

Bangladesh Bank

Recent **Reform**
Initiatives





Bangladesh Bank
(Central Bank of Bangladesh)

Recent Reform Initiatives



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Foreword

The role of financial sector regulators came under sharp scrutiny worldwide following the global financial crisis of 2008. The Bangladesh economy and its financial sector came out largely unscathed from the crisis, with timely and proactive policy responses. Bangladesh Bank (BB), the country's monetary authority and financial sector regulator opted to proceed further forward, hastening ongoing reforms and taking up fresh ones, based on a new five year Strategic Plan for 2010-2014 drawn up in the November 2009 senior management executive retreat. Unorthodox policy approaches supportive of inclusive, environmentally sustainable growth gained new impetus, alongside core functions of surveillance and safeguarding of macroeconomic and financial stability. Major areas of reform include:

- Ensuring growth objectives supported by Bangladesh Bank's focused credit policies are in sync with price stability and macroeconomic stability objectives. Insights and ideas are derived from rounds of stakeholder and expert consultations preceding drafting of the half yearly Monetary Policy Statements and its analytical base is being strengthened.
- Revamp of financial sector regulatory and supervisory frameworks with sharper risk and systemic stability focus in line with post-global crisis revisions of international best practice standards. Following implementation of Basel II capital regime, preparatory work is on for phasing in Basel III capital and liquidity standards. Corporate governance, risk management and disclosure practices in the financial sector are now under sharpened BB supervisory vigilance. Mandatory periodical stress testing brings out vulnerabilities of banks and financial institutions. BB's regulatory and supervisory capabilities are being upgraded continually to meet the emerging new challenges.
- BB has been guiding banks and financial institutions into mainstreaming Corporate Social Responsibility (CSR) in their institutional goals and objectives in line with inclusive growth objectives of the national Perspective and Five Year Plan. This was followed up by engaging the entire financial sector in a sustained financial inclusion campaign to reach out to hitherto unserved and underserved population segments and economic sectors. The inclusion campaign is according priority attention to adequacy of credit flows to agriculture, SMEs, renewable energy generation and other environment friendly projects. While some extent of refinance support lines are available to lenders for occasional liquidity needs, participation of banks in the financial inclusion drives have by and large been spontaneous. Many of them have launched their own financing programs for farm and non-farm SMEs in specific activity clusters throughout the country like Agar and maize farming, light engineering workshops, handloom based textiles villages and so forth. State owned banks have by now opened about ten million new bank accounts in names of small landholder/landless farmers/other rural and urban people of small means with nominal Taka ten (about twelve cents) initial deposits; enabling them to receive government

agricultural input subsidies/social safety net payments in these accounts, besides making other transactions. Banks are partnering creatively with regulated Micro Finance Institutions (MFIs) and mobile telephone/smart card based IT platforms in devising cost effective modes of financial service delivery to the new customer bases being built up in poorer rural and urban populations. BB has issued Mobile Banking guidelines to facilitate and oversee these initiatives in the financial sector.

- BB's guidance circular on Green Banking has initiated practices of environmental risk assessment of new and ongoing projects before making financing decisions. Besides, the CSR mainstreaming guidelines are engaging banks into adoption of energy efficient and harmful emission minimizing internal processes and practices.
- The aforementioned initiatives within BB and in the broader financial sector are being supported by massive upgrading of payment settlement, credit information and country-wide connectivity infrastructure. Fully automated clearing and settlement of interbank paper based and electronic payments and transfers has hugely facilitated online banking and e-commerce; upgraded IT platform in BB's Credit Information Bureau enable faster lending decision making with online access to credit information; BB's new IT platform comprising ERP, core banking and data warehouse with gateways for banks now enable the later to furnish reports and returns online; hastening IT platform modernization in the entire financial sector. Intranet connectivity of BB staff in the new IT platform is reducing paper based exchange of memos and communications. The above initiatives are always providing greater impetus to lowering carbon emission and hence achieving green banking objectives of BB.
- Consumer interest protection in financial services is a prime BB concern. Hotlines are open all hours at BB to receive and promptly address consumer complaints; a central database has been developed to monitor resolution of consumer complaints in BB and in the banks/financial institutions.

This booklet brings together the diverse reform and development steps in summarized form, helping readers understand the full range and scope of the initiatives. Much of these are in departure from traditional central banking to heterodox approaches that are serving well to uphold growth and employment in the Bangladesh economy during and after the global financial crisis. I hope the booklet contents will help embed a forward looking, change welcoming mindset in readers, particularly in BB staff members in the years ahead. This booklet and its future updates may also be useful in sharing reform experiences with other Central Banks.

Dr. Atiur Rahman
Governor, Bangladesh Bank

Vision

To develop continually as a forward-looking central bank with competent and committed professionals of high ethical standards, conducting monetary management and financial sector supervision to maintain price stability and financial system robustness, supporting rapid broad based inclusive economic growth, employment generation and poverty eradication in Bangladesh

Commitment for Change

Commitment for Change

Commitment for Change

Chapter 1

Currency Management and Payment Systems

Bangladesh Automated Clearing House (BACH)

Bangladesh Electronic Funds Transfer Network (BEFTN)

- ◆ To address the growing demand for a fast, secure and state-of-the-art payment system in Bangladesh, BB took initiatives to establish country-wide electronic payment infrastructure replacing the traditional paper based clearing and settlement system. The change initiatives are focused on the following core areas -
 - Payment Systems Strategy
 - Automated Cheque Processing System
 - Electronic Funds Transfer
 - Mobile Financial Services
 - E-Commerce and m-Commerce
 - National Payment Switch
 - Legal & Regulatory Framework for electronic payment systems
- ◆ Bangladesh Automated Clearing House (BACH), the first ever electronic clearing house has started live operation in Dhaka from 7 October 2010. It has two components - Bangladesh Automated Cheque Processing System (BACPS) and Bangladesh Electronic Funds Transfer Network (BEFTN).
- ◆ Bangladesh Automated Cheque Processing System (BACPS) is the electronic cheque processing of paper-based instruments, uses Cheque Imaging and Truncation (CIT) technology. The system supports both intra-regional and inter-regional clearing and is based on a centralized processing centre located in Dhaka and in designated clearing regions.
- ◆ BACPS participants are all commercial banks and related Government offices. Country wide use of MICR (Magnetic Ink Character Recognition) encoded standardized instruments i.e., Cheques, Drafts, Pay-Orders, Dividend and Refund Warrants, etc. has been ensured.
- ◆ At present 15,00,000 (approx.) regular and 90,000 high value cheques and other instruments are cleared through BACPS per month. Almost 90 percent of all the clearing instruments are now being cleared through BACH.
- ◆ BEFTN is the maiden initiative for electronic (credit and debit) transfer of funds. This network facilitates the transmission of funds between the banks electronically, which makes it faster and efficient means of inter-bank clearing over the existing paper-based system i.e., BACPS.
- ◆ BEFTN is able to handle a wide variety of credit transfer applications such as payroll, foreign and domestic remittances, social security, company dividends, retirement, expense reimbursement, bill payments, corporate payments, government tax payments, veterans payments, government license fees and person to person

payments as well as debit transfer applications such as mortgage payments, membership dues, loan payments, insurance premiums, utility bill payments, company cash concentration, government tax payments, government licenses and fees.

- ◆ At present, approximately 2,00,000 EFT-credit and 2,000 EFT-debit transactions are processed per month on an average with an increasing trend.
- ◆ A state-of-the-art Data Center (DC) and a Disaster Recovery Site (DRS) have been established comprising of modern software and hardware for dealing with the operations of BACH. A Virtual Private Network (VPN) has been created using the communication links between the participating commercial banks and Data Center (DC) & Disaster Recovery Site (DRS).
- ◆ Bangladesh Bank instructed the commercial banks to implement Core Banking Solution (CBS) and establish Inter-branch Connectivity among the bank branches.
- ◆ At present 37 banks have full online banking, 4 banks have partial (selected branches are connected) online banking and 6 banks will have online banking soon.
- ◆ Bangladesh Bank approved the following e-Commerce activities for the commercial banks:
 - Online payment of utility bills from client's accounts to recipients accounts.
 - Transfer of money from one account of a client to another account in the same bank.
 - Payment/collection of money from/to buyer's bank account to seller's bank account for buy/sale of products under e-commerce
 - Transaction via internet using credit card in local currency.
- ◆ At present 2 banks are offering e-commerce services. Others will join soon.
- ◆ In order to start m-Commerce in Bangladesh, Mobile Network Operators (MNO) have been given permission to sell railway tickets and tickets of cricket matches organized by the Bangladesh Cricket Board (BCB) using mobile technology. Besides lottery tickets are also sold by the MNOs.
- ◆ The Bangladesh Bank has taken initiative to establish National Payment Switch (NPS) in order to facilitate interbank electronic payments originating from different delivery channels e.g. Automated Teller Machines (ATM), Point of Sales (POS), Internet, Mobile Applications, etc. The main objective of NPS is to create a common platform among the existing shared switches already built-up by different private sector operators. NPS will facilitate the expansion of the card based payment networks substantially and promote e-commerce throughout the country.

Core Banking Software Installation and Inter-branch Connectivity Establishment

Emerging e-Commerce

Emerging m-Commerce

National Payment Switch

Legal & Regulatory Reforms for electronic payment systems

Printing of currency notes in new design

Counterfeit note detection booth

Assistance to law enforcing agencies in detecting forged and counterfeit notes

Public Awareness Program

- ◆ In order to give legal and regulatory support to such electronic exchange of images of paper items and electronic transfer of funds, Bangladesh Bank has published Bangladesh Payment and Settlement Systems Regulations (BPSSR), 2009 on 27 April 2009.
- ◆ To ensure adequate supply of fresh currency notes as per estimation, new notes of denominations 1000, 500, 100, 5 and 2 taka with new security features and new design have been issued.
- ◆ In order to restrain forged and counterfeit notes especially during Eid-ul-Azha, detection booths have been established in all authorized cattle markets of city corporations and police stations with involvement of all scheduled banks.
- ◆ 90 Fake note detecting machines have been handed over to the Police and Rapid Action Battalion (RAB) as part of the assistance extended to these law enforcing agencies in to combat against fake notes and note counterfeiting.
- ◆ Display of posters of genuine 100, 500 and 1000 taka notes have been made mandatory for all the bank-branches. Advertisements, audio-visual media containing the security features of higher denomination notes had been telecast in all TV channels of the country.

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Chapter 2

Regulatory Reforms

Chapter 2

Regulatory Reforms

Relevant Departments: i) Banking Regulation and Policy Department, ii) Department of Off-site Supervision, iii) Department of Financial Institutions and Markets

Interest Rate liberalized and more transparent

- ◆ Banks have been advised to upload their deposit and lending interest rate on their respective website and display the same in suitable visible places in their Branches and Head Offices.
- ◆ Banks in general are free to charge/fix their deposit and lending rate. Cap on rate of interest on lending in all sectors other than pre-shipment export credit (7%) and agricultural loans (13%) have recently been withdrawn.
- ◆ Banks have been advised to limit the difference between lending rate and weighted average rate of interest on deposit or inter-mediation spread within five percent in different sectors other than high risk consumer credit (including credit card) and SME loans.
- ◆ With progressive deregulation of interest rates, banks have been advised to announce the mid-rate of the limit (if any) for different sectors and they may change interest by 1.5 percent more or less than the announced mid-rate on the basis of the comparative credit risk.

