

Guidelines for establishment of NRB Bank



GUIDELINES FOR ESTABLISHMENT OF NRB BANK

Non-Resident Bangladeshis (NRBs) play a vital role for economic uplift of Bangladesh. Their contribution by way of remitting valuable foreign exchange enables the country to maintain a stable external value of taka. With the integration of global economy, the financial sector of Bangladesh requires diversified and innovative financial products, derivative instruments and other creative banking. NRBs may play a pivotal role in the further augmentation of the financial sector by extending their valuable contribution.

Bangladesh Bank has decided in principle to grant license to a new banking company to be set up by NRBs in pursuant to section 31 of the Banking Companies Act, 1991 of Bangladesh after considering the need and overall strategy congenial to effective monetary and financial sector policy for the country. Terms and conditions for the establishment of NRB bank are as follows:

1. Status of the NRB Bank

1.1 Must be a public limited company incorporated in Bangladesh.

2. Paid up capital requirement

2.1 The paid up capital of an NRB bank shall be not less than money equivalent to BDT 400.00 Crore. The share capital will be formed with ordinary shares only.

3. Mode of payment

3.1 The capital contribution made by the NRB sponsors of the proposed bank shall be in a liquid, unencumbered form.

3.2 The contributed money has to be remitted through the banking channel and shall be deposited with any banking company in Bangladesh.

4. Sponsors and share capital contribution

4.1 Shareholding of the NRB bank shall be as follows:

- Sponsors : 50%
- Public Offer : 50%

4.2 All the sponsors must be NRBs.

4.3 A sponsor may be an individual person or a group of individuals.

4.4 NRB sponsors have to pay the sum in convertible currency and convert it to Taka initially.

4.5 The bank shall issue public shares within the time period of not more than two (2) years from the date of commencement of the banking business to accumulate the rest amount of capital.

4.6 The minimum shareholding stake of each sponsor shall be Taka 100 million and the maximum shall be 10% of the proposed bank's total share capital. This ceiling of 10% applies to an individual, family member, either personally, jointly or both. "Family" is defined to include spouse, son, daughter, parents, siblings of the individual or anyone dependent on that individual as in section 14KaKa of the Banking Companies Act, 1991.

- 4.7 The sponsors' shares shall not be transferred within a period of three (3) years from the commencement of the business, without permission from Bangladesh Bank. The sponsors' shares can only be transferred to other NRBs.
- 4.8 Sponsors' contribution to the share capital of the proposed bank will be required to be out of net worth declared to the concerned Tax authorities, contribution out of borrowings shall not be acceptable. Tax return and certificate has to be submitted.
- 4.9 Finally, an individual who himself/herself or any of whose family members is in default on his/her borrowings shall not be a sponsor.

5. Fit and Proper Test for Sponsors/Directors

- 5.1 Competence, integrity and qualifications of the Sponsors of the proposed bank becoming the first Directors shall be evaluated. The evaluation process shall include background checks on whether previous activities, including regulatory or judicial judgments, raise doubts concerning their competence, sound judgment, or integrity.
- 5.2 The Sponsors/Directors shall qualify the Fit and Proper Test criteria applicable for the Bank Directors in Bangladesh.
- 5.3 His/her inclusion in the Board of Directors shall not contravene any law for the time being in force in Bangladesh and in the country of his/her present permanent domicile. He/she has not evaded any legal proceedings of any country for any criminal offences or crime against humanity except for offences of minor traffic violations etc.

6. Management of the proposed bank

- 6.1 A Director or any official of any banking company other than the proposed bank shall not be a Director of the proposed bank.
- 6.2 The first Board of Directors shall be comprised of the NRB sponsors. Not more than half of them may appoint Alternate Directors as per section 101 of the Companies Act, 1994 from amongst persons who have special knowledge or practical experience in respect of trade, commerce, business and economics.
- 6.3 The Chief Executive Officer (CEO) of the proposed bank shall have at least 15 (fifteen) years of experience in the financial sector and at least 2 (two) years experience in the preceding post of Chief Executive Officer.

