

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka

BRPD Circular No. 18

Date : December 11, 2005

Agrahayan 27, 1412

Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

Implementation of Credit Risk Grading Manual

Please refer to our letter Nos. BCD(P)661/13 dated July 17, 1994 on introduction of "Lending Risk Analysis" and BRPD Circular No. 17 dated October 07, 2003 on Guidelines on "Managing Core Risks in Banking".

You are well aware that Lending Risk Analysis (LRA) is mandatory for all lending exposures undertaken by a bank in excess of BDT 1.00 (one) crore and above irrespective of fresh approval or renewal cases. The LRA has forced banks to take a systematic approach towards risk analysis resulting qualitative changes in credit management. It needs to be mentioned that Core Risk Management Guidelines (CRMG) has been made mandatory by Bangladesh Bank to introduce a Risk Grading System for the industry and with the aim to fully implement a Risk Grading System, an Integrated Credit Risk Grading Manual has been developed which is forwarded herewith in the form of CD-ROM.

Banks are, therefore, advised to implement Credit Risk Grading(as described in the manual) by March 31, 2006 for all exposures(irrespective of amount) other than those covered under Consumer and Small Enterprises Financing Prudential Guidelines and also under The Short-Term Agricultural and Micro-Credit. Banks are also advised to submit a compliance report by April 15, 2006 to the effect that the Credit Risk Grading have been put in place.

Risk Grading Matrix provided in the Manual will be the minimum standard of risk rating and banks may adopt and adapt more sophisticated risk grades in line with the size and complexity of their business. Arrangement will be made by Bangladesh Bank, if necessary, to train the trainers of the banks in this regard. Bangladesh Bank will monitor the progress of implementation of the manual/guideline through its on-site inspection teams during routine inspection.

Please acknowledge receipt.

Yours sincerely,

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