Schedule of charges rationalized

- ◆ BB has rationalized the charges of some services to ensure the interest of depositors/invertors/customers and advised all Scheduled Banks to display the complete schedule of charges in suitable visible places in their Branches and Head Offices' for the information of their customer and upload the same in their respective websites for the convenience of the customers.
- ◆ Considering the interest of the small depositors it has been decided that no charge can be imposed as account maintenance fee for average deposit balance up to BDT 5000 (USD 62.5). A maximum of BDT 100 (USD 1.25) may be imposed as account maintenance fee for average deposit balance up to BDT 25000 (USD 312.5) on six monthly basis.

Prohibition on Bank Loan for Purchasing Land

- ◆ The value of land has increased abnormally due to increasing trend of purchasing of and demand for land. In this context, it has now been decided that banks shall not provide any loan/credit facility for purchasing land in order to channel credit towards productive areas.

Single Borrower Exposure Limit waived for power sector

- ◆ Considering power sector development as a government priority it has been decided that Single Borrower Exposure Limit as stipulated in the BRPD circular 09/2005 will not be applicable for the banks financing in order to produce and distribute electricity against the award provided by the Electricity Department or the institutions controlled by the Electricity Department.

Prudential Regulation for Consumer Financing

- ◆ Regulation 21 of Guidelines for Prudential Regulations for Consumer Financing (Regulations for Auto loans) has been replaced as under :

- banks desirous of financing the purchase of used vehicles shall prepare uniform guidelines for determining value of the used vehicles. However, the bank shall only finance the vehicles imported as described in the existing Import Policy Order.
 - 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.
- ◆ A detailed guideline on Environmental Risk Management has been introduced to assess Environmental Risk along with the Credit Risk for an overall credit rating prior to disbursement of loan/credit facility.
 - ◆ To cope with the international best practices and to make the bank's capital more risk sensitive as well as more shock resilient, banks in Bangladesh have entered into Basel-II regime from January 01, 2010 after one year parallel run period (2009) with Basel-I. Meanwhile, Basel-III has been published by Basel Committee for Banking Supervision (BCBS) and BB is planning to adopt the same. In addition to level of risk management, Basel-III has suggested that in calculating capital adequacy bank will consider its size (leverage ratio), Liquidity Coverage Ratio (LCR) and countercyclical position.
 - ◆ Bangladesh Bank has prepared a Guideline for Information and communication technology (ICT) Security for scheduled banks and Financial Institutions for all their information systems. The ICT Security Guideline defines the minimum requirements to which each bank must adhere.

NPL to total loan ratio (%)			
2008	2009	2010	2011
13.2	10.8	9.2	7.3

Guidelines on Environmental Risk Management (ERM)

Basel-II implementation and Basel-III

Guideline on ICT Security for Banks and Financial Institutions, 2010

Chapter 3

Supervision of banks
and financial institutions

Supervision of banks and financial institutions

Relevant Departments: i) Department of Off-site Supervision, ii) Department of Financial Institutions and Markets, iii) Department of Banking Inspection-1, iv) Department of Banking Inspection-2, v) Department of Banking Inspection-3, vi) Foreign Exchange Inspection and Vigilance Department, vii) Deposit Insurance Department

Chapter 3

- ◆ Promulgated Stress Testing Guidelines for the scheduled banks in April 2010 and in February 2011 to gauge the resilience of the banking sector against plausible shocks. The development of credit, market and liquidity risks is being analyzed through stress tests. This will continually address risks that the banking industry is exposed to and help the banks to take necessary corrective measures.
- ◆ Introduced Financial Stability Report (FSR) for the first time in October 2011. The FSR contains analysis on macroeconomic developments impacts on the banks and financial institutions and evaluation on current and future risk factors.
- ◆ With a view to developing a world class risk management environment in the banking sector of Bangladesh, an elaborate risk management guideline was introduced in 2012. This document promotes an integrated, bank-wide approach to risk management that will propel banks in Bangladesh to the forefront in the region in adopting contemporary methods to identify, measure, monitor, and control risks.
- ◆ Scheduled banks were instructed to establish a separate Risk Management Unit (RMU) to develop risk management capacity among them to manage the risks that can cause systemic threats and jeopardize the stability of the entire financial system. The RMU not only conducts Stress Testing for examining the banks' capacity of handling future shocks, and to deal with all potential risks that might occur in future.
- ◆ Conducted scenario analysis on banks' Capital Adequacy data for fixing Capital Adequacy Ratio (CAR) & Risk Weight which contributed to the formulation of Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel II) in December 2010.
- ◆ BB has implemented successfully the Basel II accord strengthening overall capital base of the banking sector. The capital of the banking sector increased by BDT 355.2 billion (USD 4.4 billion) during the last three years.
- ◆ Investment policies related to capital market activities for scheduled banks were formulated and implemented, which helped the banking sector to remain unaffected from the capital market price correction of 2010-2011.
- ◆ Repo transaction has become more transparent and accountable after the implementation of a uniform accounting guidelines for Repo transactions.
- ◆ The amendment of Islamic Bond Rule, 2004 (draft placed for enactment) and introduction of Islamic Interbank Fund Market (IIFM) in

Stress Testing became mandatory for the scheduled banks

Published Financial Stability Report for the first time

Integrated Risk Management Guidelines

Established Risk Management Unit (RMU) in banks

Risk Based Capital Adequacy(RBCA) guideline revised

Implementation of Basel II accord

Safeguard policy for the banks on capital market activities

Accounting Guidelines for Repo Transactions

Islamic Interbank Fund Market (IIFM)

Diagnostic Review Report (DRR)

2012 to solve the liquidity problem and reduce liquidity risk of the Islamic banks.

- ◆ A detailed reporting system named as Diagnostic Review Report (DRR) to analyze banks' overall condition and financial disclosure requirements was initiated.
- ◆ Financing to Agriculture, SME & Women Entrepreneurship by the banks are also being considered in the 'Management' segment during composite CAMELS rating.

Introduced Digitized Data Reporting System and Software

- ◆ Introduced web-based data uploading by banks, which helps to process data and generate reports regarding deposit, advance, liquidity, capital adequacy etc. of the banking sector faster than before.

Expansion of Non-Banking Financial Institutions

- ◆ Two new Non-Banking Financial Institution (NBFI) have been given license in last three year, namely,
 - Agrani SME Financing Co. Ltd. and
 - Bangladesh Infrastructure Finance Fund Ltd
- ◆ Out of 162 branches of the NBFIs, 81 have been opened in the last three years.

Prudential Regulations for NBFIs

- ◆ Seeking approval to form Subsidiary Company has been made mandatory for the NBFIs.
- ◆ Streamlined Investment in Capital Market by Financial Institutions by redefining Capital Market Exposure and the Caps of Investment by the NBFIs.
- ◆ On-line Data Collection from NBFIs started as part of Enterprise Data Warehouse (EDW) project through web portal.
- ◆ New instructions issued as part of Corporate Governance of Financial Institutions.
 - Formation of audit committee of the Board of Directors of Financial Institutions
 - Responsibility and accountability of the Board of Directors and Chief Executives/Managing Directors of the Financial Institutions
- ◆ Streamlined Accounting Procedures of NBFIs:
 - Uniform Financial statements for all NBFIs
 - Accounting procedure of deferred tax
- ◆ Minimum paid up capital of the financial institutions increased to BDT 1 billion (USD 12.5 million) from BDT 0.5 billion (USD 6.25 million).
- ◆ Audited Financial Statements and Management Report made mandatory within three months.
- ◆ Basel Accord is being implemented in the NBFIs from January 2012 after successful test run for a period of one year starting from January 2011. Minimum CAR for the NBFIs has been set at 10%.

Basel accord implementation for NBFIs

Chapter 4

Financial Inclusion

Chapter 4

Financial Inclusion

Relevant Departments: i) Agricultural Credit and Financial Inclusion Department, ii) SME and Special Programs Department, iii) Banking Regulation and Policy Department

Bank account for farmers

◆ Banks were instructed, from FY 2011-2012, mandatorily to set the annual agri./rural credit disbursement target at a 2.5% of their total loans and advances which was largely achieved.

Bank account for unemployed youth

◆ A farmer can open an account by depositing BDT 10 (equivalent 12 cents only) at any state owned commercial and specialized bank against national ID card/birth registration card and 'agricultural equipment assistance card' issued by the Department of Agricultural Extension. More than 10 million accounts of farmers have been opened at State-owned Commercial Banks with an initial deposit of BDT 10 (equivalent 12 cents only).

Bank account for hardcore poor

◆ An unemployed youth can open a bank account by depositing BDT 50 (equivalent 60 cents only) at any scheduled bank under National Services Program.

Banking service for physically handicapped people

◆ A hardcore poor can open bank account by depositing BDT 10 (equivalent 12 cents only) at any state owned commercial and specialized bank against national ID card and registration card issued by the Ministry of Food & Disaster Management. There will be no bindings for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts.

Bank accounts for Freedom Fighters

◆ Banks have been advised to designate an official as 'Focal Point' at each branch of their bank with a view to making the banking services beneficial and easily accessible to the physically handicapped people.

Bank accounts for beneficiaries under Social Security Program

◆ A freedom fighter can open bank account by depositing BDT 10 (equivalent 12 cents only) at any state owned commercial and specialized bank against national ID card and Payment Receipt Book for freedom fighter's allowance. There are no bindings for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts. Total number of freedom fighters' accounts is 92,693 as of March 29, 2012.

Bank account for distressed people

◆ Beneficiaries under Social Security Program can open bank account by depositing BDT 10 (equivalent 12 cents only) at any state owned commercial and specialized bank against national ID card and Payment Receipt Book containing Pension Payment Order (PPO) for the beneficiaries. There are no bindings for maintaining minimum balance on the said accounts and banks shall not impose any charges/fees on these accounts. Total number of accounts for Beneficiaries under Social Security Program is 25,80,668 as of March 29, 2012.

◆ Beneficiaries under Hindu Religious Welfare Trust can open bank account by depositing BDT 10 (equivalent 12 cents only) at any state owned commercial and specialized bank against national ID card and Certificate issued by Hindu Religious Welfare Trust.

