

Appendix–1

Chronology of Major Policy Announcements: FY16

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A. Policy Announcements on Banking and Financial Sector Development

- July 2015
- Bangladesh Bank (BB) has announced Agricultural and Rural Credit Policy and Programme for FY16 with a disbursement target of Taka 164.0 billion, projecting around 5.5 percent growth over FY15. All the scheduled banks and Bangladesh Rural Development Board (BRDB) have been directed to follow the instructions of the above mentioned policy and programme.
- July 2015
- In order to identify, assess and mitigate money laundering and terrorist financing risks "Money Laundering and Terrorist Financing Risk Assessment Guidelines for Financial Institution" has been prepared and all financial institutions have been instructed to follow the guidelines.
- September 2015
- The System Rules for Bangladesh Real Time Gross Settlement (BD-RTGS) System have been prepared. These Rules define operational aspects of BD-RTGS together with the duties and obligations of all participants including BB. These rules shall be applicable to all participants that are authorized by BB and have signed their agreement hereto.
- September 2015
- To bring greater expertise and harmonization to risk management activities of all banks and exercise international best practices, a new reporting format namely 'Comprehensive Risk Management Report (CRMRR)', an organogram for a separate risk management division, and a structure of risk management committee at management level have been prepared to be followed by banks. Banks have been asked to submit risk management report and minutes of meeting of risk management committee to BB on monthly basis and to follow other instructions in this regard.
- September 2015
- 'New CIB Online Solution' for all scheduled banks and financial institutions has been prepared by BB through its own initiative. Live operation of the online solution has been started since 1 October 2015. All scheduled banks and financial institutions have been instructed to follow the direction of new solution.
- October 2015
- Considering the needs of multiple phases of testing for implementing RTGS system, BB extended the System Integration Testing (SIT) completion timeline up to October 2015 and the Go Live date has been revised on 29 October 2015. All scheduled banks have been requested to undertake necessary steps to prepare themselves for the live operation of BD-RTGS.

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- October 2015
- According to Financial Reporting Act, 2015 all banking companies established as Public Interest Institutions are required to submit a Financial Statement prepared in accordance with Financial Reporting Standard and Auditing Standard as per Article 40 of the said act along with an auditor's report of any prescribed auditor. As per the Financial Reporting Act, 2015, two new sub-sections have been added after to the sub-section (1) of section-38 of Bank-Company Act, 1991. All scheduled banks are instructed to comply with the rules mentioned in the new sub-section.
- October 2015
- In order to ensure the factual reflection of the classified loans and reduce the risk of non-payment, it has been decided that financial institutions will not renew any revolving loan account without adjusting its overdue amount.
- October 2015
- Financial Reporting Act, 2015 has been compiled in order to bring the reporting activities of "Public Interest Institutions" under well governed structure, formulate standards for accounting and auditing, and ensure proper compliance, implementation, monitoring and other activities related to these. This Act was published in Bangladesh Gazette on 9 September 2015 which has been enacted from the same date. A new section titled as '23ka' has been included in Financial Institutions Act, 1993 [Act no. 27 of 1993] by dint of section 61 of Financial Reporting Act, 2015.
- October 2015
- According to guidelines of the BB circular on "Managing Core Risks in Financial Institutions: Asset Liability Management", all financial institutions have been instructed to submit Statement of Liquidity Profile and Statement of Affairs.
- November 2015
- Some amendments have been brought into the 'Guidelines on ICT Security for Banks and Non-bank Financial Institutions'. All financial institutions have been instructed to comply with the amended guideline.
- December 2015
- BB has introduced a new oversight framework for large exposures to identify and manage the low quality assets well ahead of time before they appear as a cause to financial distress. At this onset, BB has established a Central Database for Large Credit (CDLC) to monitor the large exposures in a more structured way.
- January 2016
- Considering potential for buffalo rearing in char and hoar areas due to conventional environment and custom, BB has instructed all scheduled banks to undertake necessary measures to distribute more agricultural credit among farmers/firms for buffalo rearing in different areas of the country including char and hoar areas.
- January 2016
- To make the guidelines on stress testing for financial institutions more effective and up-to-date, the guidelines have been revised as follows:

- a) The standard scenarios of shock levels will remain the same i.e. default of top 3 (as minor shock), top 5 (as moderate shock) and top 10 (as major shock). But instead of assuming 100 percent of the loans/leases disbursed to top borrowers as defaulted (as shocks), only 80 percent of those loans/leases will be assumed as defaulted in different shocks.
- (b) Government Guarantees and Hypothecation including collateral agreement of Financial Institutions operating loans/leases activities to specialized sectors will be considered as eligible securities in case to case basis.
- (c) Weighted Insolvency Ratio (WIR) ratings have been amended as follows:

Existing Scenario Total	Revised Scenario Total	Rating	Zone
WIR<10%	WIR<15%	1	Green
10%≤WIR<20%	15%≤WIR<25%	2	Yellow
20%≤WIR<40%	25%≤WIR<45%	3	
40%≤WIR<60%	45%≤WIR<60%	4	Red
WIR≥60%	WIR≥60%	5	

- January 2016
- An amendment has been made regarding refinance scheme worth Taka 200 crore for Taka 10 account holders to bring dynamism in the of disbursement and recovery process. All scheduled banks have been instructed to comply with the following procedures:
 - Banks may determine one or more installments in its sole discretion to recover entire loan in case of loan disbursed directly to the consumer level for sectors stated in the agricultural credit policies.
 - Under the scheme, CIB report will not be required in case of single borrower up to Taka 50000. However, banks will have to ensure not to provide any credit facilities in favour of the defaulted borrowers.
- January 2016
- Integrated risk management guidelines for financial institutions have been prepared to adopt with improved policies and procedures in line with international best practices. The guidelines encompass all the probable risks associated with financing companies. The policies and procedures of the integrated risk management guidelines have been formulated in light with all the earlier guidelines. The guidelines will be treated as supplement to the existing risk management guidelines. All financial institutions have been instructed to comply with this new amendment.
- February 2016
- Banks have been advised to undertake the following initiatives to ensure security in ATM Transactions:

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- a) Anti skimming and PIN shield devices should be installed in the existing ATM booths within one month.
 - b) Video footage of ATM booths should be reviewed regularly to identify and prevent anything suspicious.
 - c) Customer cards information and PIN numbers which seems to be captured/ stolen should be voided and reissued immediately in case of own bank's cards. In case of other banks, concern card issuing bank should be informed immediately requesting to do the same. Such suspicious video footage should be sent to law enforcement agencies requesting for necessary action.
 - d) A monthly inspection report should be submitted to Payment Systems Department of BB after conducting regular examination in ATM booths on random basis.
 - e) Guards of ATM booths must be provided necessary training on measures to repel fraud. Moreover, guards must be cautious about the customers wearing cap, sun glasses and carrying bags.
 - f) Automatic SMS alert should be sent for every transaction instantly at the time of withdrawal of money from ATM booths.
- March 2016
- 'Guidelines on Credit Risk Management (CRM) for Banks' have been amended to identify and mitigate new risks evolved over time. All banks and financial institutions have been instructed to comply with the amended guidelines.
- March 2016
- Some amendments have been made into the 'Guidelines on Internal Control and Compliance in Banks' to mitigate banking related risks. All banks and financial institutions have been instructed to comply with the amended guidelines.
- March 2016
- BB has issued guidelines regarding investment of Financial Institutions (FIs) in non-listed special purpose funds registered with Bangladesh Securities and Exchange Commission (BSEC) and instructed all FIs to follow the guidelines. The Guidelines are as follows:
 - a) The aggregate investment in such funds made by any FI shall not exceed 50 percent of its paid up capital.
 - b) The investment in such a single fund made by any FI shall not exceed 10 percent of its paid up capital or 20 percent of that particular fund, whichever is lower.
 - c) The investment decision in such funds must be approved by Board of Directors of FIs and before making commitment to invest, FIs shall obtain approval from BB.

