



**PRUDENTIAL REGULATIONS
FOR
CONSUMER FINANCING**

FIRST EDITION – 2004

BANGLADESH BANK

FOCUS GROUP TEAM

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DEFINITIONS

1. **'Bank' means** a banking company as defined in Banking Companies Act, 1991.
2. 'Borrower' means an individual to whom a bank has allowed any consumer financing during the course of business.
3. **'Consumer financing'** means any financing allowed to individuals for meeting their personal, family or household needs. The facilities categorized as Consumer Financing are given as under:
 - (i) Credit Cards forms of clean lending with a maximum limit of Tk. 500,000/- to a single borrower. Supplementary credit cards shall be considered part of the principal borrower for this purpose. The limits exceeding Tk. 500,000/- shall be secured appropriately by the banks. Corporate Card will not fall under this category and shall be regulated by exiting guideline/regulations for lending.
For Charge Cards, pre-set spending limits generated by the standardized systems, as in the global practice, shall be allowed.
 - (ii) Auto Loans (Secured by way of hypothecation /charge on vehicle)
 - (iii) Housing Finance (secured by mortgage on the property. e.g. house/flat/land)
 - (iv) Personal loans for the payment of goods service and expenses.
4. **'Documents'** include vouchers, cheques, bills, pay-order, promissory notes, and securities for leases/advances and claims by or against the bank or other papers supporting entries in the books of a bank.
5. **'Liquid Securities'** means securities readily convertible into cash without recourse to a court of law. 'Liquid Securities for the purpose of these regulations shall mean realizable value of bank deposits, certificate of deposits, certificate of investments, Government securities, shares of listed companies on the active list of stock exchanger, ICB units and certificates of mutual funds. These securities should be in possession of the banks with perfected lien.
6. **Equity** means Capital & Reserves as defined in section 13 of Banking Companies Act 1991.

MINIMUM REQUIREMENTS FOR CONSUMER FINANCING.

Apart from the specific regulations given under each mode of financing separately, general requirements laid down here should also be followed by the banks while undertaking consumer financing. It may be noted that these are the minimum requirements and should not in any way be construed to restrict the role of the management processes through establishing comprehensive credit risk management systems appropriate to their type, scope, sophistication and scale of operations. The Board of Directors of the banks are required to establish policies, procedures and practices to define risks, stipulate responsibilities, specify security requirements, design internal controls and then ensure strict compliance with them.

Pre-Operation:

Before embarking upon or undertaking consumer financing, the banks shall implement/follow the guidelines given below. The banks already involved in the consumer financing will ensure compliance with these guidelines within six months of the date of issuance of Consumer Financing Prudential Regulations.

1. Banks shall establish separate Risk Management capacity for the purpose of consumer financing, which will be suitably staffed by personnel having sufficient expertise and experience in the field of consumer finance/business.
2. The banks shall prepare comprehensive consumer credit policy duly approved by the Board of Directors, which shall inter alia cover loan administration, including documentation, disbursement and appropriate monitoring mechanism. The policy shall explicitly specify the functions, responsibilities and various staff positions, powers/authority relating to approval/sanction of consumer finance facility.
3. For every type of consumer finance activity, the bank shall develop a specific Product Program Guide (PPG). The program shall include the objective/quantitative parameters for the eligibility of the borrower and determining the maximum permissible limit per borrower. The PPG will also indicate the maximum permissible exposure banks will take against each product.
4. Bank shall put in place an efficient computer based MIS for the purpose of consumer finance, which should be able to effectively cater to the needs of consumer financing portfolio and should be flexible enough to generate necessary information reports used by the management for effective monitoring.

of the bank's exposure in the area. The MIS is expected to generate the following periodical reports:

- Delinquency reports (for 30, 60, 90 180 & 360 days and above) on monthly basis.
 - Reports interrelating delinquencies with various type of customers of various attributes of the customers to enable the management to take important policy decisions and make appropriate modifications in the lending program.
 - Quarterly product wise profit and loss account duly adjusted with the provision on account of classified accounts. These profit and loss statements should be placed before the Board of Director in the immediate next Board Meeting. The branches of foreign banks in order to comply with these conditions shall place the reports before a committee comprising of Managing Director, Chief Finance Officer and Head of Consumer Banking.
5. The banks shall develop comprehensive recovery procedures for the delinquent consumer loans. The recovery procedures may vary from product to product. However, distinct and objective triggers should be prescribed for taking pre-planned enforcement/recovery measures.
 6. The institutions starting consumer financing are encouraged to impart sufficient training on an ongoing basis to their capability regarding the various aspects of consumer finance.
 7. The banks shall prepare standardized set of borrowing and recourse documents (duly cleared by their legal counsels) for each type of consumer financing.

Operations:

1. Consumer financing, like other credit facilities, must be subject to the Bank's risk management process setup for this particular business. The process may include, identifying source of repayment and assessing customer' ability to repay his/her past dealings with the bank, the net worth and information obtained from a Credit Information Bureau approved by Bangladesh Bank.

2. At the time of granting facility under various modes of consumer financing, banks shall obtain a written declaration from the borrower divulging details of various facilities already obtained from other institutions. The banks should carefully study the details given in the statement and allow fresh finance/limit only after ensuring that the total exposure in relation to the repayment capacity of the customer does not exceed the reasonable limits as laid down in the approved policies of the banks. The declaration will also help banks to avoid exposure against a person having multiple facilities from different institutions on the strength of an individual source of repayment.
3. Internal audit and control function of the bank, apart from other things, should be designed and strengthened so that it can efficiently undertake an objective review of the consumer finance portfolio from time to time to assess various risks and possible weaknesses. The internal audit should also assess the adequacy of the internal control and ensure that the required policies and standards are developed and practiced. Internal audit should also comment on the steps taken by the management to rectify the weaknesses pointed out by them in their previous reports for reducing the level of risk.
4. The banks shall ensure that their accounting and computer systems are well equipped to avoid charging of mark-up. For this purpose it should be ensured that the mark-up charged on the outstanding amount is kept separate from the principal.
5. The banks shall ensure that any repayment made by the borrower is accounted for before applying mark-up on the outstanding amount.