- ◆ Small life insurance policy holders (up to BDT 0.15 million) can open bank account by depositing BDT 100 (USD 1.2 only) at any state owned commercial and specialized bank against national ID card/birth certificate and premium deposit book/document for life insurance. Total number of accounts for Small Life Insurance Policy Holder is 5,702 as of March 29, 2012.
- ◆ Aila affected people are also being provided with the facility of opening bank account at Kaira and Dakup Upazilla branches of Sonali, Agrani, Rupali and BKB by depositing BDT 10 (equivalent 12 cents only).
- ◆ Several steps have been taken to boost up bank financing to the production of Pulse, Oil-seed, Spices and Maize at 4% interest concessional credit.
- ◆ For the first time, Bangladesh Bank has made a comprehensive policy and programs on SMEs. Special features of the SME Credit Policies and Programs are outlined below-
 - Setting up an indicative target for SME loan disbursement
 - Following the Area Approach Method
 - Cluster development Policy
 - Priority to the small entrepreneurs, women entrepreneurs,
 - Special emphasis for manufacturing and service sectors,
 - Monitoring SME activities in the Head Office of BB
 - Following separate business strategies in financing SME
 - Speedy loan sanction and disbursement
- ◆ Bangladesh Bank, with the help of government and different development partners, is implementing 4 refinance facilities to banks and NBFIs against their disbursed SME credit. Under these refinance facilities, 22 banks and 24 NBFIs have signed administrative agreement with BB.
- ◆ About 55% of all agricultural farms in Bangladesh are sharecropper households. Sharecroppers have no access to credit from the banking sector because they are unable to meet the documentation requirements for land ownership. Bangladesh Bank has introduced a BDT 5.0 billion (4.50 billion short term loan and 0.50 billion medium term loan) refinancing line against loans to sharecroppers in a group-based program of BRAC, the largest NGO in Bangladesh.
- ◆ For mainstreaming women in economic activities, BB has taken a number of policy initiatives so as to ensure women entrepreneurs to have financial facilities on simple terms and conditions. These are -
 - 15% of BB refinance fund are allocated for women entrepreneurs. Instructions were given to Banks and NBFIs to charge reduced interest rate at 10% (Bank rate+5%) to women entrepreneurs on refinance schemes.

Bank Account for Small Life Insurance Policy Holder

Bank Account for Aila Affected People

Loans to farmers for spice cultivation

Major Policy Reforms in SME and Refinance Schemes

Special Incentives and Performances for Women Entrepreneurs

Mobile Phone based Financial Services

- Every Banks and NBFIs mandatorily have to have a separate 'Women Entrepreneur's Dedicated Desk'. Banks and NBFIs were instructed to employ competent officials in that dedicated desk and to train up the said officials on SME financing issues.
- Banks and NBFIs may sanction loan of BDT 2.5 million (USD 31,250) to women entrepreneurs without collateral but against personal guarantee under refinance facilities by BB if the borrower is a women entrepreneur or if 51% shareholder of the borrowing enterprise are women.
- In order to include large number of micro women entrepreneurs in the SME credit facilities, a policy of group based lending of up to BDT 50,000 (USD 625) or above has been instigated.

◆ The rapid growth of mobile phone users and countrywide coverage of mobile operator's network has made their delivery channel an important tool-of-the-trade for extending banking services to the unbanked/banked population, especially to expedite faster delivery of remittances across the country.

◆ Bangladesh Bank has approved the following Mobile Financial Services (in broad categories) aiming at financial inclusion of the unbanked -

- Inward foreign remittance disbursement
- Cash in /out using m-wallet account through agents/ Bank branches/ ATM's/ Mobile Operator's outlet
- Person to Business Payment (e.g. utility bill payment)
- Business to person Payment (e.g. salary disbursement by corporate bodies/industries /offices etc.)
- Government to Person Payment (e.g. elderly allowances. Freedom fighter allowances etc.)

◆ Till date 21 commercial banks got approval out of which 13 banks have already started their operation.

◆ BB has advised to the scheduled banks to introduce School Banking activities to encourage saving behavior of student and to facilitate their financial inclusion as well as for introducing modern banking service and technology to the student. As of December 31, 2012 about 37 banks have responded to school banking services and 29,080 numbers of accounts have been opened.

School banking

Chapter 5

Foreign Exchange Policy and Reserve Management

Chapter 5

Foreign Exchange Policy and Reserve Management

Relevant Departments: i) Foreign Exchange Policy Department, ii) Foreign Exchange Operation Department, iii) Foreign Exchange Investment Department, iv) Forex Reserve and Treasury Management Department

Relaxation in issuance of PRC

◆ Exporters are required to submit Proceed Realization Certificates (PRCs) to different government agencies as evidence of export and realization of proceeds. This requirement of authentication by Bangladesh Bank has been withdrawn with effect from July 01, 2009.

Advance from ERQ

◆ To facilitate export trade, Bangladesh Bank has enhanced the limit of advance payment from Exporter's Retention Quota account to USD 10,000 from USD 5,000 for bona fide business purposes.

FC for regular study further relaxed

◆ Bangladesh Bank has relaxed regulations in releasing foreign exchange for regular study abroad. Now Authorized Dealers may, without reference to Bangladesh Bank, release foreign exchange to the student while studying abroad, for change of educational institution, for change of subject and for studying new course after completion of a course.

Remittance of legal expenses relaxed

◆ Bangladesh Bank has relaxed remittance on account of legal expenses for legal prosecution against banks in foreign countries.

Relaxation in forward sales

◆ To encourage forward sales of foreign exchange by Authorized Dealers, BB has relaxed the requirement to cover at least 50% of the forward sales by forward purchases and remaining portion by interbank forward purchases and/or spot purchases of export bills.

Enhancement of Travel quota

◆ BB has enhanced travel quota limit of USD 1000 (by air) and USD 500 (by overland) to USD 1,500 for travel to SAARC member countries and Myanmar. For other countries, the limit has been increased from USD 3,000 from USD 5,000 in a calendar year.

Outward Remittance for IT Firms

◆ To facilitate IT/Software firms, Bangladesh Bank has allowed Authorized Dealers to remit up to USD 10,000 on behalf of IT/Software firms in a calendar year on account of international alliance/software registration fee, domain registration/hosting fee, server maintenance fee, account verification/remittance test fee, etc. without prior approval of Bangladesh Bank.

Purchase of usance import bill

◆ To facilitate import transactions, Bangladesh Bank has allowed Authorized Dealers to discount/purchase accepted usance/deferred bills against import from abroad on banker customer relationship applying due diligence.

Service Export - Relaxation

◆ To facilitate outsourcing business, BB has 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. Moreover, Bangladesh Bank has recognized service exports such as business services, professional/research and advisory services, etc. rendered from Bangladesh.

Use of ICC for online payment of fees

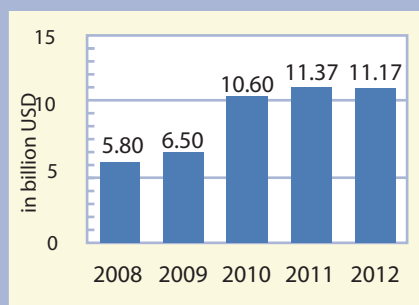
◆ BB has allowed International Credit Card (ICC) for online payment through internet of membership fees of foreign professional and scientific institutions and fees for application, registration,

admission, examination (TOEFL, SAT etc.) in connection with admission into foreign educational institutions. This has also allowed that individuals not holding ICCs in their names may also make such online payment through internet using 'Virtual Card' for the required amount by an ICC issuing bank, for use through its designated bank branch.

- ◆ To facilitate smooth repatriation of remittance against Off-shore IT/Business Process Outsourcing services provided by Bangladeshi freelancers in non-physical form, Bangladesh Bank has allowed Authorized Dealers to offer the facility of repatriation of remittances against such service exports through Online Payment Gateway Service Providers (OPGSPs).
- ◆ To facilitate transactions of Authorized Dealers in addition to USD, GBP, EUR and JPY, Bangladesh Bank has started maintaining FC clearing accounts in Canadian Dollar. The opening of FC clearing account in Canadian Dollar has been permitted.

Use of OPGSPs for inward remittance

FC clearing account in CAD



Chapter 6

Anti Money Laundering and
Combating Financing of Terrorism

Anti Money Laundering and Combating Financing of Terrorism

Relevant Departments: i) Bangladesh Financial Intelligence Unit, ii) Central Bank Strengthening Project Cell

Chapter 6

- ◆ Money Laundering Prevention Act (MLPA), 2012 has been promulgated repealing the Money Laundering Prevention Act, 2009 and the Anti Terrorism (Amendment) Act, 2012 has been promulgated amending the Anti Terrorism Act, 2009 to meet the international standards and to make an effective AML/CFT regime in Bangladesh. The Bangladesh Financial Intelligence Unit (BFIU) has performed a major role in drafting both of the Acts.
- ◆ BFIU performed significant role in drafting Mutual Legal Assistance Act on Criminal Matters (MLA Act), 2012 for better international cooperation.
- ◆ BFIU has developed 'National Strategy for Anti Money Laundering and Combating Financing of Terrorism 2011-2013'. The strategy paper contains 12 (twelve) strategies against 12 (twelve) strategic objectives. The National Coordination Committee, headed by honorable Finance Minister, has approved the strategy paper on 30 April, 2011.
- ◆ BFIU has performed vital role with Anti Corruption Commission to conduct AML/CFT risk and vulnerabilities assessment on Bangladesh to identify the AML/CFT risks and vulnerabilities in Bangladesh, and drafted a report on it.
- ◆ A National Coordination Committee (NCC), has been formed headed by honorable Finance Minister, comprising Attorney General, Chairmen of ACC, Principal Secretary and secretaries of all relevant ministries, to formulate top level policy on AML/CFT issues and to determine the work procedure to implement the policies. Governor of Bangladesh Bank is one of the members and Deputy Governor (Head of BFIU) is the member secretary of the committee.
- ◆ A Working Committee has been formed comprising 21 (twenty one) members to support the NCC and to implement the decisions of NCC. The convener of the committee is the Secretary of Bank and Financial Institution Division, Ministry of Finance.
- ◆ 'Primary Contact Point' has been established in the relevant 21 (twenty one) ministries/Division/Organization to ensure seamless flow of information on ML/TF issues.
- ◆ BFIU has drafted a notification to share related/required information with it and accordingly the notification has been issued by the Bank and Financial Institutions Division, Ministry of Finance instructing all the related agencies.
- ◆ Bangladesh Financial Intelligence Unit has already signed MoU with FIU of 11 countries among which 07 MoU have been signed during May 2009- May 2012 for sharing information and intelligence on ML/TF issues.

Legal Reforms

MLPA, 2012
AT (amendment) Act, 2012

MLA Act, 2012

National AML/CFT Strategy Paper

National AML/CFT Risk and Vulnerability Assessment

Coordination at National level

- NCC
- Working Committee
- Primary Contact Point
- Notification for Information Sharing

International Cooperation

Counterpart of MoU

- Malaysia
- Nepal
- Philippines
- Indonesia
- South Korea
- Afghanistan
- Cambodia
- Thailand
- Sri Lanka
- United Kingdom
- Singapore

International Cooperation and Review Group (ICRG)

◆ BFIU has successfully arranged the APG (Asia Pacific Group on Money Laundering) Typology Workshop, 2010 on AML/CFT. About 160 representatives from 40 member countries and other donor agencies have participated in the workshop. Honorable Prime Minister of the country has inaugurated the workshop and declared 'zero tolerance' against ML/TF issues. The successful completion of the event has been applauded by APG and other international organizations.

