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CAPITAL MARKETS · HIGHLIGHT REPORT

Transforming Nepal's Primary Capital Market

Highlights of the Primary Capital Market Development White Paper, 2083 -a roadmap for market-based pricing, institutional depth, digital transformation and investor confidence.

2083 / 2026

SOURCE: SEBON WHITE PAPER

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01

CONTEXT & SCALE

Executive Overview & Market at a Glance

Where Nepal’s primary market stands after three decades - and why the next stage is about quality, not just access.

EXECUTIVE OVERVIEW

From Quantitative Expansion to Qualitative Transformation

On **21 Shrawan 2083 (6 August 2026)** , the Securities Board of Nepal (SEBON) issued its **Primary Capital Market Development White Paper, 2083** . This report presents its major highlights.

Over three decades, Nepal's primary market has evolved from a limited mechanism for raising public capital into a market with nationwide participation, dematerialised securities, ASBA and MeroShare.

The White Paper argues the next stage requires more than participation - deeper price discovery, institutional depth, stronger disclosure and an end-to-end digital ecosystem.

THE CENTRAL ARGUMENT

Nepal's next capital-market challenge is not access alone. It is quality, depth, credibility and productive capital formation.

NPR 765B+	2.9M+	2035
Mobilisation approved by Asar-end 2083	Applications in a single issue	Target horizon for the vision

NEPAL PRIMARY MARKET

Market at a Glance

CAPITAL MOBILISATION APPROVED

NPR 765B+

Through shares, debentures and collective investment schemes, by Asar-end 2083.

PEAK DEMAND

2.9M+

Applications in a single public issue.

3

Decades of market development

10

Transformational reform areas

3

Implementation phases over 5 years

2035

Long-term PMLD vision horizon

02

STRATEGIC IMPORTANCE

Why the Primary Market Matters

From a mechanism for issuing shares to strategic infrastructure for mobilising national capital.

STRATEGIC IMPORTANCE

Why the Primary Capital Market Matters

A developed primary market is far more than a venue for issuing shares. The White Paper treats it as national infrastructure - the channel through which household savings become long-term capital for enterprise, infrastructure and industry, while widening financial inclusion, risk sharing and corporate transparency across the economy.

- Mobilisation of national savings into productive sectors
- Long-term capital for private-sector expansion
- Entrepreneurship and innovation
- Infrastructure and industrial development
- Financial-system diversification and risk sharing
- Corporate transparency and governance
- Financial inclusion and formalisation
- Long-term national capital formation

THE POLICY SHIFT · FROM

A mechanism primarily for issuing shares

→

TO

Strategic infrastructure for mobilising national capital

a

03

WHERE WE STAND

The Foundation Already Built

Democratisation is achieved. Market depth, professionalisation and institutionalisation come next.

MARKET FOUNDATION

A Foundation Already Built

Important institutional and technological foundations are already in place through SEBON, NEPSE, CDSC, dematerialisation, ASBA and MeroShare.

Democratisation is achieved. It must now be complemented by market depth, professionalisation and institutionalisation.

FOUNDATION	WHAT IT HAS ACHIEVED
Dematerialisation	Reduced dependence on physical certificates; improved settlement.
ASBA	Improved application convenience and fund-blocking efficiency.
MeroShare	Expanded digital access to securities services.
Digital Applications	Enabled nationwide participation in public offerings.
Institutional Infra	Created the regulatory and market backbone for reform.

FROM ACCESS TO QUALITY

The Questions Have Changed

With access largely achieved, the White Paper argues the relevant questions have shifted - from whether citizens can take part to whether the market prices securities fairly, discloses information usefully and draws institutions into genuine price discovery.

THE NEW POLICY QUESTIONS

- Are quality companies entering the market?
- Are securities being fairly priced?
- Is disclosure decision-useful?
- Are institutions contributing to price discovery?
- Can regulators see risk early?