Disclosure/Ethics:

The banks must clearly disclose all the important terms & conditions. Fees, charges and penalties, which are internal including interest rate, pre-payment penalties and the conditions under which that apply. For ease of reference and guidance of their customers, banks are encouraged to publish brochures regarding frequently asked questions.

PART - II

PRUDENTIAL REGULATIONS

REGULATION – 1

FACILITIES TO RELATED PERSONS

The customer finance facilities extended by banks to their directors, major shareholders, employees and family members of these persons shall be at arms length basis and on normal terms and conditions applicable for other customers of the banks. The Banks shall ensure that the appraisal standards are not compromised in such cases and market rates are used for these persons.

REGULATION – 2

LIMIT ON BANKS EXPOSURE AGAINST TOTAL CONSUMER FINANCING.

Banks shall ensure that the aggregate exposure under all consumers financing facilities at the end of first year and second year of the start of their consumer financing *does not exceed 2 times and 4 times of their equity respectively*. For subsequent years, following limits are placed on the total consumer financing facilities:

PERCENTAGE OF CLASSIFIED CONSUMER FINANCE TO TOTAL CONSUMER FINANCING	MAXIMUM LIMIT
a) Below 5%	10 times of the equity
b) 6% - 10%	6 times of the equity
c) 11% - 15%	4 times of the equity
d) 15% and over	Equal to equity

** Method of classification for the above purpose shall be in accordance with the classification requirement as prescribed under Prudential Regulation no.4 (Annexure XXI).*

REGULATION – 3

TOTAL FINANCING FACILITIES TO BE COMMENSURATE WITH THE INCOME

While extending financing facilities to their customer, the banks would ensure that the total installment of the loans extended by the financial institutions is commensurate with the take home income/disposable income and repayment capacity of the borrower. This measure would be in addition to banks' usual evaluations of each proposal concerning credit worthiness of the borrowers, that the banks' portfolio under consumer finance fulfills the prudential norms and instructions issued by the Central Bank and does not impair the soundness and safety of the bank itself.

REGULATION – 4

CLASSIFICATION AND PROVISIONING FOR ASSETS

1. Banks shall observe the prudential guidelines given at Appendix XXI in the matter of classification of their Consumer Finance portfolio (irrespective of all consumer banking products) and provisioning there-against.
2. In addition to the time-based criteria prescribed in Appendix XXI, subjective evaluation of performing and non-performing credit portfolio shall be made for risk assessment and, where considered necessary, any account including the performing account will be classified, and the category of classification determined on the basis of time based criteria shall be further downgraded. Such evaluation shall be carried out on the basis of credit worthiness of the borrower, its cash flow, operation of the account, adequacy of the security, inclusive of its realizable value and documentation covering the advances.
3. Apart from specific provisioning requirement as prescribed above, banks shall maintain a general reserve at least equivalent to 3% of their consumer finance portfolio to protect them from the risks associated with the economic cyclical nature of this business.

SUBMISSION OF RETURNS:

4. Banks shall submit the borrower-wise annual statements regarding classified loans/ advances to the Banking Inspection Department.

TIMING OF CREATING PROVISIONS:

5. Banks shall review, at least on a quarterly basis, the collectibility of their loans / advances portfolio and shall properly document the evaluations so made. Shortfall in provisioning, if any, determined, as a result of quarterly assessment shall be provided for immediately in their books of accounts by the banks on quarterly basis.

REGULATION – 5

RESCHEDULING OF LOAN

Rescheduling of loan will be governed by rules & regulations as prescribed by Bangladesh Bank from time to time.

REGULATION – 6

TRANSFER FACILITIES FROM ONE CATEGORY TO ANOTHER TO AVOID CLASSIFICATION

The bank shall not transfer any loan or facility to be classified from one category of consumer finance to another to avoid classification.

REGULATION –7

CREDIT INFORMATION BUREAU (CIB) CLEARANCE

While considering proposals for any exposure, banks should give due weightage to the credit report relating to the borrower and his group obtained from a Credit Information Bureau (CIB) of Bangladesh Bank. The condition of obtaining CIB report will be governed by rules & regulations as prescribed by Bangladesh Bank from time to time.

REGULATIONS FOR CREDIT CARDS

REGULATION – 8

The banks should take reasonable steps to satisfy themselves that cardholders have received the card, whether personally or by mail. The banks should advise cardholders of the need to take reasonable steps to keep the card safe and the PIN secret so that frauds are avoided.

REGULATION – 9

Banks shall provide the credit card holders with the statements of account at monthly intervals, unless there has been no transaction of any outstanding balance on the account since last statement.

REGULATION – 10

Banks shall be liable for all transactions not authorized by the credit card holders after they have been properly served with a notice that the card has been lost/stolen. However, the bank's liability shall be limited to those amounts wrongly charged to the credit card holder's account. In order to mitigate the risks in this respect, the banks are encouraged to take insurance cover against wrongly charged amounts, frauds, etc.

REGULATION – 11

In case the cardholders make partial payment, the banks should take into account the partial payment before charging service fee/mark-up amount on the outstanding/billed amount so that the possibility of charging excess amount of mark-up could be avoided.

REGULATION – 12

Due date for payment must be specifically mentioned on the accounts statement. If fine/penalty is agreed to be charged in case the payment is not made by the due date, a clear mention of the same should be given in the agreement.

REGULATION -13

Maximum unsecured limit under credit card to a borrower (supplementary cards shall be considered part of the principal borrower) shall not exceed Tk. 500,000/-. The banks may allow financing under the credit card scheme in excess of the limit of Tk.

500,000/-, provided the excess amount is secured appropriately. However, in no case the limit will be allowed to exceed Tk. 2 million.

In case of foreign currency cards, cards can be issued subject to repayment is made against respective foreign currency account or against lien of foreign currency quota allocated to Bangladeshi nationals by Bangladesh Bank from time to time.

REGULATIONS FOR AUTO LOANS

REGULATION – 14

The vehicles to be utilized for commercial purposes shall not be covered under the Prudential Regulation for consumer finance. Any such financing shall ensure compliance with existing regulations covering lending. These regulations shall only apply for financing vehicles for personal use.

REGULATION – 15

The maximum tenure of the auto loan finance shall not exceed five-year.

