

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka

BRPD Circular Letter No.05

27 April 2005
Date-----
14 Baisakh, 1412

Chief Executive
All Scheduled Banks in Bangladesh

Dear Sir,

Regarding Eligible Securities.

Please refer to paragraph 4(c) of BRPD Circular No. 16, dated 06 December, 1998 on Loan Classification and Provisioning and BRPD Circular Letter No. 05, dated 18 May, 2000.

02. In the above circular/circular letter, the following securities have been mentioned as eligible securities in determining base for provision:

- (a) 100% of deposit under lien against the loan.
- (b) 100% of market value of gold or gold ornaments pledged with the bank.
- (c) 100% of the value of government bond/savings certificate under lien.
- (d) 100% of guarantee given by Government/Bangladesh Bank.
- (e) 50% of the market value of easily marketable commodities kept under control of the bank.
- (f) Maximum 50% of the market value of land and building mortgaged with the bank.
- (g) 50% of the average market value for last 06 months or 50% of the face value, whichever is less, of the shares traded in stock exchange.

03. It has been recently observed that while assessing eligible securities, officials of some bank branches are considering unusable, expired and not easily marketable commodities as eligible securities. Besides, lands with defective title etc. are also shown as eligible securities. Any type of temporary houses including tin-shed structure, boundary wall, factory shed are shown as building. It has also been observed that some banks are overvaluing the buildings.

04. Under the above circumstances, at the time of determining market value of easily marketable commodities, land and building, banks are advised to follow the instructions as mentioned below:

- (a) Easily marketable goods will mean pledged, easily encashable/saleable goods that remain under full control of the bank. However, while the concerned bank branch

official will conduct periodic inspection to verify as to whether issues such as the suitability of goods for use, expiry period, appropriateness of documentary evidences, up to date insurance cover, same will have to be assessed by the professional assessor from time to time.

- (b) For land and building, banks will have to ensure whether title documents are in order and concerned land and building will have to be valued by the professional valuation firm along with completion of proper documentation in favour of the bank. In absence of professional valuation firm, certificate in favour of such valuation will have to be collected from the specialized engineer. Nevertheless, temporary houses including tin-shed structure shall not be shown as building.

05. In order to facilitate the on-site inspection by our Department of Bank Inspection, banks are also advised to maintain complete statement of eligible securities on a separate sheet in the concerned loan file. Information such as description of eligible securities, their assessment by recognized firm, marketability of the commodity, control of the bank, and reasons for considering eligible securities etc. will have to be included in that sheet. The pro forma of that sheet shall be supplied by our Department of Bank Inspection.

Please acknowledge receipt.

Yours faithfully,

(Naba Gopal Banik)
General Manager
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