

Appendix-1
Chronology of Major Policy Announcements: FY20

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A. Policy Announcements on Banking and Financial Sector Development

- July 2019
- Bangladesh Bank has announced Agricultural and Rural Credit Policy and Programme for FY20. The disbursement target of agricultural and rural credit has been set to BDT 24124 crore for FY20, which is 10.66 percent higher than the previous fiscal year.
- July 2019
- All scheduled banks shall form a “Special Monitoring Cell” headed by concerned Deputy Managing Director to monitor Classified Loan Accounts of equal to or more than BDT 100 crore and this cell will submit “Quarterly Statement of Classified Loans amounting BDT 100 crore and above” to respective bank’s managing committee. This report will also be submitted to BRPD of Bangladesh Bank through EDW.
- August 2019
- Financial institutions have been allowed to borrow maximum 40 percent of their equity value from the call money market.
- August 2019
- Total amount (book value) of assumed immovable/permanent assets of banks shall not exceed 30 percent of their paid-up capital value. All scheduled banks have been asked not to purchase sedan cars with more than BDT 50 lakh and sport utility vehicle with more than BDT 1 crore. In case of renting new space or relocating branches, banks are asked to limit it within 6,000 square feet in the urban areas and 3,000 square feet in the rural areas. The BB also asked banks to refrain from making excessive expenses in the name of business development, branding and advertisement.
- September 2019
- While sorting and packing fresh and re-issuable notes, to ensure durability scheduled banks have been prohibited from writing numbers, putting signature or seal or any sort of writing on the bank notes. Scheduled banks have also been disallowed to staple any bundle-packet of bank notes except that of BDT 1000 note.
- September 2019
- For any accumulated investment below BDT 5 lac in savings instruments, deduction of the source tax on the yield has been reduced to 5 percent instead of the existing 10 percent. For above 5 lac investment, 10 percent source tax shall be applied on the yield as before.
- September 2019
- Conventional banks have been allowed to keep the Advance-Deposit Ratio (ADR)/Investment-Deposit Ratio (IDR) at 85 percent (81.5 percent + excess 3.5 percent based on the decision of the board of the bank considering

- overall economic indices) and Islami Shariah-based banks at 90 percent (89.0 percent + excess 1.0 percent based on the decision of the board of the bank considering overall economic indices).
- October 2019
- All the scheduled banks are instructed to fix the interest rate for financing onion imports at maximum 9 percent with a view to containing the price spiral of onion. The banks are also advised to set a lower margin for opening letters of credit (LCs) for onion import.
- October 2019
- Subject to the compliance of “BACPS Operating Rules and Procedure” and circulars/circular letters issued by Bangladesh Bank related to BACH, cheque clearing procedure shall be carried out through local currency. EFT transaction shall constitute two sessions each day. The first session shall be from 12:01 am to 2:00 pm and the second one from 2:01 pm to 11.59 pm. The scheduled banks shall place separate files for debit and credit transactions instead of submitting single file for both transactions. Return function shall have to be accomplished within next available session in case of debit and credit transactions. Except these transactions, other EFT transactions shall have to be conducted through existing “BEFTN Operating Rules” and related circular/circular letter issued by BB.
- October 2019
- To enhance deposit in banking sector and make small amount depositors bank oriented, all scheduled banks have been instructed not to charge any account maintenance fee (AMF) up to weighted average balance of BDT 10,000 for savings account. Biannual AMF for weighted average balance of above BDT 10,000 to BDT 25,000 is fixed at BDT 100, for that of above 25,000 to 2,00,000 at BDT 200, above 2,00,000 to 10,00,000 at BDT 250 and for beyond 10,00,000 at BDT 300. AMF for Current Accounts is permitted to charge maximum of BDT 300 half yearly.
- November 2019
- Considering the price hike of construction materials, the maximum per party limit in respect of housing finance by the banks will be BDT 20 million. The housing finance facility shall be provided at a maximum debt equity ratio of 70:30.
- January 2020
- Depositors who belong to 12-digit-TIN category shall enjoy 10 percent tax at source instead of 15 percent. The same shall apply to the paid interest on call money deposit, deposit accepted from foreign source/in foreign currency. However, source tax on the interest of deposits of all tax exempted fund, like- pension fund, gratuity fund, provident fund etc, shall be 5 percent. Source tax shall be deducted at the time of crediting interest on deposits as per Income Tax Ordinance, 1984. In this regard, it has been made mandatory