REGULATION – 16

The banks shall not allow auto loan (including insurance) exceeding TK. 5 million per individual under this head. For the purpose of this regulation, auto facility to the dependent members of an individual shall also be treated as part of the exposure of that individual.

While allowing auto loans, the banks shall ensure that the minimum down payment does not fall below 10% of the value of vehicle.

REGULATION – 17

In addition to any other security arrangement on the discretion of the banks, the vehicles financed by the banks shall be properly secured by way of hypothecation.

REGULATION – 18

The banks shall ensure that the vehicle remains properly insured (comprehensive) at all times during the tenure of the loan.

REGULATION – 19

The clause of repossession in case of default should be clearly stated in the loan agreement. At least 15 days before enforcing repossession, banks shall send a legal notice to the borrower through courier service of registered mail against proper acknowledgment. The repossession expenses charged to the borrower shall not be more than actual incurred by the bank. However, the maximum amount of repossession charges shall be listed in the schedule of charges provided to customer. The banks shall develop an appropriate procedure for repossession of the vehicles and shall ensure that procedure is strictly in accordance with law.

REGULATION – 20

A detailed repayment schedule should be provided to the borrower at the outset. Where alterations become imminent because of late payment or prepayment and the installment amount or period changes significantly, the revised schedule should be provided to the borrower at earliest convenience of the bank but not later than 15 days of the change. Further even in case of insignificant changes, upon the request of the customer, the bank shall provide him revised repayment schedule free of cost.

REGULATION – 21

The banks desirous of financing the purchase of used cars shall prepare uniform guidelines for determining value of the used vehicles. However, in no case the bank shall finance the cars older than five year.

REGULATION – 22

The banks should ensure that a good number of authorized auto dealers are placed at their panel to eliminate the caches of collusion of other unethical practices.

REGULATIONS FOR HOUSE FINANCE

REGULATION – 23

The maximum per party limit in respect of housing finance by the banks will be Tk 7.5 million.

The housing finance facility shall be provided at a maximum debt equity ratio of 80:20.

REGULATION – 24

Commercial banks shall ensure that at no time their total exposure under house financing exceeds 10% of their net consumer advances.

REGULATION – 25

Banks are free to extend mortgage loans for housing, for a period not exceeding twenty year. Banks should be mindful of adequate asset liability matching.

REGULATION – 26

The house financed by the banks shall be mortgaged in bank's favour by way of registered mortgage with registered Power of Attorney.

REGULATION – 27

Banks shall either engage professional staff or arrange sufficient training for their concerned officials evaluate the property, assess the genuineness and integrity of the title documents, etc.

REGULATION – 28

The bank's management should put in place a mechanism to monitor conditions in the real estate market (or other product market) to ensure that its policies are aligned to current market conditions.

REGULATION – 29

Banks must develop floating rate products for extending housing finance, thereby managing interest rate risk to avoid its adverse effects. Banks also must develop in-house system to stress test their housing portfolio against adverse movements in interest rates as also maturity mismatches.

REGULATIONS FOR PERSONAL LOANS INCLUDING LOANS FOR THE PURCHASE OF CONSUMER DURABLES

REGULATION – 30

Limits per person for such loans will be Tk.3 lac with out any securities. However, banks may lend higher amounts provided the loans are secured appropriately. But, in no case, the loan amount will be allowed to exceed Tk.10 lac. The loan secured against liquid securities shall however, be exempt from this limit.

REGULATION – 31

In cases, where the loan has been extended to purchase some durable goods/item, the same will be hypothecated with the bank besides other securities, which the bank may require on its own.

REGULATION – 32

The maximum tenure of the loan shall not exceed 5 year.

PART- III

DEVELOPMENT GUIDELINES

DEVELOPMENT GUIDELINES

The purpose of this section is to provide directional guidelines to the banks who are considering introduction of consumer finance under Consumer Banking. We have taken a number of Consumer finance products in the scope of this study and apart from giving specific prudential regulations for each type of product separately on the previous section, process guidelines as to how these should be managed have also been outlined. These guidelines will assist banks to develop and implement pragmatic and value added products, efficient Credit Approval & Risk Management processes, sound organization structure, strong credit administration and a robust collection procedures.

It may be noted here that these are the minimum requirements and should not in any way be construed to restrict the role of the management processes through establishing comprehensive credit risk management systems.

The guidelines have been organized into the following sections:

1. POLICY GUIDELINES

- 1.1 Product Program Guidelines
- 1.2 Segregation of Duties
- 1.3 Credit Approval

2. PROCEDURAL GUIDELINES

- 2.1 Approval Process
- 2.2 Credit Administration
- 2.3 Risk Management
- 2.4 Collection & Remedial Management

3. PREFERRED ORGANISATIONAL STRUCTURE & RESPONSIBILITIES

These guidelines were prepared by senior executives of retail banking from different foreign, private sector and nationalized commercial banks. It is the expectation of Bangladesh Bank that these guidelines will assist banks towards creating a long term sustainable and a profitable retail banking business in Bangladesh.

1. POLICY GUIDELINES

1.1. Product Program Guidelines (PPG)

This section articulates fundamental policy guidelines for Consumer financing. Before launching, for every type of consumer finance product, bank shall develop fully documented product program guidelines. These guidelines shall include objective / quantitative parameters for the eligibility of the borrowers and determining the maximum permissible limit per borrower.

These fundamental guidelines will be the key elements that would support each bank's credit culture and they will dictate bank's behavior when dealing with customers and managing lending portfolio of such loans. Any deviations from these guidelines must in all cases, will require approval from Head of Credit / appropriate competent authority.

