

Banking Regulation & Policy Department  
Bangladesh Bank  
Head Office  
Dhaka

BRPD Circular Letter No. 03

Date : March 13, 2007  
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Falgun 29, 1413

Chief Executives  
All Scheduled Banks in Bangladesh

Dear Sir,

**Large Loan and Risk Management.**

Of late it has been observed that some banks are extending credit facilities to large institutions or group of companies without assigning due importance/consideration to the capital size, business volume, financing requirements, ownership structure, stake/control in number of companies, state of professional management, accounting system, repayment capability etc. i.e banks are extending credit facilities without adhering to credit discipline and compliances. Most of these customers do not have up to date audited financial statements and adequate collaterals to cover credit exposures. So, it would not be possible to ensure proper monitoring/control over credit exposure. In some cases, credit facilities are extended to the same company by more than one bank resulting in diversion of loan amount. Moreover, many of these borrowers may not be able to pay off existing outstanding loans without availing fresh loan from other banks.

Under the situation, while financing to large institutions or group of companies and extending credit facilities by more than one bank without consortium arrangements, banks are advised to take into cognizance the inter-bank consultation & arrangements, verification of audited financial statements, borrowers rating by a credit rating agency and the above issues (capital size, business volume, ownership structure etc).

Please acknowledge receipt.

Yours sincerely,

(Naba Gopal Banik)  
General Manager  
Phone : 7117825