- to deduct source tax each time the interest is paid to the account instead that of once on maturity.
- February 2020
- Fifty percent of the fund received under Annual Development Programme (ADP) and operating budget and own surplus fund of autonomous, semi-autonomous organizations and government-owned companies is allowed to be deposited at the private banks or non-bank financial institutions operating in Bangladesh. The surplus fund of the aforementioned sources may be deposited at the state-owned commercial banks at maximum 5.50 percent interest rate and 50 percent of the total surplus fund is permitted to be deposited as fixed deposit at the private commercial banks at maximum 6 percent. However, the fund meant for provident fund, pension fund and endowment shall remain excluded of the directive.
- February 2020
- To patronize the competency of small, medium and large industries, businesses and services, in all categories of unclassified loans/investments but credit card, the maximum rate of interest/profit is set at 9 percent. If a borrower becomes default even at this margin/ceiling, banks are allowed to impose additional 2 percent penal interest/profit on loan/investment of the corresponding borrower for the tenure it remains default. Apart from the 2 percent additional charge, banks are barred from the imposition of any additional interest/profit/penal interest/additional charge on their loan/investment. The rate of interest/profit for pre-shipment export loan shall remain unchanged at prevailing 7 percent. The balance of loans to manufacturing segment of the small and medium entrepreneurs including industry sector from the current year cannot anyhow be less than the average loan balance to those sectors in the preceding three years.
- March 2020
- To cope with the changing environments of Coronavirus pandemic, every scheduled bank shall form a “Central Quick Response Team” constituting the high officials of the respective bank in the Head Office so that the Central Quick Response Team may take quick and effective decisions on behalf of the bank. Likewise, a “Quick Response team” shall have to be formed in every divisional/zonal/area office to take special decisions locally. The name, designation, mobile number etc. of the team members shall have to be displayed at the website of the respective bank.
- March 2020
- Cash officials/staffs serving in cash counter of the branches of all scheduled banks must wear mask and hand gloves while receiving from and paying money to the customer. They are also asked to use hand sanitizer, or wash hands with soap after calculating/sorting notes every time.

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| March 2020 | <ul style="list-style-type: none">• Scheduled banks and financial institutions are allowed to sell the excess government securities to the Bangladesh Bank at market rate after maintaining required Statutory Liquidity Reserves (SLR). Bangladesh Bank strengthened purchase of government securities from the secondary market to tackle impending liquidity management crisis brought on by the COVID-19 pandemic. |
| April 2020 | <ul style="list-style-type: none">• A stimulus fund worth BDT 50 billion is formed from the budgetary allocation of the government to combat the negative impact of the COVID-19 on exports. The said stimulus fund is allowed to be disbursed as interest-free loans/investments to the active export oriented industries for paying a maximum of three months salaries and allowances to the workers-staffs of the industries. However, scheduled banks under concern are allowed to charge a maximum of 2 percent single time service charge to execute their administrative expenses against their loans to export oriented industries. |
| April 2020 | <ul style="list-style-type: none">• The rate of margin of letter of credit (LC) for importing baby food is set at maximum 5 percent to contain and stabilize the food crisis worldwide emerged from COVID-19. |
| April 2020 | <ul style="list-style-type: none">• Cash Reserve Ratio (CRR) is re-fixed at 4 percent on bi-weekly average basis from that of previous 5 percent and 3.5 percent on daily basis from earlier 4.5 percent with effect from April 15, 2020. |
| April 2020 | <ul style="list-style-type: none">• Advance-Deposit Ratio for conventional banks is enhanced by 2 percentage point from earlier 85 (Eighty Five) percent and set at 87 percent. On the other hand, Investment-Deposit Ratio for Islami shariah-based banks and for Islami banking activities of the conventional banks is also augmented by 2 percentage point from previous 90 percent and fixed at 92 percent. |
| April 2020 | <ul style="list-style-type: none">• Bangladesh government announced a financial stimulus package worth BDT 300 billion for the worst affected institutions of industrial and service sector to mitigate probable economic impacts due to breakout of the COVID-19. Under the package, the said institutions shall avail of working capital loan/ investment facility from the banks against their own fund. The rate of interest is set at maximum 9 percent, of which 4.5 percent interest shall be borne by the borrower and the rest 4.5 percent shall be subsidized to the participating bank by the government. The tenure of the package is three years but the maturity of the loan/investment is one year. |
| April 2020 | <ul style="list-style-type: none">• Bangladesh government announced a special incentive package worth BDT 200 billion for the badly affected entrepreneurs of Cottage, Micro, Small and Medium Enterprises due to COVID-19 pandemic to revive the |