Fundamentally, credit policies and procedures can never sufficiently capture all the complexities of the product. Therefore, the following credit principles are the ultimate reference points for all concerned bank staff-making consumer-financing decisions:

- Assess the customer's character for integrity and willingness to repay
- Only lend when the customer has capacity and ability to repay
- Only extend credit if bank can sufficiently understand and manage the risk
- Use common sense and past experience in conjunction with thorough evaluation and credit analysis.
- Do not base decisions solely on customer's reputation, accepted practice, other lender's risk assessment or the recommendations of other officers
- Be proactive in identifying, managing and communicating credit risk
- Be diligent in ensuring that credit exposures and activities comply with the requirement set out in Product Program

A basic Product Program Guideline (PPG) has been developed for five consumer financing products and added in the appendix for ready references. These products would generally cover 80% of consumer financing needs in Bangladesh. The products are:

- Auto Loan
- Consumer Durable Loans
- Loans for Professionals
- Unsecured Personal Loan
- Credit Cards

Banks have the right to alter / amend these guidelines in terms of their policy with out compromising the fundamentals of credit principles. While developing Product Program Guidelines (PPG) for any product - the following guidelines must be included in the PPG documents. The guidelines are suggestive but not limited to this list, based on the requirements further guidelines to be incorporated in the PPG to ensure that the PPG is covering all the aspects of risk and return for the particular product.

- PPG Guideline No. 1: Customer Segment
- PPG Guideline No. 2: Purpose
- PPG Guideline No. 3: Nationality
- PPG Guideline No. 4: Age Limit - Minimum age (years) / Maximum age (years)
- PPG Guideline No. 5: Minimum Income
- PPG Guideline No. 6: Loan Size
- PPG Guideline No. 7: Loan to Price Ratio
- PPG Guideline No. 8: Security/ Collateral
- PPG Guideline No. 9: Legal Documents
- PPG Guideline No. 10: Interest Rate
- PPG Guideline No. 11: Maximum Term of Loan
- PPG Guideline No. 12: Repayment Method
- PPG Guideline No. 13: Disbursement Mode
- PPG Guideline No. 14: Disbursement pre-condition
- PPG Guideline No. 15: Debt Burden Ratio (DBR %)
- PPG Guideline No. 16: Verification of Personal Details and Quotation
- PPG Guideline No. 17: Substantiation of Income

1.2. Segregation of Duties

Adequate segregation of duties is a prerequisite of an effective system of internal control. To be adequate, segregation must ensure that the following functions are performed by persons independent of each other, although, within limits, *certain may be combined so long there is adequate supervision*:

Credit approval, monitoring and recovery – by Credit unit
Credit documentation and administrations – Loans processing and disbursement unit
Sales and marketing – Sales and Branch
Credit recovery – by Credit unit

The credit approval team will be independent from the sales and branch team who will evaluate and approve the loan. The credit administration under Consumer operations team will check and ensure the documentation and disburse the loans. This will ensure the better control of the bank asset and mitigate the risk of compromise of the duties.

1.3. Credit Approval

Applications are received at Credit Approval unit from sales team / branches. Applications are evaluated / assessed by Credit Analysts / Managers. The evaluation process is carried out based on the agreed and standard guidelines for different loans product and the documents checklist as per the product development document (PDD). The detailed credit and risk assessment should be conducted prior to the approving of any loans. Sales Team/Branches must complete a documentation checklist (refer Annexure IX & Annexure X) to ensure all documents have been properly obtained.

The sales team / branch staff responsible for loan sales and should be the owner of the customer relationship, and must be held responsible to ensure the accuracy of the loan application submitted for approval. They must be familiar with the bank's Lending Guidelines and should conduct due diligence on new borrowers, purpose of the loans and guarantors.

All banks should have established Know Your Customer (KYC) and Money Laundering guidelines, which should be adhered to at all times.

Credit Applications should include, as a minimum, the following details:

- Amount and type of loan(s) proposed.
- Purpose of loans.
- Loan Structure (Tenor, Covenants, Repayment Schedule, Interest)
- Security (if any)

To illustrate the process of marketing a loan at the front end till disbursement at the Credit Administration Department, please refer to sample process workflow chart (Appendix I).

1.3.1. Credit Approval Authority:

Lending Authority is delegated to individual credit analysts and credit manager or senior credit executives by the Head of Credit. Records of such authority is retained with Head of Credit. Copies of all DLA are also retained by Loan Administrations Department.

2. PROCEDURAL GUIDELINES

This section outlines the main procedures that are required to ensure compliance with the policies contained in Section 1.0 of these guidelines.

2.1. Approval Process

Credit approval authority must be delegated in writing from the Head of Consumer Banking responsible for the Consumer business, acknowledged by recipients and records of all delegation retained.

The credit approval function should be separate from the marketing / sales function. Approvals must be evidenced in writing, or by electronic signature. Approval records must be kept on file with the Credit Applications.

Credit approval should be centralised within the Credit function. Regional credit centres may be established, however, all large loans (as defined in the PPG) must be approved by the Head of Credit or delegated Head Office credit executive. Any credit proposal that does not comply with Lending Guidelines, regardless of amount, should be referred to Head Office for Approval

Any breaches of lending authority should be reported to MD/CEO, Head of Internal Control, and Head of Credit.

It is essential that executives charged with approving loans have relevant training and experience to carry out their responsibilities effectively. As a minimum, approving executives should have:

- At least 5 years experience working in Branch / Sales team as a relationship manager or account executive.
- Training and experience in financial statement, cash flow and risk analysis.
- A good working knowledge of Accounting.
- A good understanding of the local market.

A monthly summary of all new facilities approved, renewed, enhanced, and a list of proposals declined stating reasons thereof should be reported by Credit Team to the Business Head.

2.1.1. De duplication check:

All approved applications must be checked against Banks database to identify whether the applicant is enjoying any other loan in other account apart from the declared loans. It must also be checked that the applicant has a credit card (if the bank offers this product) and any payment default is made. This should be mandatory for Credit Card approval. In such cases the application must be rejected.

2.1.2. Maintenance of Negative Files

Two negative files – one listing the individuals and the other listing the employers - are to be maintained to ensure that individual with bad history

and dubious integrity and employers with high delinquency rate do not get personal loan from banks.

2.2. Credit Administration

After approval, Credit Team will send / forward the approved applications along with the security and other documents to the Credit Administration Team under Operations Unit for processing. The Credit Administration function is critical in ensuring that proper documentation and approvals are in place prior to the disbursement of loan facilities. *Under Credit Administration there may be two-sub unit, Documentation & QC and Loan Administration Dept who will process the document and disburse the loan.*

2.2.1. Credit Documentation

Credit Documentation dept is responsible:

- To ensure that all security documentation complies with the terms of approval.
- To control loan disbursements only after all terms and conditions of approval have been met, and all security documentation as per the checklist of approved PPG is in place.
- To maintain control over all security documentation.
- To monitor borrower's compliance with agreed terms and conditions, and general monitoring of account conduct/performance.
- Upon performing the above, Documentation dept will forward the Limit Insertion Instruction (refer Appendix II) to the Loan Administration unit for limit and other information to input into the bank's main system.

