

Banking Regulation & Policy Department  
Bangladesh Bank  
Head Office  
Dhaka

BRPD Circular No. 10

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

Chief Executives  
All Scheduled Banks in Bangladesh

Dear Sirs,

**Prudential Guidelines for Consumer Financing  
and Small Enterprise Financing**

Please refer to BRPD Circular No. 07, dated 03 November, 2004 on the captioned subject. With that circular, two separate guidelines, namely guidelines for Small Enterprise Financing and guidelines for Consumer Financing, were forwarded for implementation. However, considering the problems faced by some banks in financing these two sectors, the following amendments have been made in the above guidelines:

**(a) Amendments made in the guidelines for Small Enterprise Financing:**

**Regulation 2:** In case of proprietorship concern, spouse's guarantee other than the personal guarantees of the owners may be taken.

**Regulation 6:** For loan amounting to Taka 5 (five) lacks and above, registered mortgage over immovable properties will be required instead of equitable mortgage as mentioned at 6(b).

**Regulation 13 and Appendix X:** One of the five loan classification categories, namely 'Unsatisfactory' has been rescinded. However, interest on Special Mention Account should be credited to 'Interest Suspense Account' instead of income account. Banks will be required to maintain 2% General Provision against unclassified loan amount.

**(b) Amendments made in guidelines for Consumer Financing**

**Regulation 4 and Appendix XXI:** Loans will have to be classified into 4 categories in place of 5 categories as mentioned in Appendix XXI. The 'Unsatisfactory' category has been rescinded. However, interest on Special Mention Account should be credited to 'Interest Suspense Account' instead of income account. Banks will be required to maintain 2% General Provision against unclassified loan amount.

**Guideline for Credit card (Appendix XX)**

**Credit card PP Guideline N0. 5:** Interest Free Period: Restriction on minimum interest free period i.e. 15 days has been withdrawn.

**Regulations for Auto Loans**

**Regulation 15:** The maximum tenure of the auto loan finance shall not exceed six years.

**Regulation 16:** The banks shall not allow auto loan (including insurance) exceeding TK. 2 million for every individual under this head.

**Regulation 22:** Banks should ensure that a good number of authorized auto dealers are placed at their panel to eliminate the caches of collusion of other unethical practices. However, if the clients choose to purchase car from seller not included in the list, they are free to do so provided that the price is considered reasonable by the bank.

**Regulations for House Finance:**

**Regulation 24:** Housing Finance for real estate business and commercial complex such as super market and shopping mall etc. shall be excluded from the consumer finance category. Loan exposure under housing finance category should not exceed 10% of the bank's total loan portfolio.

The instructions mentioned in the above guidelines are minimum requirements. Banks may include additional requirements in their guidelines to mitigate their risk exposure to any individual borrower.

The above amendments shall be made effective immediately.

Yours faithfully,

(Naba Gopal Banik)  
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