STRENGTH VS. STRUCTURAL CHALLENGE

CURRENT STRENGTH	STRUCTURAL CHALLENGE
Strong retail participation	Overdependence on retail investors
High IPO demand	Oversubscription & lottery allocation
Fixed-price simplicity	Limited market-based price discovery
Book building introduced	Still at an early stage
Digital applications	Not yet an end-to-end ecosystem
Multiple institutions	Fragmented information & coordination

04

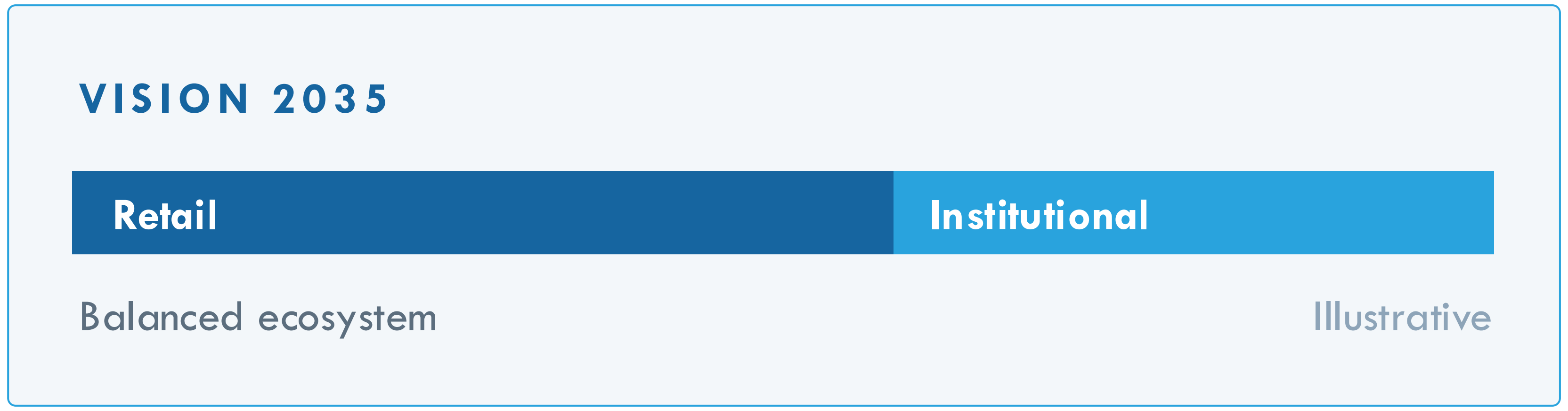
DEPTH & FAIRNESS

Pricing, Book Building & Institutions

Fair, evidence-based pricing and accountable institutional participation across the IPO lifecycle.

INVESTOR STRUCTURE

Retail Breadth Must Meet Institutional Depth



INSTITUTIONS THE WHITE PAPER AIMS TO STRENGTHEN

- Qualified Institutional Buyers
- Mutual funds
- Pension & retirement funds
- Insurance companies
- Citizen Investment Fund
- Anchor investors

Retail participation gave Nepal's market *breadth*. Institutional participation must now give it **depth**.

PRICING & BOOK BUILDING

Moving Beyond a Fixed-Price-Centred Market

CURRENT DIRECTION	REFORM DIRECTION
Fixed-price centred	Clear fixed-price vs book-building segmentation
Limited demand discovery	Greater market-based price discovery
Inconsistent valuation	Formal valuation guidelines
Administrative emphasis	Professional, evidence-based pricing

The objective is not a higher IPO price. It is a fair, evidence-based and transparent price.

STRENGTHENING BOOK BUILDING

- Clearer QIB classification & accountability
- Anchor investor guidelines
- Book building code of conduct
- Transparent institutional bidding
- Independent due-diligence review
- Electronic book-building platform
- Post-issue performance review
- Stronger regulatory oversight

QIBS & ANCHOR INVESTORS

Building Accountable Institutional Participation

QUALIFIED INSTITUTIONAL BUYERS

A framework that moves beyond merely recognising institutions - establishing them as accountable participants in price discovery.

- Clear eligibility standards
- Formal registration with SEBON
- Continuing eligibility & code of conduct
- Monitoring of bidding behaviour
- Periodic performance & compliance review
- Capacity in valuation & risk analysis

ANCHOR INVESTOR FRAMEWORK

Anchor investors provide early institutional validation and support price discovery - but only when governed by transparent rules.

- Eligibility & disqualification criteria
- Lock-in arrangements
- Transparent allocation methodology
- Conflict-of-interest provisions
- Periodic participation & compliance review

Validation → stronger price discovery → investor confidence → deeper offerings.

ALLOTMENT · ELIGIBILITY · GATEKEEPERS

Raising Quality Across the IPO Lifecycle

ALLOTMENT

Oversubscription and lottery show demand but raise allocation-efficiency questions. Reform links allotment to a formal Investor Classification Framework.

ELIGIBILITY

Not simply more issuers, but credible, prepared and investible companies.

- Review general eligibility
- Scientific hydropower review
- Rigorous readiness standards

GATEKEEPERS

A credible IPO requires credible gatekeepers.