2.2.2. Disbursement

Loan Administration dept will disburse the loan amounts under loan facilities only when all security documentation is in place. CIB report is obtained, as appropriate, and clean. A sample documentation and disbursement checklist is attached as Appendix III.

Strict security controls over the storage of blank cards, the embossing of blank cards and dispatch of cards to holders is essential. There must be procedures for evaluating, authorizing and monitoring credit card facilities that are at least as stringent as those of normal loans.

2.2.3. Custodial Duties:

Loan disbursements and the preparation and storage of security documents should be centralised in the regional credit centres.

Security documentation is held under strict dual control, in locked fireproof storage. For cards, banks should ensure that its controls over issue, delivery and the use of such cards are strong. In particular, bank should have system for notifying retailers promptly of the numbers of mislaid or stolen cards.

2.2.4. Compliance Requirements

- All required Bangladesh Bank returns are submitted in the correct format in a timely manner.
- Bangladesh Bank circulars/regulations are maintained centrally, and advised to all relevant departments to ensure compliance.
- All third party service providers (valuers, lawyers, insurers, CPAs etc.) are approved and performance reviewed on an annual basis. Banks are referred to Bangladesh Bank circular outlining approved external audit firms that are acceptable.

2.3. Risk Management

2.3.1. Credit Risk

The credit risk is managed by the Consumer Credit & Collections unit (CCCU), which is completely segregated from sales. The following elements contribute to the management of credit risks:

The credit risk associated with the products is managed by the following:

1. Loans will be given only after proper verification of customer's static data and after proper assessment & confirmation of income related documents, which will objectively ascertain customer's repayment capacity.
2. Proposals will be assessed by independent Credit division (CCCU) completely separated from sales.
3. Every loan will be secured by hypothecation over the asset financed, and customer's authority taken for re-possession of the asset in case of loan loss. For Car Loan, the vehicle will be registered in bank's name, which will give the bank the legal right of re-possession when required.
4. The loan approval system is parameter driven which will substantially eliminate the subjective part of the assessment procedure.
5. There will be dedicated 'collection' force who will ensure timely monitoring of loan repayment and its follow up.
6. The Credit & Collection activities will be managed centrally and loan approval authorities will be controlled centrally where the branch managers or sales people will have no involvement

2.3.1.1. Contact Point Verification

Contact Point Verification is done for all applicants except for the High Net Worth (HNW) individuals or customers having account relationship with banks.

The external CPV includes residence, office and telephone verifications (format of CPV report attached in Annexure IV). All verifications are done to seek/verify/confirm the declared/undeclared information of the applicant.

2.3.2. Third Party Risk

In case of third party deposits/security instruments, we verify third party's signature against the specimen attached to the original instrument and bank will also send the instrument to the issuing office for their verification and written confirmation on lien marking and encashment of the instrument. Therefore, any inherent risk emanating from accepting third party deposits/security instruments is minimal.

2.3.3. Acquiring Risk

For credit card acquiring risk arises in the form of potential charge-back loss for the Bank. Following measures are undertaken to mitigate the acquiring risks:

- All merchants are trained and monitored through a call/visitation program on a regular basis
- Schemes (VISA and MasterCard) rules and regulations are strictly followed
- Assignment of merchant floor limits are in accordance with schemes prescribed limits
- Online authorization activity is monitored through a parameter driven system
- While giving authorizations, high ticket size merchants are closely monitored
- Electronic transaction capture at high volume/frequency merchants

In case where a merchant is at fault for a potential charge-back loss, the bank recovers the same by debiting the merchant account held with Banks.

2.3.4. Fraud Risk

There is an inherent fraud risk in any credit cards business. The most common fraud risks are:

2.3.4.1. Transaction Fraud

For credit cards, transaction fraud exposure may arise from the usage on lost/stolen card, misuse of card numbers and counterfeit cards. Over the last twelve years cards acquiring volume has increased quite significantly and now there is a need to set up a separate fraud department for efficient monitoring and handling of all suspicious high-risk transactions.

2.3.4.2. Application Fraud

The applicant's signature is not verified for authenticity. However, the applicant's identity is confirmed by way of scrutiny of identification and other documentation. A Contact Point Verification (CPV) agency is in place to verify applicant's residence, office and contact phone numbers.

There always remains the possibility of application fraud by way of producing forged documents. Considering the current market practices and operational constraints, it is not feasible to validate the authenticity of all documentation. However, in the near future, we may consider validating the bank statement (the most important and commonly provided income document) through CPV agent.

2.3.5. Liquidity And Funding Risk

This risk will be managed and the position monitored by the Asset Liability Committee headed by the Managing Director / CEOs of the Banks.

2.3.6. Political and Economic Risk

Political and economical environment of a country play a big role behind the success of business. Banks should always keep a close watch in these areas so that it is able to position itself in the backdrop of any changes in country's political and economical scenario.

2.3.7. Operational Risk

For consumer loans, the activities of front line sales and behind-the-scene maintenance and support are clearly segregated. Consumer Credit & Collections Unit (CCCU) will be formed.

CCCU will manage the following aspects of the product: a) inputs, approvals, customer file maintenance, monitoring & collections; b) the Operation jobs like disbursement in the system including raising debit standing orders and the lodgment and maintenance of securities. Type 'a' jobs and type 'b' jobs will be handled by separate teams within CCCU; therefore the risk of compromise with loan / security documentation will be minimal.

It will ensure uncompromising checks, quick service delivery, uncompromising management of credit risks and effective collections & recovery activities.

For credit cards, controls will be in place to ensure that operational risks are managed. These include:

- Segregation of duties e.g. data input independently validated against source documentation. Similarly card and PIN production and handling are also done independently.
- Restricted access to certain important areas / functions to ensure adequate control and security e.g. card embossing, dispatch and supervisory access into the core card processing system. Besides, all staff is only given the minimum required level of access into the system to perform their departmental functions properly.
- Dual controls e.g. plastic custody, card destruction, access into the system for parameter changes etc.