- d) The trustee of the fund shall declare that-
 - i. No investment shall be made to purchase the share/debenture/bond or any other instruments of investor FI and its related party by such funds;
 - ii. The fund has no financial claim over any bank and FI and no investment shall be made that may create such claim over any bank or FI in future.
 - e) Investment in such funds shall be excluded from the limit mentioned in section 16 of the Financial Institutions Act, 1993.
- March 2016
- Banks have been advised to take the following initiatives in the case of card-based transactions to ensure the safety and facing the risks:
 - a) The use of personal identification number (PIN) while settling transactions by clients through their credit and debit cards using point of sale (POS) machines to be made mandatory. The merchants will have to settle the transactions through POS in presence of the clients and clients themselves will give PIN by online PIN authorization process. Manual Key entry Mode in POS has been abolished.
 - b) Instant mobile-phone SMS (short message) alert should be sent for every card based transactions to the clients on mandatory basis.
 - c) The acquirer bank of the POS machines will have to take responsibility and ensure the networking security so that merchants appointed by the bank cannot breach the system or leak any data of the cardholders.
 - d) POS devices with cords have to be replaced by cordless POS.
 - e) Point-to-Point Data Encryption for all terminals under the network of card based POS transactions has to be ensured.
 - f) Banks will have to attach Posters with all ATM booths and merchant points of the POS machines to inform the clients about accurate use of the credit and debit cards with illustration of "use of cards by giving PIN correctly with proper safety measures and privacy".
- May 2016
- According to the Bank Company Act, 1991, the loan borrowed by any individual, organization or group will not exceed a certain limit of the capital set by the central bank, but a condition is that the ceiling will not exceed 25 percent of the bank's capital by any means. BB set the single borrower exposure limit at 15 percent of the capital in line with the said act, but ceiling is exempted for some special cases. BB has clarified that despite the exemption of 15 percent ceiling for some special cases, the ceiling of 25 percent as per the Bank Company Act will remain applicable. As such, all scheduled banks have been asked to bring down their overexposure within the fixed limit by 31 December 2016.

- May 2016 • In order to motivate women entrepreneurs in productive investments, it has been decided to allow providing 100 percent refinance/ pre-finance at preferential interest rate (bank rate + maximum 5 percent spread) to women led enterprises under the Two Step Loan (TSL) Fund of JICA assisted Financial Sector Project for the Development of Small and Medium Sized Enterprises (FSPDSME).
- June 2016 • The upper limit of interest rate of agricultural and rural credit has been re-determined at 10 percent instead of 11 percent considering the downward trend of interest rate on deposits and advances.

B. Policy Announcements on Monetary Sector Development

- January 2016 • The repo and reverse repo rates of interest have been reduced by 50 basis points and re-fixed at 6.75 percent and 4.75 percent respectively from 7.25 percent and 5.25 percent respectively.
- February 2016 • With a view to modernising and bringing dynamism in the investment activities of Bangladesh Government Islami Investment Bond (GIIB), BB has introduced Islami Bond System (IBS) for auctioning, issuance and redemption of Islami Bond. In this connection, all Islami Bond investors have been instructed to use 'System Generated Advice' instead of using 'Scrip'.
- February 2016 • In order to rationalise the investment of scheduled banks in government securities, some amendments have been made regarding bidding/underwriting obligations of primary dealers' (PDs) in auctions of government securities. The bidding of each PD will be equal to its underwriting obligation and total amount of the bidding obligations will be equal to the full notified amount of each auction. BB will announce the obligations on a quarterly basis. Besides, the accepted amount of non-competitive bids in an auction will not exceed 30 percent of notified amount. If the notified amount in an auction is unsubscribed or the auction committee decides to accept an amount less than the notified amount, the remaining amount will be devolved on the PDs according to their underwriting obligations on pro-rata basis. BB may at its discretion take full or some portion of the devolvement on itself from time to time. All devolvement on PDs will be at the cut-off yield of that auction.
- April 2016 • With a view to implementing monetary policy and effective liquidity management, BB has introduced 7-day and 14-day BB Bills alongside its existing 30-day BB Bill.

