

Part B: Boxes /Annexes

Chronology of Major Policy Announcements: January – March 2012

<p>BRPD Circular No.01 01 January, 2012</p> <p>Loan Classification and Provisioning</p>	<p>As per BRPD Circular No.05 dated June 05, 2006, Banks were advised to record Name of Borrower in Column 2 of Bank's CL-2,3,4,5 and Loan Identification No. in Column 2 of CL- 6.</p> <p>Now it has been decided to include National ID No. of the individual borrower along with the name of borrower and Loan Identification No. in CL-2,3,4,5 and in CL-6.</p>
<p>BRPD Circular No.02 04 January, 2012</p> <p>Rate of Interest/Profit on Fixed/Term deposit</p>	<p>Flexible interest rate policy was introduced under Financial Sector Reform Program vide BRPD Circular No.33/1989.</p> <p>Considering the global economic recession cap on rate of interest on lending in some sectors had been imposed.</p> <p>Cap on rate of interest on lending in all sectors other than pre-shipment export credit & agricultural credit has now been withdrawn.</p>
<p>MPD Circular No.01 05 January, 2012</p> <p>Re-determination of Interest Rate of Bangladesh Bank's Repo and Reverse Repo</p>	<p>Interest rate of Bangladesh Bank Repo and Reverse Repo has been re-determined at 7.75% and 5.75% increased from current annual rate of 7.25% and 5.25% respectively.</p> <p>This instruction will be effective from 08 January, 2012.</p>
<p>DFIM Circular Letter No.02 09 January, 2012</p> <p>Mainstreaming Corporate Social Responsibility (CSR) in Financial Institutions</p>	<p>For the purpose of Monitoring CSR adoption and CSR performance in terms of BB guidance Financial Institutions have been advised to submit a statement on CSR and a report on gender equality related performance indicators on half-yearly basis.</p>
<p>DOS Circular Letter No.01 16 January, 2012</p> <p>Submitting information/statement related to Department of Off-site supervision in Rationalized Input Template through Web Portal</p>	<p>Implementation of Enterprise Data Warehouse (EDW) of Bangladesh bank has been finalized to collect information from scheduled banks in electronic procedure. To this end, banks have been advised to submit EDW related statements (daily/weekly/monthly/quarterly/half yearly) in Rationalized Input Template (RIT) through Web Portal by fulfilling the following instructions :-</p> <p>a) In the case of commencement of submission of EDW related information/statements, 31 December, 2011 has to be used as base date and information/statements based on the above mentioned date have to be submitted within 31 March, 2012. In the case of submission of statements dated later on existing time schedule has to be followed</p> <p>b) List of statements under EDW and soft copies of respective RITs have to be collected from Department of Off-site supervision</p>