◆ According to the rating of the 2nd Mutual Evaluation Report prepared by APG, Bangladesh is under International Cooperation and Review Group (ICRG) process since October 2010. As part of the ICRG process Bangladesh has developed a time bound action plan to upgrade its AML/CFT regime at par with the international standard and the honorable Finance Minister extended high level political commitment to the FATF. Bangladesh with the dynamic leadership of BFIU of BB has completed almost all the actions properly meanwhile. Bangladesh is the only one country in the ICRG process that has been able to maintain its status quo.

◆ Participants from all the financial sectors have been brought under AML/CFT regime including Insurance Companies, Money Changers, Money Remitters, Securities market intermediaries, NGOs/NPOs etc.

◆ BFIU has issued separate Guidance Notes on Prevention of Money Laundering for the insurance companies and money changers.

◆ BFIU has issued a comprehensive circular for NGO/NPOs on 15 June, 2011.

◆ BFIU has already taken initiatives against the Multi Level Marketing (MLM) companies suspected to be involved in defrauding their customers.

◆ BFIU has been maintaining a rich database of financial information relating to Suspicious Transaction Reports (STRs) and Cash Transaction Reports (CTRs) and data received from other sources. Necessary security and confidentiality have been ensured in this regard.

◆ BFIU has already finalized the procurement process of 'goAML' software for online reporting of CTR and STR.

◆ BFIU has established MIS to preserve and update all the information and to generate necessary reports using the MIS.

◆ Bangladesh Financial Intelligence Unit has continued its effort to create awareness among the bank officials; furthermore it has included officials of other reporting organizations under this awareness program. It has encouraged the banks to conduct massive training programs for the officials on AML/CFT throughout the country each year and provided support in 56 districts to make the program successful. BB also arranged workshops for other law enforcing agencies.

Digitization and Database Maintenance

Awareness Building Program

Road Show

◆ BFIU has arranged a 13 (thirteen) days long country wide road show from 26 March 2010 to 2 April 2010 to build massive public awareness focusing four issues: Prevention of Money Laundering, Prevention of Hundi and public motivation thereon to boost foreign remittance through legitimate channel, Agricultural Credit Loan and SME Financing. It was a unique countrywide event which helped to raise awareness on AML/CFT among the common people. Government of the People's Republic of Bangladesh recognized the road show as a success story for financial inclusion.

Chapter 7

Central Bank Strengthening Project

Chapter 7

Central Bank Strengthening Project

Relevant Departments: i) Central Bank Strengthening Project Cell, ii) Strategic Planning Unit

Network, LAN/WAN

- ◆ Bangladesh Bank is implementing the Central Bank Strengthening Project (CBSP) with financial assistance of the World Bank. The main objective of the project is to transform Bangladesh Bank into a modern and dynamic central bank capable of playing appropriate regulatory and supervisory role in the monetary and banking sector.

Enterprise Resource Planning (ERP)

- ◆ All the offices and departments of BB are now connected in a single network through LAN/WAN.
- ◆ Around 3,800 computers are now connected in the network system (Intranet/Internet) where the designated staff can log in to work.
- ◆ The Network Package is the backbone of other packages of CBSP like ERP, Banking, EDW, BACH, NPS etc.
- ◆ Human Resources & Payroll Module and Finance & Controlling Module have been fully functional in concerned departments of Head Office and all the Branch offices. Salary preparation, accounting of the advance taken by the employees are being automatically processed in the system. Now the officials of BB can get complete information from the system.
- ◆ Financial statement for the FY 2010-2011 has successfully been generated from SAP under FICO Module.

Banking Application

- ◆ MM (Material Management) module is functioning successfully from the end of March, 2012.
- ◆ An interface has been set up under the package to connect the Govt. Accounting Software and the Bangladesh Automated Clearing House.
- ◆ A Central Depository for Government Securities has been developed under Banking Application package.
- ◆ Treasury Module & Market Infrastructure Module are now fully functional.
- ◆ Core banking module is running simultaneously with manual process. Soon, it will go live in all the Branch offices of Bangladesh bank.
- ◆ EFT operation for government salary payment has already been started for selected ministries including Prime Minister's office.

Enterprise Data Warehouse (EDW)

- ◆ The Enterprise Data Warehouse (EDW) is fully functional and the Data Centre as well. All historical data from 1972 has been converted to digital format and updated in the Data Server. All Financial Institutions are now submitting their returns via RIT (Rationalized Input Template) directly through BB web portal. All the Banks are gradually submitting all their data through this process as well.

- ◆ To improve the working environment attune with the automated systems, modernization of office layout of the 30 storied building is under implementation.
- ◆ A national payment switch (NPS) is under way to create a common platform for all the commercial banks for electronic payments. The switch will connect all child switches already in place in the private sector, including the mobile operator switches and the internet banking solutions of the banks enabling banks inter-bank mobile and internet banking transactions respectively.
- ◆ A new IT system will be installed for Bangladesh Financial Intelligence Unit (BFIU) for STR and CTR to ensure a highly secured financial system. The software will be provided by United Nations Office for Drugs and Crime (UNODC).

Office Layout Modernization

National Payment Switch

IT System for BFIU

Chapter 8

Corporate Social Responsibility

- ◆ Corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, stakeholders, communities, public and employees as well.
- ◆ CSR activities of banks broadened substantially in last three years. As of December 2011 all 47 banks have adopted CSR as mainstream extending direct expenditure of total BDT 2.18 billion (USD 27.25 million) which is fourfold larger than in 2009 (BDT 0.55 billion).
- ◆ BB Published two reports namely 'CSR Initiatives in Bank' in April 2010 and July 2011. Also published 'Banks beside destitute people in winter'.
- ◆ CSR initiatives by banks have been formalized. In relation to promote CSR activities more inclusive it is now monitored by Agricultural Credit and Financial Inclusion Department of BB.
- ◆ With a view to ensuring basic human rights and as a prerequisite for inclusive socio economic growth, banks have been instructed to include gender equality related performance indicators in the CSR reporting.
- ◆ BB established a special desk known as 'Customers' Interests Protection Centre' (CIPC) in its Head Office and Branch Offices with the following objectives:
 - to protect the interests of the customers/depositors of Banks & Financial Institutions within the legal and regulatory framework
 - to redress the grievances of customers and to attend the complaints received against Banks/FIs or its any official
 - to improve banker-customer relationship
 - to ensure the standard of customer-services of the Banks/FIs

CSR expenditure by banks			
2008	2009	2010	2011
0.41	0.55	2.33	2.18

Fig. in billion BDT

Sectors of CSR

- Humanitarian & disaster relief
- Education
- Health
- Sports
- Art & culture
- Environment
- Others

Promoting Gender Equality

Customers' Interests Protection Centre (CIPC)

Hotline for customer's complaint:

Head Office:
Dial **16236**
(from any mobile)
Sunday- Thursday
10:00a.m. to 6:00 p.m.

Fax : 88-02-9511771
E-mail : bb.cipc@bb.org.bd

Chapter 9

Green Banking: Banking for
environmental protection

Green Banking: Banking for environmental protection

Relevant Departments: i) Agricultural Credit and Financial Inclusion Department, ii) Department of Off-site Supervision

Chapter 9

Green banking a new dimension

- ◆ Green finance contributes to the transition to resource-efficient and low carbon industries i.e., green industry and green economy in general. Green banking products are those that help create a favorable impact on environment. The banking sector can play a significant role in protecting the environment by financing support to high impact environmentally sensitive sectors.
- ◆ Broad objective of green banking is to use resources with responsibility and giving priority to environment and society. It is not just another corporate social responsibility (CSR) activity rather all out effort to keep this world livable without much damage.
- ◆ Banks in Bangladesh are required to implement Green Banking activates through the following phases:



- ◆ To foster green banking practices in the country, BB formulated the 'Green Banking Policy and Strategy framework' and 'Environmental Risk Management Guidelines' in a consultative manner. Many banks are now financing environmental friendly projects.
- ◆ BB has introduced a refinance scheme worth BDT 2 billion (USD 25 million) to refinance loans to effluent treatment plants (ETPs), solar panels, bio-gas plants and HHK technology in brick making industry at a 5% interest rate provided by banks and Non-Bank Financial Institutions.
- ◆ So far, BB refinanced for BDT 132.4 million (USD 1.7 million) in Bio-gas, BDT 60 million (USD 0.75 million) in Solar Home System and BDT 18.8 million (USD 0.24 million) in solar driven irrigation pump, BDT 27 million (USD 0.34 million) in ETP, BDT 20 million (USD 0.25 million) in Brick Making Industry (HHK Technology) and BDT 248.8 million (USD 3.11 million) in Solar PV module assembling Plant a total of BDT 506.9 million (USD 6.34 million).

- ◆ BB has installed a 20-kilowatt solar panel on the rooftop of its own building.
- ◆ BB started Automated Clearing House, Online CIB, e-Banking, e-Commerce, Mobile Banking, e-Tendering, e-Recruitment, e-Noting etc. in order to reduce unnecessary wastage of papers.
- ◆ Preferential treatments for environmentally compliant banks have been taken into consideration. BB will award points to banks on the criteria of 'management' while computing CAMELS rating where there will ultimately be a positive impact on overall rating of a bank.
- ◆ BB will actively consider green banking activities/practices of a bank while according permission for opening new bank branches. SME/Agriculture bank branches to be established/opened after 20 June 2011 will be required to be eco-friendly ensuring that a solar panel is installed at the branch.
- ◆ BB will declare the names of the top ten banks for their overall performance in green banking activities on the BB website.

Chapter 10

Digital Bangladesh Bank

Chapter 10

Digital Bangladesh Bank

Relevant Departments: i) Central Bank Strengthening Project Cell, ii) Strategic Planning Unit, iii) IT Operation & Communication Department, iv) Information Systems Development Department, v) Foreign Exchange Operation Department

Online CIB services

- ◆ Bangladesh Bank inaugurated its Credit Information Bureau (CIB) online on 19th July, 2011. Main objective behind setting up the Bureau was to minimize the extent of default loans by providing banks and financial intuitions with credit reports of loan applicants thereby reducing credit risk.
- ◆ To create a disciplined environment for borrowing, the automated CIB service provides credit related information for prospective and existing borrowers. With this improved and efficient system, risk management will be more effective. Banks and financial institutions can furnish credit information 24 x7 around the year, and they can access credit reports from CIB online.
- ◆ The Credit Information Bureau (CIB) has achieved significant success in fulfilling the objective of reducing the amount of classified loans, which have decreased to 7.3 percent at the end of March 2011 compared to 9.4 percent in the same period of the preceding year and 34.9 percent in December 2000.

Networking

- ◆ All the departments of the head office and branch offices have been connected through LAN/WAN. More than three thousand computers are connected to its highly sophisticated Data Center (DC) and Data Recovery Site (DRS). BB executives are enjoying internet and e-mail facilities through this network. Data security and availability are ensured by real time replication between DC & DRS.

e-Tendering

- ◆ Bangladesh Bank has developed and implemented an e-Tendering system through which all tendering procedures have been undertaken. The announcement of tenders, distribution of schedules, collection of bid documents, preparation of shortlists of valid bids & comparison statements etc. are done through this system which decreases complexity and brings transparency in the overall tendering system. Data security and integrity as per BB ICT Security Policy including audit trials are followed strictly. The e-tendering system is also supplied to Bangladesh Bridge Authority & Rupali Bank Ltd. for their tendering purposes.

