

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka

BRPD Circular No.20

December 20, 2005
Date : -----
Poush 06, 1412

Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

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

Please refer to our BRPD Circular No. 07, dated 03 November, 2004 on the captioned subject through which two separate guidelines, namely Guidelines for Small Enterprise Financing and Guidelines for Consumer Financing were forwarded for implementation. It is to be mentioned that amendments were made in Regulation-13 & Appendix X of Small Enterprise Financing and Regulation- 4 & Appendix XXI of Consumer Financing vide BRPD Circular No. 10, dated 20 August, 2005 where-in loans were classified into 4 categories namely 1. Special Mention Account (SMA) 2. Substandard (SS), 3.Doubtful (DF) and 4. Loss (BL) along with some other amendments.

The issue has been reviewed further and it has been decided that loans will have to be classified into 8 (eight) categories 1. Superior (SUP), 2.Good (GD), 3. Acceptable (ACCPT) 4.Marginal/Watchlist (MG/WL), 5. Special Mention Account (SMA) 6. Substandard (SS), 7.Doubtful (DF) and 8. Loss (BL) instead of the existing four categories. The revised Appendix X containing guidelines for Small Enterprise Financing and Appendix XXI containing guidelines for Consumer Financing are enclosed herewith.

Please acknowledge receipt.

Yours sincerely,

Enclo: 04 (four)

(Naba Gopal Banik)
General Manager
Phone : 7117825

Please replace the existing appendix-X by this revised appendix .
Guidelines for Small Enterprise Financing

APPENDIX X
GUIDELINES IN THE MATTER OF CLASSIFICATION
AND PROVISIONING FOR ASSETS (REGULATIONS R-I3)

(I) CONTINUOUS /DEMAND LOAN FACILITIES:

CLASSIFICATION	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO BE MADE
(1)	(2)	(3)	(4)
1.Superior (SUP)	1. Fully secured by cash /cash equivalent collateral. 2. Fully secured by Govt. Guarantee.	not applicable	Banks will be required to make general provision @2% on the outstanding balance.
2.Good (GD)	Fully secured by collateral other than cash collateral..	not applicable	as above
3. Acceptable (ACCPT)	Where mark-up/interest or principal is overdue (past due) for 1 to 59 days.	not applicable	as above
4.Marginal/Watchlist (MG/WL)	Where mark-up/interest or principal is overdue (past due) for 60 to 89 days.	not applicable	as above
5. Special Mention Account (SMA)	Where mark-up/interest or principal is overdue (past due) by 90 days or more from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @5% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense
6. Substandard (SS)	Where mark-up/interest or principal is overdue (past due) by 180 days or more from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @20% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.
7. Doubtful (DF)	Where mark-up/interest or principal is overdue (past due) by 270days from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @50% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.
8. Loss (BL)	Where mark-up/interest or principal is overdue by 12 months or more from the due date.	As above.	Provision @ 100% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.

Guidelines for Small Enterprise Financing

(II) SHORT/MEDIUM TERM LOAN FACILITIES (UP TO 5 YEARS):

CLASSIFICATION	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO BE MADE
(1)	(2)	(3)	(4)
1.Superior (SUP)	1. Fully secured by cash /cash equivalent collateral. 2. Fully secured by Govt. Guarantee.	not applicable	Banks will be required to make general provision @2% on the outstanding balance.
2.Good (GD)	Fully secured by collateral other than cash collateral..	not applicable	as above
3. Acceptable (ACCPT)	Where mark-up/interest or principal is overdue (past due) for 1 to 59 days.	not applicable	as above
4.Marginal/Watchlist (MG/WL)	Where mark-up/interest or principal is overdue (past due) for 60 to 89 days.	not applicable	as above
5. Special Mention Accounts (SMA)	Where mark-up/interest or principal is overdue (past due) by 90 days or more from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @5% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense
6. Substandard (SS)	Where mark-up/interest or principal is overdue (past due) by 180 days or more from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @20% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.
7. Doubtful (DF)	Where mark-up/interest or principal is overdue (past due) by 12 months from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @50% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.
8. Loss (BL)	Where mark-up/interest or principal is overdue by 18 months or more from the due date.	As above.	Provision @ 100% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.

Guidelines for Small Enterprise Financing

(III) LONG TERM LOAN FACILITIES (OVER 5 YEARS):

CLASSIFICATION	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO BE MADE
(1)	(2)	(3)	(4)
1.Superior (SUP)	1. Fully secured by cash /cash equivalent collateral. 2. Fully secured by Govt. Guarantee.	not applicable	Banks will be required to make general provision @2% on the outstanding balance.
2.Good (GD)	Fully secured by collateral other than cash collateral..	not applicable	as above
3. Acceptable (ACCPT)	Where mark-up/interest or principal is overdue (past due) for 1 to 59 days.	not applicable	as above
4.Marginal/Watchlist (MG/WL)	Where mark-up/interest or principal is overdue (past due) for 60 to 89 days.	not applicable	as above
5. Special Mention Accounts (SMA)	Where mark-up/interest or principal is overdue (past due) by 90 days or more from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @5% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense
6. Substandard (SS)	Where mark-up/interest or principal is overdue (past due) by 12 months or more from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @20% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.
7. Doubtful (DF)	Where mark-up/interest or principal is overdue (past due) by 18 months from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @50% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.
8. Loss (BL)	Where mark-up/interest or principal is overdue by 24 months or more from the due date.	As above.	Provision @ 100% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.

Please replace the existing appendix-XXI by this revised appendix .
Guidelines for Consumer Financing

APPENDIX XXI

**GUIDELINES IN THE MATTER OF CLASSIFICATION
AND PROVISIONING FOR ASSETS (REGULATION- 4)**

CLASSIFICATION	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO BE MADE
(1)	(2)	(3)	(4)
1.Superior (SUP)	1. Fully secured by cash /cash equivalent collateral. 2. Fully secured by Govt. Guarantee.	not applicable	Banks will be required to make general provision @5% on the outstanding balance.
2.Good (GD)	Fully secured by collateral other than cash collateral..	not applicable	as above
3. Acceptable (ACCPT)	Where mark-up/interest or principal is overdue (past due) for 1 to 59 days.	not applicable	as above
4.Marginal/Watchlist (MG/WL)	Where mark-up/interest or principal is overdue (past due) for 60 to 89 days.	not applicable	as above
5. Special Mention Account (SMA)	Where mark-up/interest or principal is overdue (past due) by 90 days or more from the due date.	Unrealized mark- up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @5% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense
6. Substandard (SS)	Where mark-up/interest or principal is overdue (past due) by 180 days or more from the due date.	Unrealized mark- up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @20% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.
7. Doubtful (DF)	Where mark-up/interest or principal is overdue (past due) by 270days from the due date.	Unrealized mark- up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision @50% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.
8. Loss (BL)	Where mark-up/interest or principal is overdue by 12 months or more from the due date.	As above.	Provision @ 100% of the difference resulting from the outstanding balance of loan account less the amount of Interest suspense and the value of eligible securities.