	<p>within 26 January, 2012.</p> <p>c) Appropriately filled-in RITs have to be submitted to Bangladesh Bank regularly through Web Portal.</p> <p>d) Existing method/procedure of statement submission and method/procedure of submission of the same through Web Portal will be simultaneously until 30 June, 2012 and from 01 July, 2012 onward, the statements will have to be submitted only through Web Portal.</p> <p>e) Submission of statement through Web Portal will not be applicable in case of information/statements prepared on the basis of audited financial statements. Existing procedures and time schedule have to be followed for submitting such kind of statements.</p>										
<p>DOS Circular Letter No.02 19 January, 2012</p> <p>Marking to Market based Revaluation of Treasury Bills and Bonds held by the banks</p>	<p>Attention was drawn to the DOS Circular Letter No.05/2008 regarding Marking to Market (MTM) of Govt. Treasury Bills and Bonds held by the scheduled banks. Considering the recent market developments, it has been decided that the Primary dealers (PDs) of Govt. Treasury securities should follow the procedure mentioned below for MTM of Treasury Bonds held in their portfolios:</p> <p>1. Treasury bonds issued within the following period and held in HFT category by the PDs may be re-measured at amortized cost instead of fair value:</p> <table border="1" data-bbox="634 1077 1138 1283"> <thead> <tr> <th>Issuing Time Range</th> <th>Tenor</th> </tr> </thead> <tbody> <tr> <td>22/07/2009 to 07/12/2011</td> <td>5 Yrs.</td> </tr> <tr> <td>06/05/2009 to 13/12/2011</td> <td>10 Yrs.</td> </tr> <tr> <td>10/06/2009 to 20/12/2011</td> <td>15 Yrs.</td> </tr> <tr> <td>29/04/2009 to 27/12/2011</td> <td>20 Yrs.</td> </tr> </tbody> </table> <p>2. In future, treasury bonds categorized as HFT securities which remain unsold for two years from the date of purchase may be re-measured at amortized cost.</p> <p>3. The treasury bonds re-measured at amortized cost, although categorized as HTM, for the time being will be excluded while calculating the present HTM to HFT ratio (85% : 15% of SLR).</p> <p>4. The re-measured securities will be eligible for SLR, Repo and ALS operation.</p> <p>5. All other existing regulations regarding HTM securities will be applicable for the re-measured securities.</p> <p><u>Accounting procedure:</u></p> <p>6. The book value (fair value) carrying amount of the bonds under consideration becomes the new amortized cost at the date of re-</p>	Issuing Time Range	Tenor	22/07/2009 to 07/12/2011	5 Yrs.	06/05/2009 to 13/12/2011	10 Yrs.	10/06/2009 to 20/12/2011	15 Yrs.	29/04/2009 to 27/12/2011	20 Yrs.
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	<p>measurement.</p> <p>7. The re-measurement of the securities mentioned in clause (1) should be carried out within January 31, 2012 without considering the purchase period timeline mentioned above. In this case, the book value (fair value) carrying amount of the bonds under consideration as on January 01, 2012 should be taken as the new amortized cost.</p> <p>8. Any difference between the new amortized cost and maturity amount should be amortized over the remaining life of the bonds.</p> <p>9. Existing revaluation reserve for the bonds under consideration should be taken into P/L account at the date of re-measurement.</p> <p><u>Reporting Requirement:</u></p> <p>10. A report on measures taken by the PDs under this circular letter should be submitted to Department of Off-site Supervision (DOS), Bangladesh Bank in the prescribed format (Annexure-1) within February 15, 2012.</p> <p>11. Any future re-measurement shall have to be reported to DOS within the next 10 days of such re-measurement in the prescribed format (Annexure-1).</p> <p>12. The re-measured bonds should be shown under HTM portfolio during regular monthly reporting in DB-5p (DOS Circular Letter No.05/2008).</p> <p>13. All other instructions contained in the DOS Circular Letter No.05/2008 (and the subsequent amendments) and DOS Circular Letter No.05/2009 shall remain unchanged.</p>
<p>BRPD Circular Letter No.01 22 January, 2012</p> <p>Rationalization of Rate of Interest on Deposit and Lending</p>	<p>Cap on rate of interest on lending in all sectors other than pre-shipment export credit and agricultural credit has recently been withdrawn vide BRPD Circular No.-02 dated January 04, 2012. Complaints from business community are being made that banks are not exercising their freedom while fixing rate of interest on lending in justified and rational manner. In this regard banks are advised to limit the difference between lending rate and weighted average rate of interest on deposit or intermediation spread within lower single digit in different sectors other than high risk consumer credit (including credit card) and SME loans.</p>
<p>BRPD Circular No.03 22 January, 2012</p> <p>Prudential Regulations for Consumer Financing</p>	<p>Referring to BRPD Circular No.-34 dated December 29, 2010 and Letter No.-BRPD (P-1)661/13/2011-253-300 dated January 25, 2011, it has been decided that loan-margin ratio for fresh loans shall be maintained at 70:30 in case of house finance under consumer financing and 30:70 for all other consumer loans including motor car loans.</p>