URL <http://180.211.208.61/etender/home.html>

e-Recruitment

- ◆ The recruitment process in BB has been modernized through web based submission of CV by the incumbents. After a job opening and submission of CV, an auto generated tracking number and CV identification number guides the next phases of screening. The automated system helps to screening the candidates and to manage issuance of admit cards, exam management, tabulation, results, issuing offer letters and other administrative process. System also Create a CV Bank for the applicant who applied for any position

of BB once. For next time of application, the candidates do not need to submit the CV. It reduces significantly the recruitment processing time and complexities as well.

- ◆ BB recently made its vast repository of data accessible to the general public. Data from the various publications of BB can now be easily downloaded by anyone free of cost and into an Excel format. This includes time series, historical data on balance of payments, money supply, various consumer price indices, national accounts, stock price indices, interest rates, remittances, exchange rates, commodity prices, tax revenues etc.

URL <http://www.bangladesh-bank.org/econdata/index.php>

- ◆ All scheduled banks submit Weekly Statement of Position as at the close of business on every Thursday to the Department of Off-site Supervision. This statement is now submitted through BB website within 03 (three) working days after the reporting date. This has reduced the time lag of one month processing time to 7 days only.

URL <http://180.211.208.61/dosupload/>

- ◆ An Online Portal Service for Scheduled Banks to submit Electronic Returns using predefined template for the purpose of Supervision, Economy Analysis through related BB Departments. Rationalized Input Template (RIT) has been provided to all Schedule Bank in this regard.

URL <http://180.211.208.14/edwportal/>

- ◆ All scheduled banks (AD branches) upload their export data through this web based system. BB and stakeholders (EPB) can get daily/periodic information to monitor the overall export from the country. In future, if access to the information of Bangladesh Customs Authority could be made then the whole export information would be digital.

- ◆ All scheduled banks (AD branches) upload their data on import through this system. BB and stakeholders can get daily/periodic information to monitor the overall import. In future, if access to the information of Bangladesh Customs Authority could be made then the whole import information would be digital or near paperless. It would also help to reduce cost.

URL <http://www.bangladesh-bank.org/eservices.php>

- ◆ All outward remittances other than import will be reported through this web based TM form Management System. From this BB and the scheduled banks can get the total and the details of the outward remittances regarding Travel and Miscellaneous.

URL <http://www.bangladesh-bank.org/eservices.php>

- ◆ All inward Wage Earners Remittances (WER) has been reported through this system. Through this web based data upload system banks and stakeholders can get the total picture of WER on daily/periodical basis

URL <http://www.bangladesh-bank.org/eservices.php>

Open Data Initiative

Web Upload

e>Returns

Online Export Monitoring System

Online Import Management System

Online TM Form Management System

Online Inward Remittance Monitoring System

Online C-Form Reporting System.
(for inward remittance)

- ◆ All inward remittances other than export and Wage Earners Remittances will be reported through this system. From this BB, the banks and the stakeholders can get the total and the details of the inward remittances other and export and WER.

URL <http://www.bangladesh-bank.org/eservices.php>

Prize bond Matching

- ◆ By using this service stakeholders can easily search and match the draw result of Prize Bond (single or multiple series) from historical database of all previous results by a single click.

URL <http://www.bangladeshbank.org/investfacility/prizebond/pbse arch.php>

e-Library

- ◆ Provides e-Library service to all BB officials to access library catalogue, book reservation, and book requisition from their desks. E-library also provides access to archive of ample e-Books, e-Journals, e-Magazines etc.

e-News clipping

- ◆ News published in the journals and newspapers especially on banking, finance, economics and other socio-economic issues are clipped for market intelligence and review by various Departments and top management of BB. e-News clipping software provides an intelligent search based customized software to access the cumulative archive of all those news clippings digitally.

Visitor's Access Pass software

- ◆ Bangladesh Bank having the KPI status, the entry of the visitors to the premises and building is restricted. The issuance of access pass has been modernized through online request by the designated officials on behalf of the visitors to enter the building.

Cobranded ATM card for BB employees and access to personal information

- ◆ BB Cooperatives has been modernized to manage its employee's salary account at Dhaka and Chittagong offices with technical assistance from Dutch Bangla Bank Ltd. Using their infrastructure of ATM network throughout the country all BB employees can draw their salary from any of the ATM booth.
- ◆ At the same time using the SAP interface this system provides account information, personal loans, provident fund balances etc. instantly. This has also reduced wastage of paper through printing of several thousands pay-in slip in every month.

Shanchay Patra System

- ◆ The very recently developed Shanchay Patra System has been maintaining all information of sold shanchay patras and interest. The purchaser can purchase, sale and get interest through this system quickly and efficiently.

e-Noting and digital office

- ◆ All internal office/administrative circulars or orders of BB are now up loaded directly in the intranet with simultaneous discontinuation of hardcopy circulation of the same. BB now is moving towards a digital office with document management system, central inward-outward system e-Noting etc.

Chapter 11

HR Development and capacity building

Chapter 11

HR Development and capacity building

Relevant Departments: i) Human Resources Department-1, ii) Human Resources Department-2, iii) Bangladesh Bank Training Academy, iv) Central Bank Strengthening Project Cell.

Foreign training	
Year	No.
2008	233
2009	375
2010	404
2011	391

MBM Passing out	
Year	No.
2009	5
2010	6
2011	10
2012	6

- ◆ 1019 officials have been imparted overseas training in different programs up to February, 2012.
- ◆ 75 officials were trained in Advanced Certificate Course on HRMS conducted by IBA and financed by CBSP.
- ◆ 93 officials participated in a training course on Econometrics conducted by Bureau of Economic Research (DU).
- ◆ Around 200 officials participated in the English Language Training Program conducted by British Council, Dhaka.
- ◆ Officials of the Bank participate regularly in the two years Masters in Bank Management (MBM) Program conducted by BIBM.
- ◆ A program jointly offered by the Asian Institute of Technology (AIT) and the University of Applied Sciences Northwestern (FNHW), Switzerland, has been organized for officials of BB under CBSP. Twenty one officials from BB have successfully completed the Professional Masters on Banking and Finance (PMBF). The course for the second batch is ongoing.
- ◆ To promote learning culture and professionalism within employees BB introduced scholarships for educational program like MBA from IBA.
- ◆ Course Contents/Curriculum of different Training Programs has been standardized. Introduced training sessions (conducted by High Officials) through Video Conferencing.
- ◆ Introduced new training modules titled 'Important Contemporary Issues', two-week long grass-root level practical training named 'Journey towards Farmers and Small Entrepreneurs' and IT based week-long practical training in the Foundation Training Course.
- ◆ Organized a 2 weeks long training course on 'Communicative English' in collaboration with English Department, Institute of Modern Language, University of Dhaka.
- ◆ Organized International TOT Program on 'Rural Development & Agricultural Financing' in collaboration with CICTAB, India.
- ◆ Modernized class room and IT labs with overhead multi-media projectors and back-up air conditioners.
- ◆ Undertook a 3-Years Capacity Building & HR Development Project (INSPIRED) focusing SME Financing, Entrepreneurship Development & Poverty Reduction initiatives in collaboration with EU.
- ◆ Conducted 4 familiarization visits to the Central Banks of Thailand, Malaysia, Sri Lanka & India for the capacity building of Faculty Members in collaboration with IFC.
- ◆ Conducted several familiarization programs for the trainees of Bangladesh Navy, PATC, BIBM, Students of Dhaka Commerce College etc.
- ◆ An MoU on Twinning Arrangement has been signed between BB and the Bank of Thailand to exchange technical knowhow and capacity building.

Annexure 1

Recent policy
announcements by BB

Annexure 1

Recent policy announcements by BB

May 2009

Under the stimulus package formulated to face the impact of global economic recession, rates of export subsidies/cash incentives have been revised with higher interest rates.

May 2009

Authentication of Proceed Realization Certificates (PRC) by Bangladesh Bank shall no longer be required for submission of the same against direct exports and deemed exports to different government authorities. Under the new policy, authorized dealer banks are now allowed to issue PRCs by their own without prior authentication by Bangladesh Bank.

June 2009

The functional specification for the Bangladesh Electronic Funds Transfer Network (BEFTN), the second component of the Automated Clearing House, has been forwarded to the banks for necessary action.

June 2009

Recovery of agricultural loan postponed for the next 1 (one) year with a view to mitigating losses of farmers of the southern region of the country affected by devastating cyclone "Aila". Banks will take proper monitoring arrangement so that farmers will not be harassed in any way.

June 2009

To promote tourism industry and to facilitate foreign tourists in Bangladesh, guidelines have been formulated for local tour operators in Bangladesh regarding foreign exchange transactions associated with selling of 'package tour'. Under the new guidelines, tour operators can open and maintain foreign currency account to receive foreign exchange from local tourists against selling outbound package tour abroad as well as from foreign tourists for arranging inbound tour in Bangladesh.

June 2009

To boost export oriented industries in the country ceiling for the single borrower credit has been increased to US\$ 2.0 million from US\$ 1.5 million in case of import of raw materials for the production of existing export goods on site basis under Export Development Fund (EDF).

July 2009

Agricultural/Rural Credit Guidelines and Program for FY2010 have been announced. The target for disbursement of agricultural/rural credit has been fixed at Taka 115.0 billion for FY10 and the amount is the highest ever so far. This credit allocation will not be limited for food grains and crops only rather adequate allocation has been made for fisheries and livestock, agri-supporting sectors as well as for income generating and poverty reduction activities in rural areas.

All activities of EEF have been shifted to Investment Corporation of Bangladesh (ICB) as per agreement made between Bangladesh Bank and ICB on 1 June 2009. According to the agreement policy formulation, fund management and performance monitoring of EEF will be done by EEF unit of Bangladesh Bank.

July 2009

A guideline titled 'Risk Factors Relating to Islamic Mode of Investment' to identify the risks involved in investment of Islamic Shariah based banking under Guidelines on " Risk Based Capital Adequacy (RBCA) for Banks" has been issued.

July 2009

A scheme titled 'Solar Energy, Bio-gas and Effluent Treatment Plant (ETP) Refinance Scheme' has been created by BB, primarily with Taka 2.0 billion revolving fund in order to facilitate banks to provide loan to Solar Energy, Bio-gas and Effluent Treatment Plant sector with a view to encouraging use of solar energy and alternative environment friendly fuel and to mitigate deficiency of electricity and gas and for the interest of protecting public health along with keeping natural balance.

August 2009

Regulations for releasing foreign exchange for study abroad by Bangladesh's students have been relaxed further. In addition to the existing entitlements/ facilities for releasing foreign exchange for study abroad, ADs may now release foreign exchange without prior approval of Bangladesh Bank for (i) students who had left Bangladesh for studying abroad without buying any foreign exchange at the time of departure from Bangladesh (ii) students studying abroad for meeting the expenses of subsequent years/semesters/higher courses (iii) students studying abroad intending to change the institution or course.

