



Bangladesh Bank

Head Office
Motijheel, Dhaka-1000
Bangladesh
website: www.bb.org.bd

Banking Regulation & Policy Department

BRPD Circular No. 10

08 May 2024

Date: -----

25 Baishakh 1431

Managing Director/Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

Interest/Profit Rate of Loan/Investment

As an interim measure towards introducing a market-based interest rate system for bank loans, BRPD Circular No. 09 was issued on 19 June 2023 instructing the banks to determine the maximum interest rate of loans by adding a specific margin with the SMART (Six-Months Moving Average Rate of Treasury Bill).

2. Aligning with international best practices, the SMART-based interest rate system is now being withdrawn to move towards a full-fledged market-based interest rate system. The interest rate of bank loans will hereafter be solely based on banker-customer relationship, taking into account the demand and supply of loanable funds in the banking system.
3. The following instructions will be applicable in determining the market-based interest rate of bank loans:
 - a) Banks shall declare sector-specific interest rates on loans and may provide loans within a range of 1% lower or higher than the declared rates for individual customers, depending on their respective risk profiles;
 - b) The loan sanction letter should state whether the interest rate is fixed or variable. If the interest rate is variable, the sanction letter must specify the maximum number of times and percentage it might be increased in a year.
 - c) If any loan or installment of loan is fully or partially past due/overdue, a maximum penal interest of 1.5% might be charged on the entire amount outstanding of a continuous or demand loan and on the overdue installment(s) amount of a term loan;
 - d) No service charge shall be levied or collected in excess of the bank's declared interest rate; and
 - e) The interest rates of the loans extended under the incentive package/special fund/refinance/pre-finance fund established by Bangladesh Bank or the government shall be determined according to the policy governing the respective fund.

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4. Banks have to comply with the instruction given in BRPD circular No. 04, dated 25 January 2012 to upload the statement of announced interest rate in Enterprise Data Warehouse (EDW) via web portal by the seventh day of the corresponding month.
5. Islamic Sharia'h based banks shall determine profit rate following the above instructions for their investment.
6. The instructions given by BRPD Circular No. 09 dated 19 June 2023, BRPD Circular Letter No. 27 dated 27 July 2023, BRPD Circular Letter No. 14 dated 18 March 2024 and BRPD Circular Letter No. 16 dated 31 March 2024 are hereby revoked with the issuance of this circular.
7. This instruction will come into force with immediate effect.
8. This directive has been issued by Bangladesh Bank in exercise of its power conferred on it under section 29(2)(cha) of the Bank Company Act, 1991.

Yours faithfully,



(Md. Harun-Ar-Rashid)
Director (BRPD)
Phone: 9530252