2.3.8. Maintenance of Documents & Securities

The applications and other documents related to Consumer loans will be held in safe custody by CCCU or Operations Unit. All these documents will go under single credit file per customer developed before launch of the product.

The physical securities and the security documents will be held elsewhere inside fire-proof cabinets under CCCU's or Operations's custody. The dual-key system for security placement and retrieval will have to be implemented.

2.3.9. Internal Audit

All Banks should have a segregated internal audit department who will be responsible with performing audits of all departments. Audits should be carried out on a regular or periodically as agreed by the Management to assess various risks and possible weaknesses and to ensure compliance with regulatory guidelines, internal procedures, Lending Guidelines and Bangladesh Bank requirements.

2.4. Collection & Remedial Management

2.4.1. Monitoring

A bank's loan portfolio should be subject to a continuous process of monitoring. This will be achieved by regular generation of over limit and overdue reports, showing where facilities are being exceeded and where payments of interest and repayment of principle are late. There should be formal procedures and a system in place to identify potential credit losses and remedial actions has to be taken to prevent the losses. Besides that the systems should be in place to report the following exceptions to relevant executives in Credit / sales and branch marketing staff:

- Past due principal or interest payments;
- Timely corrective action is taken to address findings of any internal, external or regulator inspection/audit.
- All loan facilities are reviewed annually.
- Computer systems should be able to produce the reports for central / head office as well as branch review.

2.4.2. Recovery

The collection process for personal loans starts when the account holder has failed to meet one or more contractual payment (Installment). It therefore becomes the duty of the Collection Department to minimize the outstanding delinquent receivable and credit losses.

This procedure has been designed to enable the collection staff to systematically recover the dues and identify / prevent potential losses, while maintaining a high standard of service and retaining good relations with the customers. It is therefore essential and critical, that collection people are familiar with the computerized system, procedures and maintain effective liaison with other departments within the bank.

2.4.3. Collection objectives

The collector's responsibility will commence from the time an account becomes delinquent until it is regularized by means of payment or closed with full payment amount collected.

The goal of the collection process is to obtain payments promptly while minimizing collection expense and write-off costs as well as maintaining the customer's goodwill by a high standard of service. For this reason it is important that the collector should endeavor to resolve the account at the first time worked.

Collection also protects the assets of the bank. This can be achieved by identifying early signals of delinquency and thus minimizing losses.

The customers who do not respond to collection efforts - represent a financial risk to the institution. The Collector's role is to collect so that the institution can keep the loan on its books and does not have to write-off / charge off.

2.4.4. Identification and allocation of accounts

When a customer fails to pay the minimum amount due or installment by the payment due date, the account is considered in arrears or delinquent. When accounts are delinquent, collection procedures are instituted to regularize the accounts without losing the customer's goodwill whilst ensuring that the bank's interests are protected.

2.4.5. Collection Steps

To identify and manage arrears, the following aging classification is adopted:

For all products other than credit cards:

Days Past Due (DPD)	Collection Action
1-14	Letter, Follow up & Persuasion over phone (Annexure V)
15-29	1 st Reminder letter & Sl. No. 1 follows
30-44	2 nd reminder letter + Single visit
45-59	<ul style="list-style-type: none">• 3rd reminder letter (Annexure VI)• Group visit by team member• Follow up over phone• Letters to Guarantor, Employer, Reference all above effort follows• Warning on legal action by next 15 days
60-89	<ul style="list-style-type: none">• Call up loan (Annexure VII)• Final Reminder & Serve legal notice• legal proceedings begin• Repossession starts
90 and above	<ul style="list-style-type: none">• Telephone calls/Legal proceedings continue• Collection effort continues by officer & agent• Letter to different banks/Association

For credit cards:

Days Past Due (DPD)	Collection Action
X	<ul style="list-style-type: none"> • Letter reminding payment past due • Soft call requesting payment
30-59	<ul style="list-style-type: none"> • Block card with "decline" response • Call insisting payment • Letter advising account status (blocked)
60-89	<ul style="list-style-type: none"> • Block card with "decline" response • Call insisting payment • Letter advising a/c status (blocked) and threatening card cancellation if not regularized
90-119	<ul style="list-style-type: none"> • Call insisting immediate payment • Letter advising cancellation & surrender of card • Hot-list & circulate within the merchants • Employ recovery agent where appropriate
120-149	<ul style="list-style-type: none"> • Call threatening litigation • Threatening letter to employer (for salaried only) • Publish name & photograph in newspaper • Personal visitation by recovery agent • Set-off SCB Account(s), if any • Serve legal notice where appropriate
150+	<ul style="list-style-type: none"> • Bad debt allocation • Account handed over to recovery agency • Stop interest accrual • Personal visitation by recovery agent • Legal action

As and when an account become delinquent collection system works together to achieve business objectives. At the beginning of the month collection unit has taken the total asset portfolio from the system. Then all X to 149 DPD account has to identify and allocate those accounts to the individual collectors to collect the overdues on a set target basis. The respective collector has got one month time to recover the overdue on a target based matrix. During the month, officer collection will generate the fresh arrival to X DPD accounts once in a week and hand over those to the collectors of front end to minimize the delinquency as well as the flow rate.

Delinquent Accounts Identification & Classification

The delinquent accounts can be classified as three categories as follows:

1. Front-End
2. Mid-Range
3. Hard-Core

Front-End X Dpd (1-29 Dpd)

Front-end is the first collection bucket in which delinquent accounts are identified and at this stage, the customers are normally contacted by phone and letter, which serves as a reminder of his/her obligation to pay the overdue amount to the bank.

Any account, which is past due by one day from his payment date, will be assigned to respective collectors at the beginning of the month and given one month time to recover the dues. Telephone call should be conducted in a soft and tactful manner in consistency with the customer service level. Collector must always do an inquiry through the system to confirm if payment has been received before commencing with telephone calling to avoid causing misunderstanding with the customer.