C. Policy Announcements on External Sector Development

- July 2015 • To further ease the foreign exchange transaction reporting by Authorised Dealers (ADs) requirement of hard copy submission of EXP and IMP Forms with monthly returns to BB has been phased out. In this regard after

settlement, ADs are required to retain those Forms with them for record and eventual inspection for a period of 5 (five) years.

- July 2015
- With a view to obtaining foreign loan easily, BB has allowed the AD banks to hold collaterals on behalf of foreign lenders in respect of external borrowing by industrial enterprises as approved by the Board of Investment [Now Bangladesh Investment Development Authority (BIDA)]. Besides, approval from BB will not be required for issuing guarantees by the borrowers such as corporate guarantee, personal guarantee, third party guarantee etc. as per loan agreement, favoring foreign lenders in case of external borrowing approved by the Board of Investment (Now BIDA).
- August 2015
- Money Changers have been allowed to sell releasable foreign currency of USD 1,000 or equivalent other foreign currency to be carried by each Hajj pilgrim.
- September 2015
- The Foreign Exchange Regulation Act, 1947 has been amended by the Parliament of Bangladesh on 6 September 2015 and the amendment has been named as Foreign Exchange Regulation (Amendment) Act, 2015. All together ten (10) sections have been amended. The details have been shown in a separate box of this publication.
- September 2015
- It has now been decided that declaration on Form C against inward remittances (other than remittances sent by Bangladeshi nationals working abroad) shall not be required up to USD 10,000 or equivalent other foreign currencies which was USD 5,000 or equivalent earlier.
- September 2015
- To facilitate study abroad by Bangladeshi students in permissible courses, general permission has been given to deposit foreign currency to be blocked in designated bank accounts or student accounts abroad for visa/admission processing.
- October 2015
- To facilitate the online payment of visa processing fees, all AD banks have been allowed to make the online payment of visa processing fees through ICC (International Credit Card) or Virtual Cards as per requirement of concerned Embassies/High commissions.
- October 2015
- In order to provide long term financing mainly for small and medium scale manufacturing firms, a refinancing scheme in foreign currency namely Long Term Financing Facility (LTFF) has been introduced under the Financial Sector Support Project (FSSP) financed by the International Development Association (IDA). Under the project, BB will provide long term financing in foreign currency (Long term Financing Facility- LTFF) to the eligible banks and financial institutions for on-lending/re-financing to mainly small and medium scale enterprises in the country for purchasing capital machinery and equipment for up-gradation, expansion or for newly set up manufacturing

- industries, relocating factories to designated industrial zones, etc. with a maturity from 3 to 10 years.
- December 2015 • AD banks have been allowed to extend mortgage loans in Taka to NRBs working abroad for the purpose of housing in Bangladesh subject to observance of the existing guidelines of Prudential Regulations for Consumer Financing. The housing finance facility provided to NRBs will not exceed the debt equity ratio of 50:50.
- December 2015 • It has been decided that EDF loan will be admissible against back to back import LCs for input procurements by Type C industries in EPZs.
- December 2015 • From January 2016 requirement to submit the TM (Travel and Miscellaneous) Forms and supporting documents related to such forms with the monthly/periodic returns to BB by ADs have been waived by BB. Presently, ADs are required to report such type of transactions properly in the Online TM monitoring System of BB.
- January 2016 • As per the decision of ACU Board of Directors Meeting, the minimum threshold amount to be routed through ACU member central banks under ACU arrangement has been set at ACU Dollar or ACU Euro 500 (Five hundred).
- January 2016 • With a view to facilitate access to financing in foreign exchange in export oriented textiles & textile products and leather manufacturing sectors to import capital machinery and accessories, a Green Transformation Fund (GTF) of Taka 200 million has been created. The GTF is a revolving fund and loan from the GTF will be offered in US Dollar to ADs for on-lending/re-financing to eligible borrowers. Interest shall be charged to ADs against the financing at six-month USD LIBOR plus 2.25 percent.
- January 2016 • BB has issued a Notification allowing incoming passengers irrespective of their resident status to bring gold or silver in bullion/ingot form into Bangladesh up to the prescribed limit in terms of relevant Baggage Rules in force issued under the Customs Act, 1969.
- February 2016 • The limit of international cards for online payment has been increased from USD 100 (one hundred) or its equivalent to USD 300 (three hundred) or its equivalent per transaction against legitimate purchases of goods and services (downloadable application software, e-books magazine/newspaper subscription fees etc.) from reputed and reliable sources abroad.
- March 2016 • BB has allowed ADs to issue guarantees in foreign currency up to Saudi Riyal (SR) 200,000 to the official pilgrimage (Umrah) service providers in Saudi Arabia. Earlier the said limit was SRs 100,000.
- March 2016 • All ADs involved in foreign exchange transactions have been instructed to comply with the "Export Policy 2015-18" issued by the Ministry of Commerce.

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| March 2016 | <ul style="list-style-type: none">• "Import Policy Order, 2015-18" has been issued by the Ministry of Commerce. All ADs involved in foreign exchange transactions have been instructed to comply with the policy. |
| March 2016 | <ul style="list-style-type: none">• Guidelines on Foreign Risk Management have been amended. All banks and financial institutions have been instructed to comply with the amended guidelines. |
| April 2016 | <ul style="list-style-type: none">• In a bid to boost exports, plastic products have been added to the list of items selected for cash incentives on exports. Plastic exporters will get 10 percent cash incentive based on 'freight on board' value. Factories that have bond licenses and get duty draw-back facility or located in the EPZs will not be eligible for the incentives. |
| April 2016 | <ul style="list-style-type: none">• Government has amended existing ceiling for cash incentive against export of frozen shrimp and other fishes. The ceiling has been refixed at USD 4.98 for shrimp per pound and USD 1.97 for other fishes per pound. |
| April 2016 | <ul style="list-style-type: none">• To encourage export business, Government has decided to provide cash incentive against export of furniture. In case of export of furniture, exporters will get 15 percent cash incentive based on 'freight on board' value. Factories that have bond licenses and get duty draw-back facility or located in the EPZs will not be eligible for the incentives. |
| April 2016 | <ul style="list-style-type: none">• It has been decided to provide 2 percent additional special cash incentive against the export of textiles in Euro zone with existing 4 percent cash incentive effective from FY16. |
| April 2016 | <ul style="list-style-type: none">• To promote export, the cash incentive against the export of leather products has been enhanced from 12.50 percent to 15 percent effective from FY16. |
| May 2016 | <ul style="list-style-type: none">• ADs have been allowed to release foreign exchange without visa to the resident Bangladesh nationals proceeding to the countries/zones with provision of visa on port entry/ arrival basis upto the unused annual travel quota entitlement applicable for country concerned subject to complying with other relevant instructions. The facility will also be applicable for official visits abroad by the officials of Government/Semi-Government and Autonomous bodies. Earlier, ADs were allowed to issue upto USD 200 in such cases. |
| June 2016 | <ul style="list-style-type: none">• AD banks have been allowed to effect remittance towards publication related fees of articles for publication in international journals written by resident Bangladeshi nationals under some stipulations. |