August 2009

The ceiling of amount of Bangladesh Taka (Bangladesh Bank notes and Bangladesh coins) for carrying by incoming/outgoing passengers (at the time of entering into Bangladesh or departure from Bangladesh, as the case may be) has been enhanced to not exceeding BDT 2000 (USD 25) from BDT 500 (USD 6.25),,

August 2009

To facilitate the exporters for meeting emergency import payments authorized dealers have been allowed to effect advance payment not exceeding USD 10,000 or its equivalent from the Exporters Retention Quota (ERQ) accounts against bona fide business purposes subject to observance of the relevant contract/pro-forma invoice and compliance of some other stipulated terms and condition for such payment.

August 2009

To encourage export trade of the country and to continue cash incentive/export subsidy by the government like preceding years on net fob value of the selected commodities shipped during 1 July 2009 to 30 June 2010 at the following rates (i) local textiles 5%; (ii) frozen shrimp and other fishes 12.50%; (iii) leather products 17.50%; (iv) product made of hoogla, straw, coir of sugar cane from 15% to

September 2009

20%; (v) agro (vegetables/fruits) and agro processing products 20%; (vi) potato 10%; (vii) bi-cycle 15%; (viii) crushed bone 15%; (ix) jute products 10.00%; (x) hatching eggs and day old chicks of poultry industries 15%; (xi) light engineering products 10%; (xii) liquid glucose from Irshardi EPZ 20% ; and (xiii) 100% halal meat 20%.

October 2009

Banks have been advised to follow the instructions of the section 26(2) of Banking Company Act, 1991 accordingly. Moreover, banks are also advised to operate merchant banking activities by constituting separate legal entity i.e., subsidiary company to protect the interest of the depositors. To constitute subsidiary company, existing rules have to be abided by the banks for their compliance.

October 2009

'Subordinated Debt' will replace 'Perpetual Subordinated Debt' as a component of Regulatory Capital (Tier 2 or Tier 3). To ensure transparency and uniformity in raising subordinated debt as well as for inclusion in Regulatory Capital, the guidelines have been issued for the compliance of the banks.

October 2009

All foreign banks operating in Bangladesh can Hold Investment (HTM) Securities more than the HTM and HFT securities investment ratio mentioned in the DOS circular letter no-5 of 2008 only for the purpose of maintaining capital.

October 2009

To make the banking services beneficial and easily accessible for the physically incapable people of Bangladesh, all scheduled banks are requested to designate an official as 'Focal Point' at each branch of their banks. This instruction is to be implemented with immediate effect.

October 2009

As a part of deepening the foreign exchange market, regulations on foreign exchange forward transactions has been relaxed. Earlier banks were required to cover at least 50% of their forward sales by forward purchase and the remaining portion by interbank forward purchase and/ or spot purchase of export bills. Banks are now free to undertake foreign exchange forward transactions.

October 2009

Banks have been instructed to route all transactions with Maldives under the Asian Clearing Union (ACU) mechanism from 1 January 2010 since the Maldives Monetary Authority (the central bank of Maldives) got the membership of ACU.

October 2009

All the scheduled banks may provide following facilities to their e-Commerce related customers:-

- Payment of utility bills from personal account to the bank account of the recipient through online,
- Transfer of money from one account of any bank to his account of another bank through online,
- Payment and collection of purchase and sale price from buyer's bank account to seller's bank account through online, and
- Transaction in local currency through credit card in the Internet.

The above stated online payments will be considered same as cash transaction and the anti money laundering act and earlier issued different circulars/circular letters/ directions in this purpose will have to be followed. CTR and STR in case of online payment have to be submitted in the Financial Intelligence Unit of Anti Money Laundering Department of Bangladesh Bank like the approved procedures in case of cash transaction.

As Government has decided to provide export subsidy against export of (i) PET bottle flakes and (ii) finished leather in order to encourage export trade. This export subsidy facility will be valid for commodities shipped from 1 July 2009 to 30 June 2010. In all cases, export subsidy will be calculated on the basis of the net fob value of export proceeds concerned.

The minimum paid up capital for the Financial Institutions registered in Bangladesh shall not be less than Taka 0.50 (Fifty) billion or the minimum risk based capital to be determined time to time by Bangladesh Bank, with the prior approval of the government, whichever is higher.

Islamic Banking has become a part of mainstream banking in Bangladesh. In view of some basic differences in Shariah based islamic banking and interest based banking it has become necessary to introduce guidelines which would bring greater transparency and accountability and therefore governance to the islamic banking.

Four state owned banks (Sonali/Janata/Rupali/Agrani Bank Ltd.) and two specialized banks (BKB/RAKUB) are advised to disburse agricultural credit with priority among the physically handicapped people individually/jointly as well as to follow the regulations approved by themselves for special microcredit in order to make them self-reliant and to bring them in the main stream of economic activities.

In the developed market, interbank interest rate is widely used as the benchmark or barometer of short term interest rate. Bangladesh Foreign Exchange Dealers Association (BAFEDA) has taken an initiative with the help of Bangladesh Bank to publish the Dhaka Interbank Offered Rate (DIBOR) which is the average interest rate between banks in the Dhaka interbank market. DIBOR is published every day afternoon at around 2 PM. Bangladesh time by BAFEDA through their web site. DIBOR is calculated for periods as short as overnight and as long as 3 months initially. DIBOR is fixed for the 24 hours period.

In order to avoid the settlement risk of government securities transactions (outright sale/ purchase, interbank repo etc.) between two banks and/or their customers, Bangladesh Bank has recently issued guidelines on the Delivery Vs Payment (DvP) system. Delivery of securities (i.e. the change in their ownership) will be done simultaneously with payment means that neither the buyer nor the seller is exposed to the risk that the other will default. It directly protects the

November 2009

November 2009

November 2009

November 2009

December 2009

December 2009

participants of government securities markets and indirectly reduces the costs and risks of trading for everyone. Unless settlement is real time it means that, if there is a trade failure, trade will have to be unwounded.

December 2009

Guidelines on 'Risk Based Capital Adequacy (RBCA) for Banks' (revised regulatory capital framework in line with Basel II) was introduced from 1 January 2009 parallel to existing BRPD Circular No. 10 dated 25 November 2002. From 1 January 2010 Basel II regime will be started and the guidelines on RBCA will fully come into force with its subsequent supplements/revisions. Accordingly, instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirement as stated in the guidelines have to be followed by all scheduled banks for the purpose of statutory compliance. This circular will replace BRPD Circular No. 10 dated 25 November 2002 and its amendment thereof.

December 2009

With effect from 1 January 2010 annual travel quota entitlements for a Bangladeshi national to visit (i) SAARC member countries and Myanmar and (ii) other countries were re-fixed at maximum USD 1,500 or equivalent and USD 5,000 or equivalent respectively during a calendar year.

January 2010

Considering contribution of the farmers to the economic activities especially in agricultural activities, it has been decided that a farmer can open deposit account at any state-owned commercial and specialized bank against national ID card/birth registration card and agricultural equipment assistance card issued by the Department of Agricultural Extension. There will be no bindings for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts.

January 2010

In the backdrop of increasing demand for export ships in the world market, there has been an opportunity to increase export earnings and create huge employment as well as eradicate poverty. To assist this potential ship building industry, following decisions have been taken:

a) The commission charged by the local bank against guarantee of advance to exporters by indenters'/buyers' in addition to add confirmation charge imposed by foreign banks for exporting ship will not exceed yearly 1.50 percent.

b) The existing instruction will also be applicable in case of opening L/C for this industry. In this case, commission for opening sight L/C will be 0.40% at maximum, 0.50% for opening defard/usance L/C, maximum 0.25% commission for opening L/C by 100% cash margin, and commission for opening back to back L/C 0.40% at maximum in each quarter, in any case commission for opening L/C shall not be in excess of 2% yearly.

January 2010

The re-financing facility provided by BB will not only be applicable for schedule banks but also for the financial institutions of the coun

try subject to the financing under the refinancing scheme over the solar energy, the biogas and the ETP sectors.

Regarding the eligibility or fitness of appointment of director, no loan defaulter is eligible for the post of director of a bank. It is observed that, some defaulters hide their information & appointed as director of banks by providing fake announcement which is irregularity and hindering for good governance. In this circumstance, for ensuring the 'eligibility and fitness of appointment of directors'.

To ensure balanced industrial development and for easy access of small & medium industrial entrepreneurs to the institutional loans the 'Refinancing scheme for small entrepreneur'.

Institutions under Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009 having branches and subsidiaries abroad shall also comply with the provisions of Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009. Banks and financial institutions shall have to undertake proper screening mechanism in their different appointment procedures so that they do not face money laundering and terrorist financing risks by any of their staffs. To ensure proper compliance of anti money laundering and anti terrorism financing activities each bank and financial institution shall arrange suitable training for their officials and shall distribute leaflets time to time among customers to make them aware and also arrange to stick posters in every branch at a visible place.

Referring to BRPD Circular No.20 dated 29 December 2009 regarding implementation of 'Risk Based Capital Adequacy (RBCA) for banks, it is mentioned that Basel-II regime has been started from 1 January 2010 and the 'Guidelines on RBCA for banks' has fully come into force from the aforesaid date. The overall situation has since been reviewed and it has been decided that all scheduled banks will maintain regulatory Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR)

According to the guidelines, on subordinated debt for inclusion in Regulatory Capital, all scheduled banks operating in Bangladesh can issue subordinated debt as an element of the Tier-II Regulatory Capital if the bank meet up the rating requirements i.e. each of composite CAMELS rating, issuer rating and instrument/issue rating will be at least 2 (two). The situation has since been reviewed and it has been decided that a bank will be eligible to issue subordinated debt which has composite CAMELS rating at least 2(two), issuer rating at least 3 (three) instead of 2 (two) and instrument/issue rating at least 3(three) instead of 2 (two). Concerned sections of the guidelines i.e. 'Criteria to Qualify as Regulatory Capital' and 'Other Eligibility Criteria' will be rephrased by the above decision. According to the circular, all other instructions of the said guidelines issued earlier will remain unchanged.

January 2010

February 2010

March 2010

March 2010

March 2010

April 2010

Brick-field is a big source of environmental pollution in Bangladesh. Black smokes with CO₂ released from burnt fossil fuel causes air pollution and health hazards equally, which finally results in global warming. The trend of environmental degradation is increasing with the increased area of urbanization. Current carbon releasing rate may be reduced by introducing Hybrid Hoffman Kiln (HHK)/ equivalent technology in the brick-fields. A decision has been taken for allowing refinance of Taka 0.3 billion at maximum of Taka 0.02 billion per project at the existing bank rate. The scheme has been provided with fund from the previously sanctioned refinance scheme of Taka 2.0 billion for refinancing the sector of solar energy, bio-gas and ETP.

