

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka

BRPD Circular No. 07

Date : July 09 , 2007

Ashar 25 , 1414

Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

Implementation of Credit Risk Grading Manual

Please refer to BRPD Circular No. 18 dated December 11, 2005 wherein all scheduled Banks were advised to implement Credit Risk Grading Manual 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 .

The above Credit Risk Grading Manual was applicable in case of lending to all commercial clients including **Banks** and **Non-banking Financial Institutions (NBFIs)**. But financing to Banks and NBFIs in line with the said Credit Risk Grading Manual was found difficult and complex. It is to mention in this regard that the nature of business as well as leverage level of Banks and NBFIs are different from that of other borrowing clients for which a separate Credit Risk Grading Manual is needed. Moreover, Basel II compliance calls for risk rating of the obligor, which includes all clients like commercial, banking and non-banking financial institution.

In view of the above, two separate manuals (Credit Risk Grading Manual-Bank and Credit Risk Grading Manual-NBFI) have been prepared which are forwarded herewith in the form of CD-ROM.

Banks are therefore, advised to adopt the credit risk grading system outlined in the said two manuals for assessing credit risk in case of taking exposure on another Bank/NBFI. Banks are also advised to implement the same by October, 2007 and submit a compliance report to Banking Regulations and Policy Department by November 15, 2007 to the effect that the Credit Risk Grading has been put in place. The existing Credit Risk Grading Manual, however, shall remain in force for financing all commercial clients other than Banks and NBFIs.

Please acknowledge receipt.

Yours sincerely,

Enclo: 1(one) CD-ROM
Banks
Non-banking Financial Institutions (NBFIs).

(Naba Gopal Banik)
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