sector. Entrepreneurs shall avail of working capital loan/investment facility from the banks and financial institutions. Interest rate for the facility shall be maximum 9 percent under the package, out of which borrower shall pay 4 percent interest and the government shall pay the rest 5 percent interest as subsidy to the related bank or financial institution. The tenure of the package is set at three years.

- April 2020
- A refinance scheme worth BDT 50 billion is constructed for providing working capital in the agriculture sector (horticulture, pisciculture, poultry, dairy and livestock sectors) to combat the probable loss in this sector emerged from the COVID-19 pandemic. The fund under concern shall be financed from the own source of Bangladesh Bank. The title of the scheme shall be “Special Stimulative Refinance Scheme in Agriculture Sector.” Participating banks shall enjoy one percent refinance facility from Bangladesh Bank and the rate of interest at the customer level shall be four percent.
- April 2020
- Arefinance scheme titled “Refinance Scheme for Professionals, Farmers and Marginal/Small businessman of low income, 2020” is created by Bangladesh Bank. The refinance scheme worth BDT 30 billion shall be financed from the own source of Bangladesh Bank. The tenure of the scheme is fixed at three years. Bangladesh Bank shall charge one percent interest against the refinance to the financing banks, whereas financing banks shall realize 3.5 percent interest against their finance to the microcredit institutions.
- April 2020
- A refinance scheme worth BDT 150 billion is constructed by Bangladesh Bank from its own source for providing working capital loan/investment facilities in large industrial and service sector. The title of the scheme is “Refinance Scheme for providing working capital loan/investment facilities in large industrial and service sector.” The tenure of the scheme is set at 3 years. The rate of interest shall be 4 percent on quarterly basis.
- April 2020
- Bangladesh Bank constructed a revolving refinance scheme of BDT 100 billion from its own source for CMSME sector to provide working capital facility to the Entrepreneurs to minimize the effect of coronavirus pandemic in this sector. The tenure of the scheme is estimated at three years. The rate of interest for the refinance scheme is four percent on quarterly basis.
- April 2020
- Scheduled banks are instructed to provide loans in agricultural products such as paddy, wheat, grain/crop corn, cash crop, vegetables etc along with import substitute products at 4 percent concessional rate to ensure smooth supply of these products in coming days. The tenure of the scheme is from April 01, 2020 to June 30, 2021 and the rate of interest at the farmer