Initial telephone contact should be directed at the office. If the customer cannot be contacted, telephone call should then be made to the residence telephone number. Upon successful contact with a customer, the collector will tactfully inquire about the reason for not paying the minimum payment due. The collector will then proceed to obtain a promise to pay for the overdue installment along with the penal interest.

If collection letter or statement returned from the customer due to change of address, it is the responsibility of the respective collectors to collect the new address and telephone number and on some extent they could use the external agency for update the same. The collectors should ask the customer to provide written instruction of address change to the customer services department and at the same time record the new address and telephone no into the banks system

Selective letters can be issued to customers who are difficult to contact through telephone.

Mid-Range 30 & 60 Dpd (30 - 89dpd)

Mid-range is the bucket in which the account is considered to be seriously delinquent thus collection efforts must be more intensive, as the account has threatened our asset. When the front-end delinquent collection effort fails to obtain installment, the account will automatically age into the 30 DPD and subsequently 60 DPD delinquent category.

These are accounts, which flow down from Front-end. Collectors must exercise a more aggressive approach at this stage as the customer has failed to submit a payment even after Front-end efforts. Collection letters also send to the customers reminding the customers to pay the overdue within due date.

The Collector must review and analyze the reason(s) for delay in payment. Upon successful contact with the customer, the collector must secure a payment date. Constant telephone calls should be made to those customers who have given numerous broken promises.

Seeking assistance letter to the guarantor or on some extent to the employer may be an effective instrument at this stage.

Hard-Core - 90 & 120 Dpd (90-149 Dpd)

90+ DPD accounts are considered hard-core delinquency and collection efforts are to be more intensified than 30 DPD and 60 DPD accounts. Interest to be suspended at this stage of delinquency (90 DPD).

Extra telephone calls and letters are mandatory. Final reminder letter & Guarantee call up letter must be sent to the customers and guarantors informing the consequences and demanding the payments. Intensive visits are also conducted on accounts for immediate settlements. Requests for waiver are entertained in case of settlement at one go payment. Re-write can also be offered in some cases as an exception.

When recovery opportunities are considered good through legal notice, collectors should make recommendations for legal notices if necessary but not as mandatory.

Recovery management 150+ DPD :

The account in 150+ DPD is provided, monitored and tracked separately other than the above delinquent accounts. A recovery management team is dedicated for dealing those accounts till settlement. Facility call up letter must be served to the customer and demanding the total outstanding is the first initiative for this stage. Then legal notice and other legal consequence will be the next course of action for the recovery. External agencies and legal agency are involved at this stage. Tremendous pressure will be given to the customer as well as to the guarantor for the settlement through using internal collectors as well as external recovery agencies.

2.4.6. Productivity tracking:

For productivity tracking, analysis from the collectors call sheet is required. The variables for productivity tracking are, no of calls made per day, valid contact, promise to pay, kept promise, broken promise etc needs to be analyzed.

A process should be established to share the *lessons learned* from the experience of credit losses in order to update the lending guidelines.

2.4.7. Agency management:

All provided accounts must be placed into a dedicated recovery management team. The recovery portfolio has sub divided into various collectible and non-collectible pools of accounts. Depending upon the size of the account balance, internal recovery efforts may continue while rest of the portfolio that would be assigned to external agencies including legal agencies to ensure expected recovery.

Officer collections (recovery) would be empowered to offer interest waivers for one-time settlement, and installment plans (not re-writes) and amnesty offers to maximize recovery collections. The collections unit able to produce information of accounts to facilitate the above type of collection efforts. Incentive plans should exist for internal as well as external collections.

On every month the responsible officer collections ensure the allocation of the provided accounts to the individual collectors as well as to the external agencies depending on the prospect of recovery to maximize the recovery.

2.4.8. Provisioning policy

Each bank must comply with Provisioning Policy as stipulated in the Prudential guidelines. However, provisions should be made earlier on occasions when the accounts are deemed “not collectable” even though they have not reached the aging criteria for provision e.g. deceased, fraud, skip, bankruptcy etc.

Each time provision is made on an account, a Provision Report must be made in terms of Annexure VIII.

2.4.9. Charge off/write off policy

Accounts are considered charged off when they are no longer considered “collectible” or an asset of the Bank. An account to be charged off at 2 years past due. When recovery from the charge off accounts are received from the debtors, they are treated as recoveries.

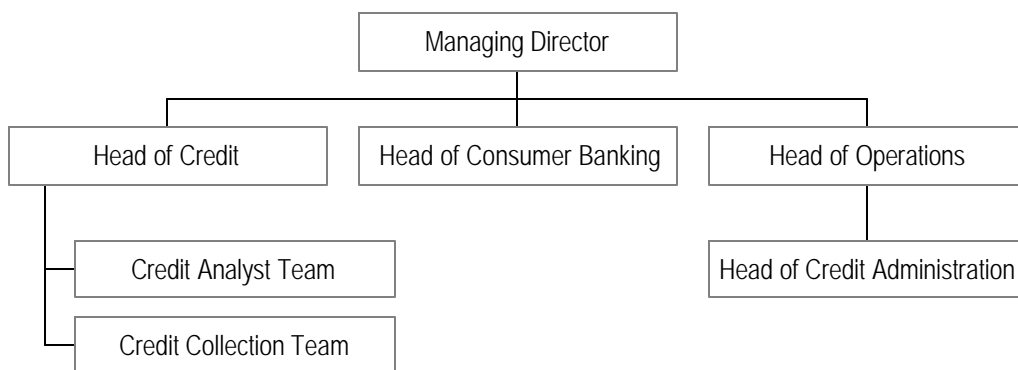
3. PREFERRED ORGANIZATIONAL STRUCTURE & RESPONSIBILITIES

3.1. Preferred Organizational Structure

An appropriate structure for Credit must be in place to ensure that the segregation of the marketing / sales function from Approval / Risk Management where Administration functions will be under Operations umbrella.

Credit approval should be centralized within the Credit Unit or regional credit centers where reporting should be Central / Head office Credit Unit. All applications must be approved by the Head of Credit or delegated Head Office credit executive.