- Merchant banker licensing
- Formal due-diligence standards
- Professional liability framework
- Peer review & quality inspection

FROM

Price as an administrative outcome

TOWARD

Price supported by professional analysis, genuine demand and transparent methodology

A PROFESSIONAL VALUATION FRAMEWORK

IPO Valuation Guidelines	Industry-specific standards	Fair value opinions	Independent valuation review	Retention of working papers	Code of conduct for valuers

05

INFORMATION & OVERSIGHT

Disclosure, Digital IPO & Regulation

Better information and an end-to-end digital market, supervised on risk and data rather than documents.

DISCLOSURE & DIGITAL IPO 2.0

Better Information, End-to-End Digital

The ambition is an integrated, paperless, automated, secure and data-driven ecosystem.

DISCLOSURE REFORM DIRECTION

- International disclosure standards
- Plain-language prospectus
- Digital interactive prospectus
- Stronger risk disclosure
- Governance disclosure
- Continuous disclosure

Digital IPO 2.0

The proposed ecosystem

- Unified IPO Portal
- e-KYC
- Digital Prospectus
- Straight-Through Processing
- API Integration
- Digital Compliance
- Digital Audit Trails
- RegTech & SupTech

PAPERLESS · INTEGRATED · AUTOMATED · SECURE · DATA-DRIVEN · REAL-TIME

REGULATORY TRANSFORMATION

Transforming SEBON's Approach

TRADITIONAL EMPHASIS	FUTURE DIRECTION
Document review	Risk-based supervision
Manual processing	Digital approval & surveillance
Reactive oversight	Early warning & data analytics
Rule checking	Evidence-based regulation
Fragmented reporting	Integrated digital monitoring

AN INTEGRATED REGULATORY ECOSYSTEM

SEBON · NEPSE · CDSC · Merchant Bankers · ASBA Banks · Auditors · Valuers · Rating Agencies · Issuers

Coordination Committee
SEBON-led permanent mechanism

Information Sharing
Secure digital platform

Joint Risk Assessment
Coordinated review of risk

Common Reporting
Standardised submission

Supervisory Dashboard
Real-time oversight

Inter-Agency Review
Annual coordination

06

THE ROAD AHEAD

Vision 2035, Reforms & Roadmap

Five objectives, ten reforms and three phases connecting national savings to sustainable growth.

PMLD VISION 2035

The Architecture of Transformation

VISION 2035 - Transparent · Fair · Competitive · Digital · Investor-Friendly

↓

01	02	03	04	05
Effective Capital Mobilisation	Quality Public Issuance	Balanced Investor Structure	Digital Primary Market	International Competitiveness

↓

National Savings → Productive Capital → Sustainable Economic Growth

VISION 2035 → ACTION

Ten Strategic Objectives

The White Paper frames its 2035 ambition as ten strategic objectives. Together they move the market from broad participation toward efficient issuance, market-based pricing, deeper institutional involvement and stronger investor protection -each underpinned by modern law, digital infrastructure and alignment with international practice.

01
Modern & Efficient Public Issuance
Digitalise issuance, valuation, allocation, listing

02
Market-Based Pricing
Scientific price discovery & book building

03
Institutional Participation
QIBs, funds, insurers, anchors

04
Investor Protection
Disclosure, fairness, supervision, literacy

05
Disclosure & Governance
Prospectus quality & accountability

06
Digital Primary Market
e-KYC, e-prospectus, RegTech, SupTech

07
Institutional Capacity
SEBON, NEPSE, CDSC, merchant bankers

08
Modern Legal Architecture
Legislation, regulations, procedures

09
Long-Term Private Capital
Capital-market financing for industry

10
International Alignment
Adapt global practice to local reality

THE REFORM MATRIX

Ten Transformational Reforms

Ten concrete reforms translate those objectives into action across the IPO lifecycle - from eligibility and pricing through allotment, due diligence and valuation to an integrated digital market. The measures marked **High** are the near-term priorities the White Paper expects to move first.

No.	Priority	Reform	Description
01	HIGH	**IPO Eligibility**	Improve issuer quality and readiness
02	HIGH	**Hydropower IPO**	More scientific eligibility criteria
03	CORE	**Pricing Pathways**	Fixed price vs book building
04	HIGH	**Book Building**	Transparent price discovery
05	CORE	**IPO Allotment**	Improve fairness and efficiency
06	HIGH	**Investor Classification**	Differentiate investor categories
07	HIGH	**QIB & Anchors**	Increase institutional depth
08	HIGH	**Due Diligence**	Strengthen professional accountability
09	HIGH	**IPO Valuation**	Establish credible valuation standards
10	ENABLING	**Integrated Digital IPO**	End-to-end digital infrastructure

FIVE-YEAR ROADMAP

Rules First, Infrastructure Next, Depth Thereafter

Reform is sequenced deliberately rather than attempted all at once. The rules are written first, the digital infrastructure is built next, and market depth and competitiveness follow once both are firmly in place - a phasing that spreads execution risk while sustaining momentum across the full five years.