- level is maximum 4 percent. Banks shall avail of 5 percent interest-loss reimbursement facilities against their disbursed loans from Bangladesh Bank.
- April 2020
- Refinance scheme for environment-friendly products is revised as “Refinance Scheme for Green Products /Initiatives /Projects” and the size of the fund of this scheme is enhanced to BDT 4 billion from that of BDT 2 billion to support the increasing demand of this sector. Under the scheme, the fund is allowed to disburse only against term loans. Bangladesh bank shall charge interest rate at bank rate against the finance to participatory banks and banks shall charge interest rate varied from 7 to 8 percent at customer level depending on the term of the loan.
- May 2020
- Scheduled banks are directed to transfer attributed/attribution interest from 01 April 2020 to 31 May 2020 to non-interest bearing blocked account considering the business situation due to breakout of the COVID-19. And interest transferred to blocked account is not allowed to be realized from the debtor and is also barred from transferring to income account of the banks until further notice. If already transferred, then it must be adjusted through reverse entry.
- May 2020
- Scheduled banks, mobile financial service providers and Directorate of Posts are instructed to provide constant and uninterrupted service to materialize the government decision to disburse cash assistance for 5 million distressed families through Mobile Financial Service (MFS). Each family is entitled to receive BDT 2500 under this cash assistance from the government.
- June 2020
- Scheduled banks are barred from declassification of any loan/ investment standard occupied on January 01, 2020 till September 30, 2020. However, if any loan/investment standard improves by the time, those standards of loans/ investment are allowed to classify following proper norms. All installments of the term loans, including agriculture and micro-credits and investment, between January 01, 2020 to September 30, 2020 shall be considered as deferred. The installment size and numbers shall be re-fixed in October 2020. If any installment of loans/investments of a borrower remains unpaid/ due within the time, those installments shall not be considered as default.
- June 2020
- Financial institutions which accept time deposit are allowed to maintain 1.5 percent CRR on bi-weekly weighted average basis. And this reserve cannot anyhow be less than 1 percent on daily average basis.

B. Policy Announcements on Monetary Sector Development

- September 2019
- Scheduled banks have been allowed to invest both in SOLO and consolidated basis in the capital market from their excess liquidity. The upper limit of investment shall be less than 25 percent of bank's capital on SOLO basis and 50 percent on consolidated basis. Banks have hereby been permitted to invest in the capital market through their own portfolio in the form of direct investment and their subsidiaries in the form of lending for investment. Opening new BO account has been made mandatory for investing the liquid fund. The facility shall be availed in the form of REPO of treasury bond or bill from their excess liquidity. The liquidity support shall be provided after taking 5 percent margin of the REPO value of treasury bond or bill. Initial repayment tenure has been set at 28 days and the tenure shall be extended to six months on successful fund uses. Interest rate has been fixed at 6 percent.
- March 2020
- The existing Repo interest rate of Bangladesh Bank is reduced by 25 basis points and re-fixed at 5.75 percent from that of 6.00 percent while Reverse Repo rate will remain unchanged at 4.75 percent. This instruction will be effective from March 24, 2020.
- April 2020
- The existing repo interest rate of Bangladesh Bank is reduced by 50 (Fifty) basis point from annual 5.75 percent and is re-fixed at 5.25 percent effective from April 12, 2020.

C. Policy Announcements on External Sector Development

- July 2019
- Authorized Dealer (Ads) have been allowed to borrow funds from EDF against their loans to manufacturer-exporters of leather goods and footwear industrial sectors for input procurements up to maximum single borrower limit of USD 20.00 million.
- July 2019
- Private travel entitlement has been enhanced to USD 12,000 or equivalent per adult passenger during a calendar year from USD 5,000 and USD 7,000 for travel to SAARC member countries and Myanmar, and for travel to other countries respectively. In accordance with the decision, global limit of travel entitlement for an adult passenger shall stand at USD 12,000 during a calendar year without limiting to regions or countries of travel. For minors (below 12 years in age) the applicable quota, as before, will be half the amount admissible for adults.
- August 2019
- For any inward remittance from abroad, remittance collecting bank shall provide 2 percent cash incentive on the remitted amount converted into

BDT by fulfilling proper regulation to the beneficiary or to be transferred to beneficiary's bank account. But the repatriation of the remittance must take place through legal channel like-foreign exchange houses or banks which have agreement with Bangladesh Bank. An expatriate shall not require submitting any document to remit maximum USD 1500 each time to avail the incentive. To get the incentive against receipt of more than USD 1500 or equivalent foreign currency, the beneficiaries shall have to submit legal documents.

- August 2019 • Offshore banking operations have been allowed to discount/purchase accepted usance/deferred export bills against direct and deemed exports of products produced in Bangladesh.
- September 2019 • The maximum limit to repatriate remittances against small value service exports in non-physical form has been enhanced per transaction to USD 10,000 from USD 5,000 through Online Payment Gateway Service Providers (OPGSPs).
- September 2019 • Producers-Exporters producing consumer electronics, electrical home and Kitchen appliances domestically for export shall enjoy 10 percent export subsidy on net FOB value, not applicable for specialized zones (EPZ, EZ). In this regard, the rate of local value addition must be a minimum of 30 percent for these products.
- October 2019 • For the convenience of private sector participants for attending seminar, conference, workshop, training etc. abroad irrespective of countries or regions, Authorized Dealers (ADs) are allowed to release foreign exchange to them at the scale of upto USD 400 per diem for the actual period of programme to be held along with one additional day as transit on the basis of invitation letters received in the name of the applicants or their employer institutions.
- October 2019 • Producers-exporters producing readymade garments at their own workshop for export shall enjoy 1 (one) percent export subsidy on net FOB value. In this regard, the rate of local value addition must be a minimum of 30 percent for these products. The corresponding privilege is also admissible for the Type-C institutions under local ownership located in special zones (EPZ, EZ) for export to the EU, the USA and Canada. However, the fund to be offered as cash incentive is not realizable if found violating rules in case of availing the privilege.
- October 2019 • Subject to 30 percent local value addition against the export of related products produced in Type-C industries (under indigenous ownership)

- in Economic Zone/High-tech Park, 4 percent new products/new market expansion assistance, irrespective of country/region, shall be applied in the current FY20 against their export.
- November 2019
- Interest rates on EDF loans to ADs will be charged by Bangladesh Bank at six-month USD LIBOR + 0.50 percent, while ADs will charge interest to manufacturer-exporters at six-month USD LIBOR + 1.50 percent; for disbursements until June 30, 2020 from the date of this circular.
- November 2019
- Two percent cash incentive shall be admissible against the inflows of remittance of maximum USD 1,500/ equivalent to other foreign currencies/ BDT 150,000 without any documents. Above that amount, the timeframe for submitting required documents is extended to 15 working days from that of earlier 5 days.
- November 2019
- Advance payment limit against admissible imports is enhanced to USD 10,000.00 from USD 5,000.00 or equivalent to other foreign currency.
- December 2019
- Foreign remittance of maximum BDT 1,25,000, including 2 percent cash incentive, inflowed through the banking channel is now allowed to be deposited by the banks to the beneficiaries MFS account. This transaction benefit is admissible only for foreign remittance through proper banking channel.
- December 2019
- The excess cash benefit for Small and Medium Industry under export oriented Ready Made Garments (Knit, woven and Sweater) shall be admissible only for a single party among the parties- Readymade garments/Textile-made product producer-exporter, Textile producer and Thread producer as before. However, subject to the specific mentioning of receiver name and address in internal back-to-back Letter of Credit, the receivers of existing substitute cash incentive and the excess benefit for Small and Medium Industry may vary. If the beneficiaries of the above mentioned benefits are different, the name and address of the beneficiaries, according to the benefits, must be mentioned in the related internal back-to-back Letter of Credit. In this regard, submission of application and audit activities are allowed to perform separately.
- January 2020
- All the head offices/ principal offices of the authorized dealer banks involved in foreign currency transactions are asked to remain alert to thwart any fraudulent attempt to divert payments/export proceeds from foreign buyers to different bank accounts by sending spam emails containing the name of the exporters to the importers in case of TT payments system of exports proceeds.