April 2010

In order to strengthen the country's financial system, BB has designed a stress testing framework for banks and FIs to proactively manage risks. For this purpose, and to ensure consistency, BB has prepared a guideline for banks and FIs. This model guideline initially focuses on "Simple Sensitivity and Scenario Analysis". But with the increasing know-how and availability of more data this model will undergo further refinement over time. All banks and FIs have been advised to carry out the stress test, as per the guideline, from the half year ending June 2010. They shall also submit a report within 45 days at the end of 30 June 2010, along with a soft copy. Banks shall submit their reports to the DOS and the FIs shall submit their reports to the Department of Financial Institutions' and Markets (DFI&M). Subsequently, the stress test shall be carried out on half yearly basis i.e. on June 30 and December 31 each year and results shall be submitted to the DOS and DFI&M within 45 days after the respective half year.

April 2010

To encourage export trade of our country the government has decided to give subsidy against export of ship and crust leather.

April 2010

As per RBCA guidelines, banks are required to establish their own supervisory view process to ensure maintenance of sufficient capital to fully cover their risk exposure. Furthermore, determination of level of adequate capital will be subject to evaluation and dialogue between BB and the well designated SRP team of banks.

April 2010

Due to activation of floating exchange rate regime from 31 May 2003, the necessity of preservation of Exchange Equalization Account directed through BCD circular number: 09/1979 has been abolished. Banks have been suggested that if the account is closed by the account holders' profit/loss of the present year, the balance of the account will have to show as an Extra Ordinary Gain instead of showing it as operating profit.

April 2010

The values of land have been increased abnormally due to increasing trend of purchasing and demand for land. There has been a negative impact over the economy because of increasing flow of credit from banks to such unproductive sector. In this context, it has now been decided that banks shall not provide any loan/credit facility for purchasing land.

Unemployment is one of the major hindrances of economic development of our country. National service program is being implemented by the government to eradicate unemployment. For the successful implementation of this program, unemployment young men/women can open saving account by depositing Taka 50 under the national service program. There will be no bindings for maintaining minimum balance on the said account and banks are not allowed to impose any charges/fees on these accounts.

May 2010

Considering the interest of small depositors, it has been decided that no charge can be imposed as account maintenance fee for average deposit balance up to Taka five thousand. It has also been decided that Taka one Hundred at maximum may be imposed as account maintenance fee on six monthly basis for average deposit balance up to BDT 25000 (USD 312.5).

May 2010

In the lead bank system, district agricultural credit committee (DACC) is playing vital role in implementing and coordinating agricultural activities. In that system a bank branch (commercial or specialized) is already specified for union level disbursement of agricultural credit. Major functions of DACC are to monitor and coordinate credit situation (disbursement and recovery) among-banks and local administration. Deputy Commissioner (DC) is the chairman of the committee and lead bank of the concerned district is playing secretarial role by conducting monthly meeting to monitor overall agricultural credit through DACC. At the district level, private commercial banks have little banking networks. At present private & foreign banks are disbursing their agricultural/rural credit through either their own branch or Micro Finance Institutions (MFIs) approved by Micro Finance Regulatory Authority (MRA). Due to participation of all banks, it is necessary to include the representatives from private and foreign commercial banks in the DACC. Decisions have been taken for including the representative from private and foreign commercial banks. Private and foreign banks will nominate their representatives in the DACC and inform to the respective lead bank and also will inform to Agriculture Credit Department of BB.

June 2010

At present, it is compulsory to participate in agricultural / rural credit activities for all scheduled private & foreign banks in Bangladesh. The opportunity of participation in agricultural/rural credit activities by partnership with the MFIs approved by MRA under the agricultural/rural credit policies of FY10 have been created for the banks which have no branch office or have not sufficient branch offices in the rural areas. Under the Bank-MFI partnership, the fund released by the bank to the MFIs will be treated as agricultural/rural credit by BB only after the disbursement of the fund to the farmers/borrowers level.

June 2010

To make available the benefits of refinance scheme to solar energy sector, the ACSPD circular no:6, dated 3 August 2009 is amended. As

June 2010

per amendments, any bank/financial institution can use any company/ institution/farm as an intermediary to select borrower to make credit proposal, evaluation, grant, disbursement of loan, monitoring and collecting of loan. In this case, the rate of interest at the borrower level will be at existing bank rate + maximum 5%.

June 2010

For the development of the export sector, it has been decided to give the following facilities against export of textile/textile goods under second stimulus packages. Increased stimulus facilities will be given against export of textile/textile goods to countries other than USA, Canada and EU. Same facilities will be given against direct export of yarn produced in member factories of Bangladesh Textile Mills Association (BTMA) to any market. The stimulus facilities will be applicable for export during the period from 1 July 2009 to 30 June 2012.

July 2010

A fund worth USD 95 million for refinancing SME by the banks and FIs has been formed with the financial support of ADB amounting USD 76 million under the project Small and Medium Enterprise Development Project (SMEDP). In this fund government has provided USD 19 million equivalent local currency. Banks and FIs will be provided refinance facility against this fund for extending SME loans to end borrowers outside Dhaka and Chittagong metropolitan area.

July 2010

Directives regarding implementation of steps adopted in second stimulus package declared by the Government for the development of export sector have been amended as follows: The manufacturer-exporter exporting textile/textile goods mounting up to USD 3.50 million in FY09 and is not under the ownership of a large industry will be defined as small and medium industry. The small and medium industries having availed of cash incentive at a rate of 5 percent will be eligible for additional 5 percent cash incentive in the same financial year (2009-2010). The eligible beneficiaries of additional cash incentive for FY10 may apply (as per application form attached with FE Circular No. 09/2001) accumulating all information of applications submitted earlier. The application will have to be supported by the certificate of BGMEA/BKMEA regarding their status as small and medium industries and not under the ownership of large industries and statement (enclosing relevant documents) of exports during FY09. The facilities will be given to those belonging to small and medium as per the list given by BGMEA/BKMEA.

August 2010

Basel-II Accord would be implemented in the Financial Institutions from January 2012. In this regard an Action-plan/Roadmap has been prepared. Basel-II will be implemented with the following specific approaches as initial steps: Standardized Approach for calculating Risk Weighted Assets (RWA) against Credit Risk supported by External Credit Assessment Institutions (ECAIs); Standardized Rule Based Approach against Market Risk; and Basic Indicator Approach for Operational Risk.

Considering the importance of education to eradicate prevailing inequality, deprivation and poverty of the greater population of the country and to upgrade the living standards of underprivileged people, it seems to be necessary to extend educational facilities along with interest-free loan and other innovative programs among meritorious poor students including the children of poor freedom fighters by giving financial assistance at vocational and secondary, higher secondary, graduation (Hons.), post-graduation, higher studies (M. Phil, PhD) level. In view of this, banks are requested to widen the contemporary area of educational facilities among the children of poor freedom fighters in the form of stipend and financial assistance in conjunction with extending educational activities among the poor students of remote and underdeveloped area (Char, Haor, Coastal area) of the country under CSR activities.

To strengthen the financial strength of women entrepreneurs of the country and to increase institutional credit flow to them, BB has taken various initiatives. BB has reduced the lower limit of small entrepreneurs' loan to Taka 50,000 from Taka 2,00,000. However, it was observed that women entrepreneurs who need less than Taka 50,000 of bank credit are not attended by the bankers. To remove this impediment towards access to finance by the women entrepreneurs, BB instructed all banks and FIs to inform those women entrepreneurs who need less than Taka 50,000 individually to form group for the purpose of availing SME loan and banks and FIs may extend credit facility to that group. Moreover, group basis SME lending will be refinanced under the refinance scheme of BB and interest rate for such loan will be maximum 10 percent (bank rate+5 percent). Number of group member, loan amount and other credit norms may be determined as per banks own policy and banker-customer relationship.

Decision has been taken to provide the agricultural credit facilities at a concessional interest rate of 4 percent for cultivation of salt in coastal areas of the country. Loan facility will be applicable to genuine salt cultivators per person for cultivating salt from 0.5 bigha to 2.5 acre of land individually or on a group basis. The concerned banks will fix the realistic maximum limit of credit for per acre salt cultivation taking into account the rent/lease of land, cost of polythene and embankment, etc. However, the farmers cultivating salt in their own land shall not be entitled to get the rent/lease amount. If any farmer is reported to have not used the loan properly, normal interest rate will be applicable instead of concessional rate of 4.0 percent. Banks will apply for interest loss compensation @ 6.0 percent against the recovered/ adjusted loan accounts financed @ 4.0 percent within one month after the end of the respective year to Bangladesh Bank.

Banks have been instructed to open an account by depositing Taka 10 (ten) only at any state owned commercial and specialized bank

October 2010

against national ID card and registration card issued by the Ministry of Food and Disaster Management. There will be no bindings for maintaining minimum balance on the said account and banks shall not impose any charge/fees on these accounts.

National Credit Rating Ltd. (NCRL) and Emerging Credit Rating Ltd. (ECRL) have been recognized as eligible External Credit Assessment Institutions (ECAIs) in addition to existing two rating agencies (i.e. CRISL and CRAB). All the scheduled banks operating in Bangladesh may nominate any one or more rating agency (ies) for their own and counter party credit rating for the purpose of calculating RWA against credit risk as per Risk Based Capital Adequacy (RBCA) guidelines.

November 2010

It is really hard to pay fees in the form of pay order/draft for the unemployed youths while applying for a bank job. In this context, banks which are collecting fees in case of recruitment in their service are therefore requested to follow the foreign banks and some private commercial banks that don't collect such fees.

December 2010

For the purpose of furnishing up-to-date information to Bangladesh Bank on CSR initiatives/activities as well as maintaining proper communication and liaison with all concerned, banks are required to have a separate focal/contact point. All scheduled banks are, therefore, advised to establish a separate 'CSR desk' as a focal/contact point.

December 2010

To promote Solar Energy in terms of providing new electric connections, decision has been taken to provide credit facilities to establish Solar Panel as follows:

- To establish Solar Panel at the buildings used for residential/commercial/ industrial and other purposes commercial banks will have to emphasize on credit program with easy and quick access of loan at acceptable/tolerable interest rate (maximum 10 percent) and they will have to introduce their own scheme for the same. In this context, banks may take the refinancing facility under the existing refinance scheme of Bangladesh Bank.
- The debt-equity ratio will be determined on the basis of banker-customer relationship by banks for solar panel establishment.
- Loan limit will be determined on the basis of electricity production capacity of solar panel.
- The time limit of loan repayment will be maximum 10 years on the basis of amount of loan and the capacity for electricity production via solar panel.
- Banks can use NGO/Company/Institution as their delivery agent/ intermediary to select borrower, preparing the credit proposal, evaluation, sanction, loan disbursement, monitoring,

recovery etc. for the purpose of delivering credit facility at the borrower level.

It has been decided that the rate of Cash Reserve Requirement (CRR) will be on average of 6.0 percent bi-weekly basis instead of 5.5 percent of the total demand and time liabilities of scheduled banks and minimum 5.5 percent on daily basis instead of 5.0 percent with effect from 15 December 2010.

