

Banking Regulation & Policy Department  
Bangladesh Bank  
Head Office  
Dhaka

BRPD Circular No. 09

20 August, 2005  
Date-----  
05 Bhadra 1412

Chief Executives  
All Scheduled Banks in Bangladesh.

Dear Sirs,

**Policy on Loan Classification and Provisioning.**

Please refer to our BRPD Circular No. 02, dated 15 February, 2005 on the captioned subject.

In order to strengthen credit discipline and bring classification policy in line with international standards, Bangladesh Bank has from time to time revised its prudential norms for loan classification and provisioning. As part of the process, Bangladesh Bank has already introduced 'Special Mention Account' vide the above circular so that banks can raise early warning signals for accounts showing first signs of weakness. As a further move towards this end, Bangladesh Bank feels that appropriate provisioning against such accounts is necessary. Accordingly, the following amendments have been made to the above circular:

(1) Banks will be required to make General Provision @ 5% on the outstanding amount of loans kept in the 'Special Mention Account' after netting off the amount of Interest Suspense.

(2) The status of the loan (SMA) should be reported to the Credit Information Bureau (CIB) of Bangladesh Bank. As such, there will be five categories of loan classification status instead of existing four for reporting to CIB. However, it is reiterated that loans in the 'Special Mention Account' will not be treated as defaulted loan for the purpose of Section 27KaKa(3) of the Bank Company Act, 1991

This instruction will be effective from 31st December, 2005.

All other instructions as contained in BRPD Circular No.2 of February, 2005 will remain unchanged

Please acknowledge receipt.

Yours faithfully,

(Naba Gopal Banik)  
General Manager  
Phone: 7117825