- January 2020
- The exporter-producer of locally produced readymade garments (RMG)/ textile products (like-Teri-towel and specialized textile) shall be privileged with 1 (one) percent special cash assistance on net FOB value against their export admissible in the fiscal year 2019-2020. The facility is equally admissible for the Type-C institutions under local ownership located in specialized zones (EPZ, EZ) against their export in the EU, USA and Canada. The said privilege and duty draw-back/ bond privilege are allowed to be simultaneously availed. If any irregularity is, however, found in providing the facility, the fund is realizable by debiting the payee-bank account maintained with the Bangladesh Bank and punitive measures shall be initiated against the officials implicated with irregularities, if proven.
- January 2020
- The limit to remit with international card facility by the Authorized Dealers (ADs) on behalf of IT/Software firms who are members of BASIS, for meeting bonafide current payment needs, is enhanced to USD 40,000 in a calendar year from USD 30,000. Within the limit of USD 40,000, international cards may be issuable for USD 8,000 instead of USD 6,000 which may be refilled subject to availability of the limit and observance of specified formalities.
- January 2020
- Subject to the compliance of the regulations followed in foreign currency transactions by the importers, all the head offices/ principal offices of the authorized dealer banks are instructed to initiate letters of credit and provide all necessary support to the importers for the uninterrupted, prompt and speedy supply of the essential commodities (onion, garlic, lentils, chickpeas, dried chilies, cinnamon/cassia, clove, cardamom, seeds of coriander, seeds of cumin, ginger, turmeric, bay leaves, edible soya bean oil, edible palm oil, sugar and edible salt, excluding beet salt) in the local market.
- January 2020
- Stamp duty is not attributable to the exporters of bill of exchange against deferred/usance export bills as per the Stamp Act, 1899. So, the stamp duty on the deferred export bill of exchange at the rate of 0.2 percent formerly levied on exporters is waived.
- January 2020
- The rice processors-exporters, who process rice in locally owned firms by collecting domestically produced paddy, shall receive 15 percent export subsidy against their export in the current fiscal year 2019-2020. However, the said export privilege shall not be admissible for the institutions located in specialized zones (EPZ, EZ).
- February 2020
- The limit of foreign currency brought in without declaration to the Custom Authorities and taken out while proceeding abroad by a concerned person is enhanced to USD 10,000 or its equivalent from USD 5,000 or its equivalent.

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- February 2020
- The limit to borrow maximum USD 15.00 million by the Authorized Dealers (ADs) from EDF against their foreign currency financing to manufacturer-exporters for input procurement is enhanced to USD 20.00 million for member mills of BKMEA.
- March 2020
- Authorized Dealers (ADs) are allowed to effect advance payment up to USD 500,000.00 or equivalent to other foreign currency without repayment guarantee for import of coronavirus related life-saving drugs, medical kits/equipment and other essential medical items. This instruction will be valid till September 30, 2020.
- April 2020
- Interest rates on EDF loans to Authorized Dealers (ADs) will be charged by Bangladesh Bank at 1.00 percent per annum, while ADs will charge interest to manufacturer-exporters at 2.00 percent per annum; for disbursements until further instructions. The size of EDF has been enhanced to USD 5 billion.
- April 2020
- Bangladesh Bank introduced a refinance scheme titled “Refinance Scheme for Pre-shipment Credit” worth BDT 50 billion from its own source for the locally produced export oriented industries to fight the crisis in this sector arisen from the COVID-19 pandemic. The tenure of the scheme is three years. The rate of interest at the customer level is 6 percent, of which Bangladesh bank shall charge 3 percent interest rate to the banks for the refinance facility. The maturity of the loan shall be one year.
- May 2020
- Loan limit from Export Development Fund (EDF) has been enhanced from existing limit of USD 25 million to USD 30 million for refinancing from EDF to ADs against their foreign currency financing, for input procurement to member mills of BGMEA and BTMA.