7. Required documents/ information/ analysis

The application for approval to establish new NRB banking company shall be submitted to Bangladesh Bank with all the accompanying documents and information required, in the formats given in Annex I to Annex IV in three sets (one original and two copies). Bangladesh Bank shall only consider applications that include the following:

- A bank draft in the amount of USD 15,000 in favour of Bangladesh Bank, attached to the Letter of Application, that serves as a nonrefundable application processing fee;
- Name and address of the Applicants;
- Name, address, telephone number of the contact person;
- Business plan for the proposed bank;
- Curriculum Vitae (see Annexes III and IV) and proof of citizenship for each NRB sponsor (including all individuals in a group) and CEO of the proposed NRB bank;
- Proposed compensation package and other terms of contract of the CEO;
- Minutes of the shareholders' (NRB sponsors') meeting;
- Written agreement by the shareholders to organize the banking company;
- Draft Memorandum and Articles of Association;
- In addition, the sponsors shall:
 - (a) having received a Letter of Intent from Bangladesh Bank, shall apply to Bangladesh Bank for a formal license for commencement of banking business under section 31 of the Banking Companies Act, 1991, and for a license to open a place of business under Section 32 of said Act;
 - (b) register the proposed company with the Registrar of Joint Stock Companies and Firms under the Companies Act, 1994, as a public limited company, and;
 - (c) obtain a Certificate of Incorporation subject to the approval by Bangladesh Bank of the draft Memorandum and Articles of Association;
 - (d) after obtaining the license from Bangladesh Bank, apply to Bangladesh Bank for its scheduling under Article 37 of the Bangladesh Bank Order, 1972.

8. Selection Process & Application Deadline

8.1. Shortlisted application shall be evaluated by a panel of selectors to be nominated by Governor, Bangladesh Bank.

8.2. Last date of submission of application for NRB Bank is 31/05/2011.

9. Bangladesh Bank, if necessary, from time to time, may modify/revise any condition and incorporate new ones.

ANNEX I
LETTER OF APPLICATION

Date:

Governor
Bangladesh Bank
Head Office
Dhaka

Subject: Application to establish an NRB Banking Company in Bangladesh.

Dear Sir:

In accordance with Section 31 of the Banking Companies Act, 1991, we would like to apply to establish an NRB Banking Company in the style of <Name of the proposed NRB Bank in Bangladesh>. As required, the documents requested by Bangladesh Bank are enclosed herewith.

We look forward to receiving your decision for the establishment of the proposed institution at your earliest convenience.

Sincerely yours,

Signature:

Name:

Proposed designation:

Address:

Telephone number:

e-mail:

Encl: documents/information pertaining to the application

ANNEX II

A Business Plan shall accompany the Letter of Application and shall include the following:

1. Business Plan of the Applicant Bank
 - (i) Fundamental strategy of the proposed NRB bank to survive and grow
 - (ii) Schemes related to new financial instruments (if any) proposed
 - (iii) Branch Expansion Policy
 - (iv) Organization Structure, Management Skills & MIS
 - (v) Technology Transfer
 - (vi) Areas of Operations

2. Business Projection, Economic Justification and Financial Analysis
 - (i) Capital Structure
 - (ii) Details of Fixed Asset Expenditures
 - (iii) Details of Operating Expenses
 - (iv) Details of Staff Expenses
 - (v) Details of Preliminary Expenses
 - (vi) Market Share of Deposits, Credit & Investment
 - (vii) Basis of Interest Income, Other Income, Income from Off-Balance Sheet Activities, Interest Expenses & Loan Loss Provisioning
 - (viii) Strategy of foreign exchange (i.e., treasury) business transactions and the projected income
 - (ix) Projected Annual Balance Sheet, Profit & Loss Account and Cash Flow Statement for at least 3 years
 - (x) Statement of fulfillment of Capital Adequacy Requirement
 - (xi) Strategy for dealing with risks encountered (e.g., credit risk, foreign exchange risk, interest rate risk, etc.)

3. SWOT (Strengths/Weaknesses/Opportunities/Threats) Analysis of the Applicant

4. Strategy for survival and growth in the long run

5. Sensitivity Analysis:
 - (i) Financial position if the Market Share of deposits & credits of the proposed bank is reduced by 10 percent at the national level, district level or proposed area of operation.

 - (ii) Financial position if the Growth Rate of deposits & credits of the proposed bank is reduced by 10 percent at the national level, district level or proposed area of operation.

 - (iii) Financial position if the Interest Rate Spread (weighted or un-weighted) of the proposed bank is limited to: 5 percent, 4 percent, 3 percent, 2 percent, 1 percent.

ANNEX III
CURRICULUM VITAE OF NRB SPONSOR(S)

1. Full Name:

2. Date of Birth:

3. Place of Birth:

4. Citizenship:

Passport Number:

Date and Place of Issue:

5. Full Address:

(a) Permanent:

Telephone Number:

(b) Present, if different from the Permanent:

Telephone Number:

6. Marital Status:

If married, Spouse's Name:

Occupation:

Spouse's Passport Number:

Date and Place of Issue:

Near Relations (parents, children, brother, sister) and Dependents:

Name (First, Middle, Last)

Relationship

Age

7.

Acquired Education	Name & Address of Institution	Dates of Attendance	Major Area of Study	Degree & Date
High School				
Undergraduate				
Graduate				
Professional or Technical				
Training /Seminar				

8. Present Occupation:

Organization Name:

Business Address:

Nature of Business:

Job Title:

Telephone Number:

9. Business Record (pertaining to the preceding 10 years)

Use additional sheets, if necessary.

Name & Address of Organization	Dates of Engagement	Position Held	Responsibilities

10. Describe each enterprise, including the name, address, type of enterprise [public (listed or not), private] your percentage of ownership and the type of business of each enterprise or other entity which you own or control. (Control means ownership of 10% or more of the stock or ability to effectively control the management of the enterprise or other entity).

List names, addresses and percentage of control and/or ownership of other incorporators, partners and directors of the entity or enterprise referred to above.

11.

Do you perform any services for or have any business connections with any institution which is subject to the supervision of Bangladesh Bank, or any other authority of the government of Bangladesh?	Yes ()	No ()
If "Yes," indicate the name of the institution, address and nature of your work.		

12.

Have you had, or do you now have, any financial interest, direct or indirect, in any institution/bank under the supervision of any Government authority?	Yes ()	No ()
If "Yes," give the name of the institution, address and nature of the financial interest.		

13.

Being a sponsor of proposed NRB bank, how and from what sources will you pay for your proposed amount of share capital?	Yes	No
(a) Own cash	()	()
(a) Other sources If "Yes," give details	()	()

14. Tax Identification Number (TIN):

(Attach most recent returns and/or Tax Clearance Certificates from the country of present permanent domicile).

15. Are you disqualified from election or nomination or from occupying the office of Bank Director owing to the following circumstances?

- (1) You have less than 10 years of professional experience,
- (2) You are insane or mentally unsound,
- (3) You are insolvent and adjudicated bankrupt,
- (4) You have been convicted by a court in any criminal offense or have been involved in any fraud/forgery, financial crime or other illegal activities,
- (5) You are a Director of any other banking company,
- (6) You are a partner in any contract with a banking company in the capacity of legal advisor, advisor, consultant, etc.

16. Answer to any of the questions below if they apply to you as an individual, or a partner, director or officer of an enterprise.

Except for minor traffic violations etc.:

(a) Are any arrests, indictments, criminal information or other Criminal proceedings now pending against you?	Yes ()	No ()
(b) Were you ever convicted for any violation of the law?	()	()
(c) Have you or has any partnership of which you were a Principal officer or major stockholder ever been judged Bankrupt?	()	()
(d) Has any business in which you were a director, officer, partner or major shareholder (5% or more of the voting shares) defaulted on its servicing obligations (principal and/or interest) on outstanding debt or been involved in unacceptable foreign exchange transactions?	()	()
(e) Has any enterprise in which you were a partner, director, or officer been the subject of criminal indictment or other criminal proceedings?	()	()

17. As a sponsor of this proposed bank, I agree to hold at least Taka 100 million (or its equivalent) or an amount not exceeding 10% share of the equity capital to be issued by the proposed bank.

The undersigned affirms that the statements made and answers given herein are accurate and complete and hereby authorizes the Bangladesh Bank to make any inquiry it deems appropriate in connection with processing this questionnaire. False statements in this questionnaire will be sufficient cause for denial of a license to establish banking operations in Bangladesh.

Signature of proposed Sponsor/ Director:
Name:
Date:
Place:

Witnesses:

Signature

Name:
Address:

Signature

Name:
Address:

ANNEX IV

CURRICULUM VITAE OF CEO/MANAGING DIRECTOR

1. Full Name:

2. Date of Birth:

3. Place of Birth:

4. Citizenship:

Passport Number:

Date and Place of Issue:

Right-to-work in Bangladesh

Yes ()

No ()

Visa Type:

Expiration Date:

5. Full Address:

(a) Permanent:

Telephone Number:

(b) Present, if different from the Permanent:

Telephone Number:

6. Marital Status:

If married, Spouse's Name:

Occupation:

7.

Acquired Education	Name & Address of Institution	Dates of Attendance	Major Area of Study	Degree & Date
High School				
Undergraduate				
Graduate				
Professional or Technical				
Training /Seminar				

8. Present Occupation:

Organization Name:

Business Address:

Nature of Business:

Job Title:

Telephone Number:

9. Service Record (pertaining to the 15 years' experience in the financial sector). Please enclose supporting documents. Use additional sheets, if necessary, and account for all gaps in employment.

Name & Address of Organization	Dates of Engagement	Position Held	Responsibilities

10.

Do you perform any services for or have any business connections with any institution which is subject to the supervision of Bangladesh Bank, or any other authority of the government of Bangladesh? If "Yes," indicate the name of the institution, address and nature of your work.	Yes ()	No ()
---	----------------	---------------

11.

Have you had, or do you now have, any financial interest, direct or indirect, in any institution/bank under the supervision of any Government authority? If "Yes," give the name of the institution, address and nature of the financial interest.	Yes ()	No ()
---	----------------	---------------

12. Tax Identification Number (TIN):

(Attach most recent returns and/or Tax Clearance Certificates, and certified IT10B Forms).

13. Are you disqualified for the post of CEO/Managing Director owing to the following circumstances?

- (1) You have less than 15 years of professional experience.
- (2) You are insane or mentally unsound,
- (3) You are insolvent and adjudicated bankrupt,
- (4) You have been convicted by a court in any criminal offense or have been involved in any fraud/forgery, financial crime or other illegal activities.
- (5) You are a Director of any banking company.
- (6) You are a partner in any contract with a banking company in the capacity of legal advisor, advisor, consultant, etc.

14. Answer to any of the questions below if they apply to you as an individual, or a partner, director or officer of an enterprise.

Except for minor traffic violations etc.:

(1) Are any arrests, indictments, criminal information or other Criminal proceedings now pending against you?	Yes ()	No ()
(2) Were you ever convicted for any violation of the law?	()	()

The undersigned affirms that the statements made and answers given herein are accurate and complete and hereby authorizes the Bangladesh Bank to make any inquiry it deems appropriate in connection with processing this questionnaire. False statements in this questionnaire will be sufficient cause for denial of a license to establish banking operations in Bangladesh.

Signature of the CEO/Managing Director:

Name:

Date:

Place:

Witnesses:

Signature

Name:

Address:

Signature

Name:

Address: