Person taking the oath

Name:

Signature:

Designation:

Date:

Authority Verifying the taking of the oath

Name:

Signature:

Designation:

Date: