

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka

BRPD Circular No.- 04

23 February, 2014
Date: -----
11 Falgun, 1420

Chairman, Board of Directors/CEO
All Schedule Banks in Bangladesh.

Dear Sir,

Transactions with Bank-Related Persons.

To ensure proper utilization of bank's fund and to acquire and maintain confidence of the depositors, transactions with bank-related persons need to be conducted in a transparent manner in accordance with explicit policies. A number of provisions relating to such transactions are incorporated in Section 17, 18, 26Ga, 27 & 28 of the Bank Company Ain, 1991 (updated upto 2013). In addition, banks are advised to abide by the following instructions while transacting with bank related persons:

1. Definition:

- (i) 'Bank-related Persons' means the person as described in the explanation part of Section 26Ga of the Bank Company Ain, 1991.
- (ii) 'Financial Transactions' means making loans & advances, issuing letter of credit, providing guarantee & other financial benefits and commitments; buying-selling of goods, services & immovable properties; leasing or renting of immovable properties.
- (iii) 'Significant Shareholder' means any person, organisation or company that owns, directly or indirectly, alone or in concert with another person, more than five percent of owners' equity of any company.

2. General Regulations for Transactions with Bank-Related Persons:

- (i) No bank-company shall enter into a transaction with or for the benefit of a bank-related person, if such transaction would be entered into on less favourable terms and conditions to the bank-company than would be agreed if the counterparty were not related to the bank-company.
- (ii) All financial transactions conducted by a bank-company with or for the benefit of a bank-related person are subject to the prior approval of the majority of the Board of Directors of the bank-company.

(iii) No bank-company shall have an aggregate amount outstanding on all funded exposure to, or for the benefit of, bank related persons in excess of 10% of the bank's Tier-1 capital. For the funded facilities which are backed by cash or encashable securities, actual exposure will be determined by deducting such collaterals.

3. Additional Regulations for Bank Directors:

3.1 General regulations for Director' loans:

Following directives are to be complied with in addition to relevant provisions of the Bank Company Ain, 1991 when providing loans & advances and other financial facilities to bank directors, their relatives & their affiliated entities:

a) Loan limit:

- (i) Total amount of loan & advances, guarantees and other credit facilities provided to a bank director, his/her sole proprietorship firms, his/her partnership firms, any private or public company where he/she is acting as a director should not exceed 50% of the face value of shares of that bank-company held in director's own name. In case of public company's exposure, a director's exposure will be proportionate to his/her shareholding in that company.
- (ii) If the total amount of loan & advances, guarantee and other credit facilities provided to a director or his/her such affiliates exceeds 50% of the face value of shares of the bank-company held in director's name, it should be immediately placed before the board of directors and Bangladesh Bank. The excess amount should be repaid within the time determined by BB. Under no circumstances, renewal or extension of time of loan & advances, guarantee & other financial facilities in excess of that 50% can be made.

b) Loan approval:

- (i) Any loan & advances, guarantee and other credit facilities provided to a bank director, his/her sole proprietorship firms, his/her partnership firms, any private or public company where he/she is acting as a director, any person or entity for whom he/she stands as a guarantor, and to his/her spouse, father, mother, son, daughter, brother, sister and dependents should be approved by the majority member of the board of directors.
- (ii) All loan & advances, guarantees and other financial transactions conducted by a bank-company with bank-directors, their aforesaid relatives, dependents and affiliated entities must be approved in the Annual General Meeting and separately disclosed in the audited financial statements of the bank-company.

c) Conditions of Loan:

- (i) Personal guarantee of the director concerned should be obtained when extending any loan & advances to a bank director, his/her sole proprietorship firms, his/her partnership firms, any private company where he/she is acting as a director, and to

his/her spouse, father, mother, son, daughter, brother, sister and dependents. Mortgages against such loan & advances should be registered in favour of the bank-company.

- (ii) No loan/investment facilities wherein the borrower is exempted fully or partially from bearing the loss, including Mudaraba or Musharaka systems of loan/investment, can be provided to any bank director or his/her such relatives and his/her affiliated entities.

d) Prior approval of Bangladesh Bank:

- (i) Prior approval of Bangladesh Bank will be required for providing funded facilities amounting taka 5.00 million or above, and composite facilities comprising funded & non-funded facilities amounting taka 10.00 million or above to a bank director, his/her sole proprietorship firms, his/her partnership firms, any private or public company where he/she is acting as a director, and to his/her spouse, father, mother, son, daughter, brother, sister and dependents. Banks should apply for prior approval from BB using the attached form duly signed by the Managing Director enclosing related minutes of the Board meeting and attested copy of the loan proposal.
- (ii) In case of any alteration/cancellation/return of collateral, securities, personal guarantee, etc. provided against loan & advances and guarantee; or, in case of any alteration of any condition of loans & advances, guarantee and any other credit facilities of a director/ex-director, his/her such relatives & dependents and affiliated entities, prior approval from Bangladesh Bank will have to be taken. In this regard, a copy of the sanction letter (enumerating the terms and condition) should be attached with the application.

e) Waiver of Loan/interest:

- (i) Waiver of any loan or part of loan and interest thereof that has been transferred to income account of the bank-company cannot be allowed to a director/ex-director, his/her sole proprietorship firms, his/her partnership firms, private or public company where he/she is acting as a director, any person or entity for whom he/she stands as a guarantor, and his/her spouse, father, mother, son, daughter, brother, sister and dependents.
- (ii) Prior approval of Bangladesh Bank will be required in case of waiving accrued interest or part thereof arising from loans to director/ex-director, his/her aforesaid relatives, dependents and affiliated entities. But, in case of ex-directors who are at present not holding any share of the bank-company, and if such loans were availed before or after their directorship in the bank-company, waiver of interest can be granted by the Board of Directors without prior approval of Bangladesh Bank.

3.2 Regulations for Independent Directors:

Neither loan facilities can be provided to, nor other financial transactions can be conducted with an independent director engaged in the bank-company, his/her sole

proprietorship firms, his/her partnership firms, private or public company where he/she is acting as a director or holds more than 5% share of equity, any person or entity for whom he/she stands as a guarantor, and his/her spouse, father, mother, son, daughter, brother, sister and dependents.

3.3 Regulations for Representative Directors:

In addition to General instruction for Director' loans mentioned in section 3.1 of this circular, following instructions are to be complied with for loans to a director who represents institutional shareholder of the bank-company:

- (i) Approval and guarantee of the board of the shareholder institution/organization/trust should be obtained for providing any loan and advances or any kind of financial facilities to a representative director, his/her relatives & dependants, and affiliated entities.
- (ii) To determine credit limit of the representative director, face value of the shares held by the institution/organization/trust would be considered. Total amount of loan & advances, guarantees and other credit facilities provided to representative director or directors, their relatives & dependants and affiliated entities should not exceed 50% of the face value of shares of that bank-company held in institution/organization/trust's name.
- (iii) For providing loan & advances, guarantee & other financial facilities to representative directors, copy of approval of the board of the shareholder institution/organization/trust should be submitted to Bangladesh Bank along with the application for approval.

3.4 Regulations for Alternate Directors' Loan:

No loan facility can be provided to an alternate director, his/her sole proprietorship firm, his/her partnership firm, private or public company where he/she is acting as a director, any person or entity for whom he/she stands as a guarantor, and his/her spouse, father, mother, son, daughter, brother, sister and dependents; tenure or credit limit of facilities provided earlier cannot be extended or enhanced, interest waiver cannot be allowed or charging of interest cannot be withheld.

3.5 Special Regulations for Government Nominated Directors' Loan:

- (i) No new loan and advances, guarantee, surety or any other financial facility can be provided to a Government nominated director, his/her sole proprietorship firms, his/her partnership firms, private or public company where he/she is acting as a director, his/her spouse, father, mother, son, daughter, brother, sister and dependents; and, limit of credit facilities provided earlier cannot be enhanced.
- (ii) Waiver of any accrued interest or requisites for rescheduling, or changes in the conditions of any existing facilities to such director, his/her relatives & dependants and affiliated entities, cannot be allowed, even if those facilities were extended before the commencement of his/her tenure as a director. In case of renewing existing loan and other facilities, all applicable regulations should be followed.

(iii) In the event of default of any existing facilities to such director, his/her relatives & dependants and affiliated entities, prompt legal action for recovery has to be initiated; and, among other measures, Bangladesh Bank and Bank & Financial Institutions Department (Ministry of Finance) have to be notified on an urgent basis.

4. Additional Regulations for Managing Director/CEO's Loan:

- (i) During his/her tenure at the bank-company, no new loan and advances, guarantee, surety or any other financial facility can be provided to the MD/CEO, his/her sole proprietorship firms, his/her partnership firms, private or public company where he/she holds more than 5% share of equity; and, limit of credit facilities provided earlier cannot be enhanced. In case of renewing existing loan and other facilities, all applicable regulations should be followed.
- (ii) No loan & advances, or guarantee or other facilities can be provided to MD/CEO's spouse, father, mother, son, daughter, brother, sister and dependents without any security. Such credit facilities should be approved by the majority member of the board of directors, and mortgage securities thereof should be registered in favour of the bank-company. Credit facilities exceeding taka 10.00 million should be reported to Bangladesh Bank after the approval of the board of directors.
- (iii) Waiver of any loan or part of loan and interest thereof that has been transferred to income account of the bank-company cannot be allowed to the MD/CEO, his/her relatives & dependants and affiliated entities. Prior approval of Bangladesh Bank will be required in case of waiving accrued interest or part thereof arising from such loans.
- (iv) The provisions of this circular will not be applicable for the bank-company's employee/staff loans and advances.

5. Additional Regulations for Significant Shareholders' Loan:

- (i) Loans & advances, guarantee and financial facilities exceeding taka 10.00 million extended to a significant shareholder of the bank-company, his/her spouse, private or public company where he/she is acting as a director or holds more than 5% share of equity, should be reported to Bangladesh Bank after the approval of the board of directors.
- (ii) Waiver of any loan or part of loan and interest thereof that has been transferred to income account of the bank-company cannot be allowed to a significant shareholder, his/her spouse and aforesaid affiliated entities. Prior approval of Bangladesh Bank will be required in case of waiving accrued interest or part thereof arising from such loans.

6. This circular has been issued for compliance of section 26Ga, 27 & 28 of the Bank Company Act, 1991. The Chief Executive Officer will inform about this circular to the directors and other related persons.

7. This circular is issued with immediate effect. After this circular becomes effective, BRPD Circular No.07 dated 12 August 1996, BRPD Circular Letter No.08 dated 23 March 1999, BRPD Circular No.07 dated 05 August 1999, BRPD Circular No.11 dated 20 September 1999, BRPD Circular Letter No.20 dated 25 October 1999, BRPD Circular No.01 dated 30 January 2000, BRPD Circular No.03 dated 06 February 2001, BRPD Circular No.19 dated 24 October 2001 and BRPD Circular No.02 dated 21 January 2002 will be treated as void.

Yours faithfully,



(Saiful Islam)

Deputy General Manager

Phone :9530155

Directors' Loan Application Form

1. Name & Address of loan applicant person/organization:
2. Nature of organization (sole proprietorship/partnership/private/public company):
3. Applicant's Paid-up capital & Net worth:
4. a) Nature of business:
b) Purpose of loan:
5. Name of Group(where applicable):
6. Name & Address of applying organization's owners/partners/directors:
7. Name & address of guarantor/guarantors:
8. Name of the concerned director & relationship between applicant & director:
9. Description of loan applied for:

(In lac taka)

Type	Amount				tenure	Interest rate
	new	renewal	enhancement	total		
a. funded loan						
b. non-funded loan						
Total(a+b)						

10. Description of security

(In lac taka)

Type	Primary security		Collateral		Total value
	Description*	value	Description*	value	
a. funded loan					
b. non-funded loan					
Total(a+b)					

(*nature of security, quantity, etc. should be described in details as much as possible)

11. Up-to-date description of loans to the director, his/her relatives and affiliated entities from own bank [loan of institution/organization/trust should be included in the case of representative director]:

(In lac taka)

Name of the A/C	Loan Type(OD, CC, term etc.)	Sanctioned amount & date	Outstanding (date)	Date of expiry	Description of securities & value	Classification status	comments

12. Up to date description of the applicant and related director's exposure in other banks/FIs:

(In lac taka)

Name of the A/C	Name of bank/FI, branch	Loan Type(OD, CC, term etc)	Sanctioned amount & date	Outstanding (date)	Date of expiry	Description of securities & value	Classification status	comments

13. Description of loans to the director & his/her concerns [including proposed loan] and shareholding (in applicant bank) in director's own name [N.B. Section 3.1(ka)]:
(In lac taka)

Total loan amount*	No of shareholding in the name of the director	Share value	Percentage(%)

(*In case of public limited company, the director's loan will be proportionate to shareholding by the director in that company.)

14. Description of loans to the representative director, his/her affiliated entities; and, exposures [including the proposed loan] & shareholding of the nominating institution/organization/trust in applicant bank [N.B. Section 3.3(2)]:

(In lac taka)

Total loan*	No. Of Shareholding by the institution/organization/trustee	Share valuation	Percentage(%)

(*In case of public limited company, the director's loan will be proportionate to shareholding by the director in that company.)

15. Description of loan facilities to or for the benefit of bank-related persons including the proposed loan :

(In lac taka)

Total loan	Tier-1 capital of bank	Percentage (%)

(To be filled up only when the proposed loan is bank-related person's loan according to section 26Ga of BCA, 1991)

16. Has the credit risk been analyzed for proposed loan? If yes, mention the result:

17. Has prior approval from BB been taken for any previous loan for this applicant/director? If yes, mention the reference and date of approval [attach copy of approval letter]:

18. Has any previous loan proposal of the applicant been rejected by BB? If yes, mention the reference and date [attach copy of the letter]:

I hereby certify that the above mentioned information is correct and no information has been concealed.

Date:

Signature :
Name :
Managing Director/CEO :
(with the official seal)