It has been decided that all scheduled banks in Bangladesh will maintain Statutory Liquidity Reserve (SLR) including Cash Reserve Requirement (CRR) with Bangladesh Bank not less than 19.00 percent of their total demand and time liabilities, and the amount of SLR for Islami shariah based banks and the Islami banking branches/windows of all conventional banks will not be less than 11.5 percent of their total demand and time liabilities effective from 15 December 2010.

Stress testing guidelines issued to banks earlier in April 2010 were revised (DOS Circular No. 01 dated 23 February 2011) with instruction to conduct and report the tests to BB on a quarterly basis.

Banks were asked to follow guidelines in adopting environmentally responsible practices both in their lending to industrial and other productive enterprises and in their own internal processes. BB will track and rate green banking initiatives of banks on an ongoing basis; with incentives to better performers by way of added scores in CAMELS rating, in permitting new branches etc.

Prevailing practice of submitting bids in primary auctions of treasury bills and bonds by all banks has been modified. It has been decided that in Q4 FY11, only Primary Dealers (PDs) in government securities will be allowed to participate in these auctions; others will have to submit bids through PDs. The modified practice may continue beyond Q4 FY11 subject to satisfactory performance.

The live operations of Bangladesh Automated Cheque Processing Systems (BACPS) have been started in Dhaka, Sylhet, Chittagong, Rajshahi and Barisal. Under the system, Government Cheques will be cleared manually and Non-Magnetic Ink Character Recognition (MICR) Foreign Remittance Draft will be handled by the paying banks. Instruments received in Rajshahi and Barisal regions will have to be sent to Data Center in Dhaka for clearing. Reconciliation of amount of these instruments will be done through the net-settlement of the accounts of the banks kept at Motijheel Office. Banks of these regions were thereby advised to take necessary preparatory steps for participating in the BACPS.

To streamline solutions for managing the environmental risks in the financial sector, guidelines on Environmental Risk Management (ERM) has been prepared. The guidelines will be revised as and when required and at least once in every three years. The structure of the

December 2010

December 2010

February 2011

February 2011

March 2011

April 2011

April 2011

guidelines provide the minimum that needs to be in place and is intended to make available a common platform from which individual institute can launch its own environmental risk assessment framework. A soft copy of ERM guidelines has been made available in the BB website.

April 2011

To provide the freedom fighter's allowance through bank account, it has been decided that freedom fighter's can open bank account by depositing taka 10 (ten) only at any state owned commercial and specialized bank against national ID card and Payment Receipt Book for freedom fighter's allowance. There is no compulsion for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts.

April 2011

Bangladesh Electronic Funds Transfer Network (BEFTN) has been started its live operation from 28 February 2011 which is an easy, cheap, fast and secure platform for transferring funds to clients of the banks. Banks were advised through this circular to use the Electronic Funds Transfer Network (EFTN) for disbursing dividends to the shareholders.

May 2011

Private and foreign banks will have to fix target for annual agricultural credit program which would be not less than 2.5 percent of their total loan and advances.

May 2011

Authorized Dealers (ADs) are free to credit the proceeds of the inward remittances against Business Process Outsourcing (BPO) services to the accounts of individual service provider subjects to certain terms and conditions.

May 2011

Investment at the HTM securities (as per value) has been determined at 50 percent of Statutory Liquidity Requirement (SLR) in place of 25 percent with effect from May 2011 which is required to reserve for the respective month.

May 2011

Concessional interest rate has been increased to 4 percent from 2 percent for agricultural credit to be used for cultivation of pulses, oil seeds, spices and maize with effect from 1 July 2011. Besides, state-owned commercial & specialized banks, private banks can also provide such loan within their annual agricultural credit programs with interest subsidy at 6 percent given by BB.

June 2011

In order to augment fish export, and promote fish cultivation and fish processing industry, it has been decided to increase the present ceiling of fob price by 25% in case of providing cash incentive against export of frozen shrimps and other fishes.

June 2011

Each NPO/NGO shall formulate Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) policy approved by their Board of Directors and nominate a senior level officer to communicate with Bangladesh Bank to facilitate the AML/CFT procedures. The senior management of each NPO/NGO shall ensure that all funds are

spent in a manner that is consistent with the stated goals, objectives and activities of the NPO/NGO. Each NPO/NGO shall report immediately to the Bangladesh Bank if any incident of transaction identified/ appears suspicious to them.

Beneficiaries under Social Security Program can open bank account by depositing taka 10/-(ten) only at any state owned commercial and specialized bank against national ID card and Payment Receipt Book containing Pension Payment Order (PPO) for the beneficiaries. There is no compulsion for maintaining minimum balance on the said accounts and banks shall not impose any charges/fees on these accounts.

For the determination of yield of Treasury Bills in auctions and also for the calculation of interest of Repo, Reverse Repo and Liquidity Support to Primary Dealers the total number of days in a year will be considered as 365 from 1 July 2011.

All insurance companies in Bangladesh have been advised to prepare their own guidance notes with the approval of their own board of directors and to submit the Guidance notes to the Money Laundering Department of Bangladesh Bank.

General authority has been given to use International Credit Cards (ICCs) for online payment through internet of fees such as membership fee of foreign professional and scientific institutions and fees for application, registration, admission, examination (TOEFL, SAT etc.) in connection with admission into foreign educational institutions mentioned in paragraph 09, chapter 11, GFET. In addition, individuals not holding ICCs in their names have been allowed to make such online payment through internet using 'Virtual Card' for the required amount by an ICC issuing bank, for use through its designated bank branch.

In accordance with Government decision, amended instructions have been issued for disbursement of cash subsidy against export of jute goods through advance payment.

The circular postulates that Financial Institution Regulation, 1994 has been amended to raise minimum paid up capital to Tk. 100 crore for the Financial Institutions by 30 June, 2012. Paid up capital may be raised either by issuing IPO or Right shares or Bonus shares. Financial Institutions are also instructed not to disburse any cash dividend until they achieve the minimum paid up capital BDT 1000 million (USD 12.5 million).

Enhancement of cash incentive against export of leather goods for financial year 2011-2012

To facilitate smooth repatriation of remittance against Off-shore IT/Business Process Outsourcing services provided by Bangladeshi freelancers in non-physical form, Bangladesh Bank has allowed

June 2011

June 2011

July 2011

July 2011

July 2011

July 2011

August 2011

August 2011

Authorized Dealers to offer the facility of repatriation of remittances against such service exports through Online Payment Gateway Service Providers (OPGSPs).

September 2011

Interest rate for refinance scheme for solar energy, bio-gas and effluent treatment plant, decisions have been taken to distribute bank loan with Micro Finance Institutions (MFI) through partnership in order to reach solar electricity at the deprived rural areas of the country by establishment of solar home system. Maximum 12% interest rate is allowed to charge using reducing balance method at the beneficiary level.

September 2011

To maintain foreign currency clearing account with Bangladesh Bank in US Dollar, Pound Sterling, Euro and Japanese Yen. It has now been decided that AD may open foreign currency clearing account with Bangladesh Bank in Canadian Dollar also.

September 2011

Beneficiaries of new market exploration assistance are eligible for cash incentive as per FE Circular No. 09/2001 or additional cash incentive as per FE Circular No. 13/2010. But the facilities under cash incentive (5%), additional cash incentive (5%) and market exploration assistance will not exceed 10%. In addition, small and medium industries under textile sector producing electricity for own need through use of less than 1 MW generator will be entitled for 10% grant on electricity bill as per FE Circular No. 12/2010. In this case, the concerned industry will have to submit certificate regarding the capacity of the generator.

September 2011

All scheduled banks of the country have been advised to follow the 'Guideline on Mobile Financial Services for the Banks' issues by BB.

September 2011

Inclusion of 'Fish Cultivation in Cage' in agricultural/rural credit policy and program for the FY 2011-2012

September 2011

Based on marking to market revaluation of treasury bill and bond held by the banking company, the investment of banks on HTM securities (as per value) has been re-fixed at 75% (SLR) in place of 50% of the related month with effective from 01 October, 2011.



Annexure 2

List of Terms and Acronyms

Annexure 2

List of Terms and Acronyms

ACH	Automated Clearing House
ACU	Asian Clearing Union
ADs	Authorised Dealers
AIT	Asian Institute of Technology
AMLDD	Anti Money Laundering Department
APG	Asia Pacific Group on Money Laundering
ATF	Agreement on Trade Facilitation
ATM	Automated Teller Machine
BACH	Bangladesh Automated Clearing House
BACPS	Bangladesh Automated Cheque Processing System
BB	Bangladesh Bank
BBTA	Bangladesh Bank Training Academy
BCA	Banking Companies Act
BCBS	Basel Committee for Banking Supervision
BDT	Bangladesh Taka
BEFTN	Bangladesh Electronic Fund Transfer Network
BFIU	Bangladesh Financial Intelligence Unit
BPO	Business Process Outsourcing
BPSSR	Bangladesh Payment and Settlement Systems Regulations
BRAC	Bangladesh Rural Advancement Committee
BRPD	Banking Regulation and Policy Department
CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
CAMLCO	Chief Anti Money Laundering Compliance Officer
CAR	Capital Adequacy Ratio
CBS	Core Banking Solution
CBSP	Central Bank Strengthening Project
CBSP	Central Bank Strengthening Project
CFT	Combating Financing of Terrorism
CIB	Credit Information Bureau
CIT	Cheque Imaging and Truncation
CRR	Cash Reserve Requirement
CSR	Corporate Social Responsibility

CTR	Cash Transaction Report
DC	Data Centre
DITF	Deposit Insurance Trust Fund
DRS	Disaster Recovery Site
ECAIs	External Credit Assessment Institutions
EDW	Enterprise Data Warehouse
EFT	Electronic Fund Transfer
EFTN	Electronic Fund Transfer Network
EGBMP	Enterprise Growth and Bank Modernization Program
ERQ	Exporters Retention Quota
ETP	Effluent Treatment Plants
FICO	Financial Control
FSR	Financial Stability Report
HHK	
HR	Human Resources
IBA	Institute of Business Administration
ICRG	International Cooperation and Review Group
ICT	Information and Communication Technology
IDA	International Development Association
IIFM	Islamic Interbank Fund Market
KPI	Key Point Installation
LAN	Local Area Network
LCR	Liquidity Coverage Ratio
MBM	Masters in Bank Management
MICR	Magnetic Ink Character Recognition
MIS	Management Information System
MM	Material Management
MNO	Mobile Network Operators
MoU	Memorandum of Understanding
NBFI	Non-Banking Financial Institution
NCC	National Coordination Committee
NGO	Non Government Organization
NPO	Non-Profit Organization

NPS	National Payment Switch
OPGSP	Online Payment Gateway Service Providers
POS	Point of Sales
PRC	Proceed Realization Certificates
RAB	Rapid Action Battalion
RMU	Risk Management Unit
SME	Small and Medium Enterprise
STR	Suspicious Transaction Report
TM form	Travel and Miscellaneous form
TOT	Training of the Trainers
UNODC	United Nations Office for Drugs and Crime
WAN	Wide Area Network
WER	Wage Earners Remittances

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