Phase I

0–12 MONTHS

Build the rules

- IPO Eligibility Guidelines
- Hydropower Eligibility Reform
- QIB Guidelines
- Anchor Investor Guidelines
- Merchant Banker DD Standards
- IPO Valuation Guidelines

Phase II

1–3 YEARS

Build the infrastructure

- Digital Public Issuance Platform
- Integrated IPO Portal
- Digital Prospectus
- e-KYC Integration
- API Connectivity
- Real-Time Supervisory Dashboard

Phase III

3–5 YEARS

Deepen the market

- Robust Book Building
- Anchor Market Development
- Institutional Investor Expansion
- International Participation, per policy
- Continuous Regulatory Review

Rules → Infrastructure → Institutional Depth → International Competitiveness

MEASURING REFORM

A KPI Scorecard for the Reform

Regulatory Efficiency	**IPO Approval Time**
Digitalisation	**Digital Application Ratio**
Operational Efficiency	**Allotment Completion Time**
Institutional Depth	**Institutional Participation**
Price Discovery	**Book Building Success Rate**
Investor Protection	**Complaint Resolution Time**
Compliance	**Regulatory Compliance Rate**
Digital Resilience	**Cyber-Incident Rate**
Disclosure	**Disclosure Quality Index**
Confidence	**Market Confidence Indicators**

MANAGING TRANSFORMATION RISK

Resistance to change
Phased rollout & consultation

Technology failure
Pilot testing & disaster recovery

Capacity gaps
Continuous training

Weak coordination
Permanent coordination mechanism

Cyber-security risk
Regular audit & monitoring

FROM TODAY TO 2035

The Market Nepal Is Building

TODAY		REFORM
Retail-dominated	→	Balanced retail & institutional
Fixed-price centred	→	Greater market-based pricing
High oversubscription	→	More efficient allocation
Limited book building	→	Credible, deeper book building
Limited QIB role	→	Professional QIB ecosystem
No mature anchor framework	→	Regulated anchor investors

TODAY		REFORM
Fragmented due diligence	→	Standardised professional DD
Variable valuation	→	Formal valuation framework
Digital application	→	End-to-end Digital IPO
Document-based supervision	→	Risk-and data-based supervision
Fragmented information	→	Integrated real-time coordination
Compliance focus	→	Investor-confidence & quality focus

IMPLICATIONS

What Changes for Market Participants

FOR INVESTORS

Better information

Fairer pricing

Improved protection

Transparent allocation

Digital processes

Stronger grievance mechanisms

FOR ISSUERS

Access to long-term capital · credible valuation · clearer issuance pathways · efficient digital processing

FOR INSTITUTIONAL INVESTORS

Defined QIB framework · greater role in price discovery · anchor opportunities · clearer accountability

FOR PROFESSIONALS

Higher due-diligence standards · professional liability · continuing education · peer review

FOR THE ECONOMY

Productive mobilisation of savings · long-term private financing · reduced bank reliance · deeper capital formation

FROM PARTICIPATION TO PRODUCTIVITY

The Bigger Economic Objective

Nepal has broadened access - millions now participate digitally. The next transformation must be deeper: quality companies raising capital efficiently, prices reflecting credible valuation and genuine demand.

A more effective primary market channels capital into energy, infrastructure, manufacturing, agriculture, tourism, technology and services - an alternative to excessive reliance on bank financing.

THE ECONOMIC LOGIC

National Savings → Productive Investment → Private-Sector Growth → Employment → Capital Formation → Sustainable Growth

- A transparent market
- A fairly priced market
- An institutionally deep market
- A digitally integrated market
- An investor-protected market
- A market financing Nepal’s development

AT A GLANCE

Primary Market Transformation

Vision 2035

Transparent · fair · digital · competitive · investor-friendly

10 Reforms

Eligibility, pricing, book building, QIBs, valuation, digital IPO

3 Phases

Rules · infrastructure · market deepening over 5 years

National Savings → Productive Capital → Sustainable Economic Growth

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Member of the Moore Global Network · Kathmandu, Nepal

SOURCE

SEBON Primary Capital Market Development White Paper, 2083