

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka.

BRPD Circular No. 12

March 29, 2010
Date: -----
Chaitra 15, 1416

Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

**Consolidation for investment in subsidiaries and implication of other
Capital Market Exposures for the purpose of computing eligible Regulatory Capital**

Please refer to Section 3(c) of guidelines on 'Risk Based Capital Adequacy for Banks (RBCA)' adopted from January 01, 2010 vide BRPD Circular No. 20, dated: December 29, 2009. In addition to the Section 3(c) of RBCA guidelines banks are advised to pursue the following instructions when computing eligible Regulatory Capital and Capital Adequacy Ratio (CAR).

In line with the recommendations of Basel II and with a view to the recent changes in the banking industry, banks having subsidiary company (ies) are advised to consolidate the subsidiary (ies) in line with the prevailing national accounting standards for the purpose of assessing Capital Adequacy. If consolidation is not done, investments in subsidiary (ies) will be deducted at 50% from Tier 1 and 50% from Tier 2 capital. The assets representing the investments in subsidiary companies whose capital had been deducted from that of the parent would not be included in total assets for the purposes of computing CAR.

2. As per consolidated accounting Capital Market Exposures [Claims against investor account (Merchant banking)/margin account (Brokerage house) holder] will be assigned 125% risk weight for the purpose of computing CAR and these sort of claims will not be considered for Credit Risk Mitigation (CRM).

3. Banks investments according to Section 26(2) of Bank Company Act, 1991 will not exceed the approved limit. If any breach of instruction under this Section found, additional amount of investment will be deducted at 50% from Tier 1 and 50% from Tier 2 capital.

Please acknowledge receipt.

Yours sincerely,

(Md. Sohrawardy)
General Manager
Phone: 7117825