<p>BRPD Circular No.04 25 January, 2012</p> <p>Providing statement related to Banking Regulation and Policy Department to Enterprise Data Warehouse of Bangladesh Bank through Web Portal</p>	<p>As It has been decided that monthly/quarterly statements are required to be submitted to Bangladesh Bank through its online web portal, banks are now required to fill up Rationalized Input Templates (RIT) and upload to Enterprise Data Warehouse (EDW) in the stipulated time period.</p>
<p>DFIM Circular No.01 26 January, 2012</p> <p>Submission of information/statements through Web Portal using Rationalized Input Template</p>	<p>As a part of paperless banking, BB established Enterprise Data Warehouse (EDW) under which the Financial Institutions should have uploaded their regular statements through online procedure. Under this circular the Financial Institutions have been advised to submit some specified statements using Rationalized Input Template (RIT) through Web Portal in parallel to the existing system up to 30 June, 2012. After that those statements have to be submitted only in Web Portal. Other statements have to be submitted using existing system until further instruction.</p>
<p>FE Circular No.01 29 January, 2012</p> <p>Taking initiative to prevent import of ships detrimental to environment and human body in Bangladesh</p>	<p>Referring to FE Circular no.02 dated 26 February, 2006, the circular stated that according to Ship Breaking and Ship Recycling Policy-2011 dated 12 December 2011 issued through Ministry of Industry, Government of Bangladesh, from now on, no objection certificate has to be collected from Ministry of Industry/Ship Building and Ship Recycling Board (SBSRB) instead of Directorate of Sea Transportation before applying for LC in order to import ship.</p>
<p>DOS Circular Letter No.03 30 January, 2012</p> <p>Uniform Accounting Procedure for REPO Transaction</p>	<p>Please refer to DOS Circular No.06 dated 15th July, 2010 on the captioned subject.</p> <p>The circular provides detailed uniform guidelines both for Repo with Bangladesh Bank and interbank repo transaction. It is mentionable; all repo transactions are considered as outright buy/sell according to the procedure outlined in that circular. Primary Dealers (PDs) of Government Securities are provided Liquidity Support for the period as determined by Bangladesh Bank from time to time against the securities that they have purchased from the auction. The procedure is outright buy/sell repo transaction.</p> <p>In order to simplify the liquidity support operation for the PDs, it has been decided that instead of outright buy/sell the procedures will be treated as collateralized Repo transaction subject to fulfill the following regulations-</p> <p>1) Collateralized Repo transaction shall only be applicable while providing LS to Primary Dealers of Government Securities.</p>

	<p>2) BB will apply a 15% and 5% margin on the Face Value of T-Bill and T-Bond respectively and provide the rest amount of the face value as LS.</p> <p>3) As the securities posted as collateral will be encumbered these shall not be eligible to meet the SLR or applicable for any other purpose.</p> <p>4) Appropriate disclosure, as stated in section 38, KA(4) of Bank Company Act, 1991 should be in the financial statements regarding the securities posted as collateral for such repo transactions.</p> <p>5) All other instructions of BB in this regard from time to time shall be complied.</p> <p>This instruction will come into effect from 1st February, 2012. All other instructions given in the DOS Circular No.06 dated 15 July, 2010 regarding the REPO transaction shall remain unchanged.</p>
<p>DFIM Circular No.02 31 January, 2012</p> <p>Investment in Capital Market by Financial Institutions</p>	<p>Capital provided to the subsidiary company formed in order to operate merchant banking and brokerage activities and long term Equity Investment/ Venture Capital provided to other company will not be treated as Capital Market Exposure of the Financial Institutions. Loan exceeding the Single Borrower Exposure Limit in favor of their subsidiary company formed in order to operate merchant banking and brokerage activities will have to be brought down within the limit by 31st December, 2013. In case of any loss arising from investment in capital market provision may be maintained by netting of gain/loss.</p>
<p>FE Circular No.02 06 February, 2012</p> <p>Usance interest rate for deferred payment imports</p>	<p>Referring to the chapter 7, paragraph 33(a) of the Guidelines for Foreign Exchange Transactions, 2009 (GFET), Vol-I in terms of which usance interest, if any, on import trade financing on deferred basis is admissible only at rate no higher than LIBOR for the period in question. With LIBOR prevailing at very low levels, borrowing interest rates for non bank clients in international markets are now much higher. In light of recent usance interest rate trends on public sector import financing, it has been decided that for private sector imports on usance terms the interest rates may bear mark-ups over LIBOR according to the prevailing market conditions subject to overall interest cost not exceeding 6% per annum.</p> <p>2. Besides trade credit from suppliers, the revised interest level will be applicable also for buyers' credits from foreign banks and financial institutions arranged through designated authorized dealers of the importers in Bangladesh.</p>

<p>DOS Circular No.02 15 February, 2012</p> <p>Risk Management Guidelines for Banks</p>	<p>Banks in the financial services industry are facing various challenges attributable to increased competition and expansion of diversified business network. Though Bangladesh has fortunately been spared some of the recent worst upheavals that have occurred in other countries, the necessity of constant vigilance cannot be ignored. Bangladesh Bank has already issued guidelines on risk based capital adequacy, stress testing and managing banking risks in six core areas. With a view to managing various risks in a prudent manner, scheduled banks are hereby instructed to follow the attached risk management guidelines. The document should be treated as supplement to, and not a substitute for, existing core risks guidelines. Banks have to prepare a risk management paper and must place the same in the monthly meeting of the Risk Management Unit. The minutes of the meetings should contain specific decisions based on the analyses/recommendations made in the risk management paper. Banks have to submit risk management papers (hard & soft copies for successive months of each quarter) along with the minutes of the meetings within 10 days of each quarter end to the Department of Off-site Supervision.</p> <p>This circular along with the guidelines are available on the website of Bangladesh Bank and shall come into force with immediate effect.</p>
<p>FE Circular No.03 22 February, 2012</p> <p>Inward remittance against export of services in non- physical form</p>	<p>To facilitate outsourcing business, Bangladesh Bank has, vide its FE Circular No.06, dated May 30, 2011, instructed Authorized Dealers to accommodate the proceeds of the inward remittance to the accounts of individual service providers subject to observance of the specific terms and conditions. Bangladesh Bank has brought further changes by recognizing service exports such as business services, professional/research and advisory services, etc. rendered from Bangladesh. Authorized Dealers have been advised to credit inward remittance received from abroad as payments against these and all other non-agency service exports in non-physical form to local currency accounts to the extent of not less than fifty percent and the remainder in Exporter's Retention Quota (ERQ) accounts in the names of the concerned exporters. This instruction has been issued by Bangladesh Bank vide its FE Circular No.03, dated February 22, 2012.</p>
<p>DMD Circular Letter No.01/2012 22 February, 2012</p>	<p>Referring to the Circular Letter no. DMD-01/2009 dated 21 April, 2009 about the Liquidity Support facility to PDs is amended as follows:</p> <p>Liquidity Support will be provided to PDs for a maximum period of</p>

<p>Providing Liquidity Support to Primary Dealers</p>	<p>two months and 15 days at a stretch from the date of issue of treasury bills and bonds acquired by PDs in auctions through devolvement as well as successful bidding.</p>
<p>DMD Circular No.01/2012 23 February, 2012</p> <p>Avoidance of providing Scrip of Treasury Bills</p>	<p>As the operation of the Market Infrastructure (MI) for government securities has been started from now on all the investors of treasury bills and bonds will only be provided the system generated advice of the same and no paper scrip will be issued.</p>
<p>ACFID Circular Letter No.01/2012 18 March, 2012</p> <p>Reconstructing Agricultural Credit Department as “Agricultural Credit and Financial Inclusion department”</p>	<p>“Agricultural Credit and Financial Inclusion Department” has been formed by reconstructing “Agricultural Credit Department” with a view of bringing more dynamism in the activities of Corporate Social Responsibility (CSR) and Financial Inclusion. Activities of Corporate Social Responsibility of Department of Off-site Supervision will be directed by the newly formed Agricultural Credit and Financial Inclusion Department.</p>
<p>DCMPS (PSD) Circular No.02/2012 20 March, 2012</p> <p>Implementation of National Payment Switch</p>	<p>Bangladesh Bank has started to implement National Payment Switch (NPS) under the Central Bank Strengthening Project. National Payment Switch will act as a mother switch and will gradually connect all the child switches owned or shared (owned and operated either by bank or a non bank entity) by the scheduled banks in the country. Each child switch will have a single interface with the NPS through which child switches will send inter-bank transactions originating from their alternate delivery channels, namely ATM, KIOSKS, POS, E-Commerce, Internet Banking, Mobile Banking etc. as offered by the banks. NPS will support transactions made through cards or account number (direct debit/credit), clear and settle these electronic transactions through the settlement accounts of all the scheduled banks maintained with Bangladesh Bank.</p> <p>Furthermore, NPS will have interfaces with all the major international payment schemes e.g., VISA, MasterCard, AMEX etc so that the banks will be able to send the transactions originating from those international branded cards through National Payment Switch.</p> <p>Bangladesh Bank strongly believes that National Payment Switch will help grow electronic payment infrastructure in Bangladesh, facilitate electronic commerce and thereby reduce dependency on cash transactions substantially.</p> <p>Banks those have their own transaction switching system or share others’ system or planning to install their own system are advised to</p>

	<p>take necessary preparation to build up a single interface with the National Payment Switch so that they can send all inter-bank transactions originating from ATM, POS, KIOSKS, E-Commerce, Internet Banking, Mobile Banking etc. channels through this interface. Banks are also advised to consult with Bangladesh Bank before taking any new initiatives in this regard to ensure conformity with the NPS.</p>
<p>DFIM Circular No.04 28 March, 2012</p> <p>Formation of Subsidiary Company by Financial Institutions</p>	<p>In order to minimize the risk of investment, Financial Institutions have to seek prior approval from Bangladesh Bank in case of forming subsidiary company describing the objectives in details. Financial Institutions have been advised to withdraw the investment made in subsidiary company formed beyond the scope of Financial Institutions Act, 1993 within 30 September, 2012.</p>