The following chart represents the preferred management structure:

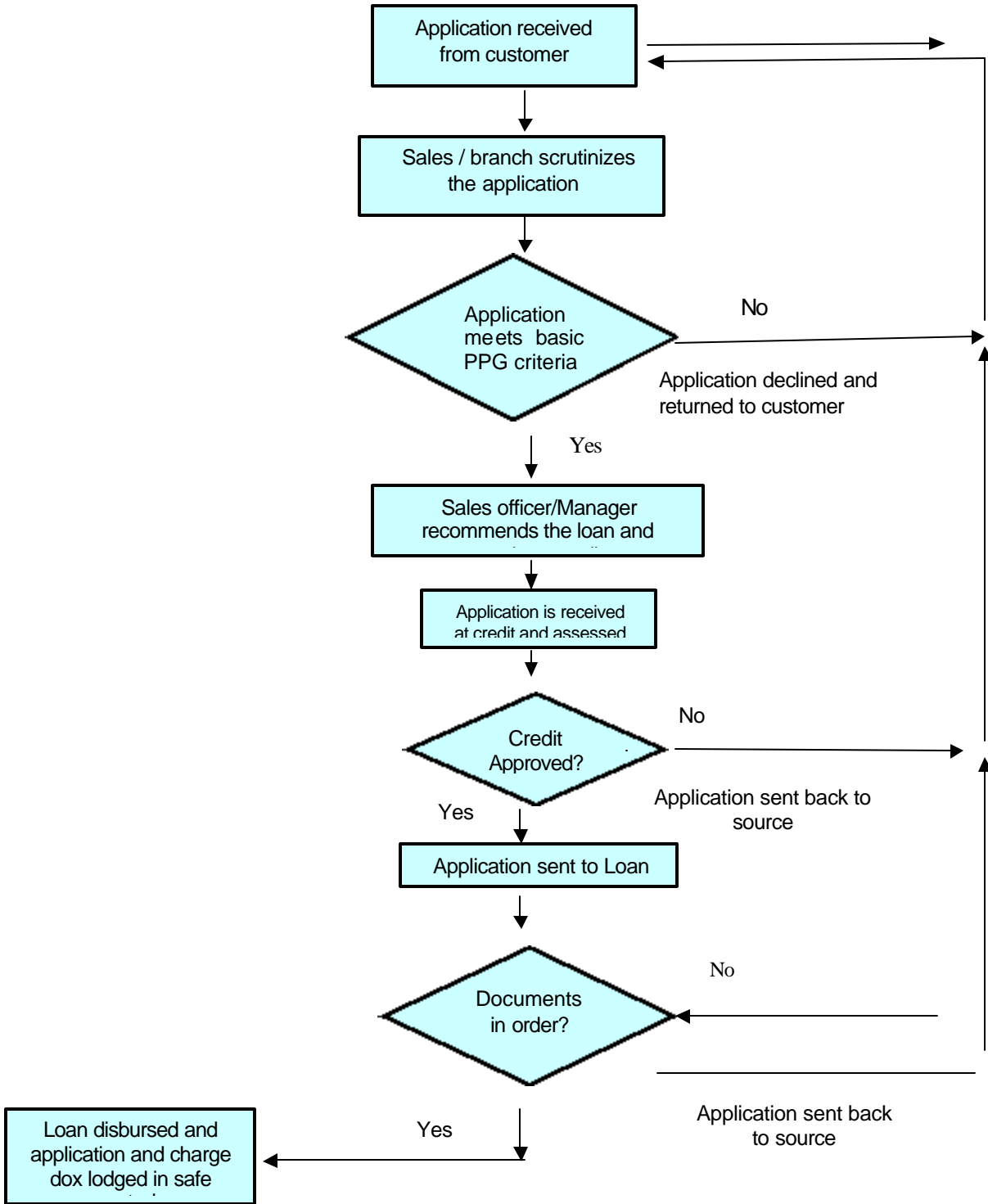


A separate team of Credit Administration under Retail Operations will process and disburse the loans.

3.2. Key Responsibilities

Separate job description for key positions have been provided with the annexures.

APPENDIX – I
Process Flow Chart of Consumer Loan Processing (sample)



APPENDIX – II

Limit Insertion Instruction Form

SLA Status :

Date

Customer's Name :

Facility No.

Priority :

Br No. :

Please arrange to set the limit of BDT :

in words BDT :

in the A/C

with an Interest Rate of %

with the Expiry Date

realizing the Commission of BDT

+

15.00% VAT and the Stamp Charge of BDT

Remarks :

Authorized Signature

Authorized Signature

Credit Admin Only :

Approved By :

Input By :

APPENDIX – III

Documentation & Security Checklist

Date :

Customer's Name :

Loan A/C No :

Facility No.

Description of Documents :

Approved Application form

Demand Promissory Note for BDT

Letter of Continuation

Memorandum of Deposit of Securities for BDT

Letter Guarantee

Letter of Authorization for Encashment of Securities

Irrevocable Letter of Authority

Letter of Hypothecation

Standing Order

Banking Arrangement Letter Dated :

Letter of Lien and Set-off over Deposit A/C :

UDC for BDT :

No. of PDC : amounting each PDC BDT :

Irrevocable Letter of Authority to Sell Hypothecated Property

We certify that all the security documentation marked above have been completed, physically checked, lodged and are in order. We further confirm compliance with all the terms pertaining to documentation as detailed in the Banking Arrangement. Letter accepted by the borrower.

Authorized Singnature

Authorized Singnature

APPENDIX – IV

CONTACT POINT VERIFICATION REPORT								
Applicant's name:			CPV agent's name:					
Application ID:			SLN:					
Telephone Verification								
Residence			Office					
Telephone No:			Telephone No:					
Mobile No:			Mobile No:					
Req Tel (TNT) No:			Req Tel (TNT) No:					
Person contacted:			Person contacted:					
Rel. with applicant:			Rel. with applicant:					
Date & time:			Date & time:					
Physical Verification								
Residence			Office					
Residence address:			Company name & address:					
Person contacted:			Person contacted:					
Rel. with applicant:			Designation:					
Years at current address:			Nature of business:					
Residence status:		own	Rent	other		Applicant's designation:		
Residence size:		small	Mediu	large		Years at current org.:		
Residence type:		flat	Hous	other		Company existence since:		
Residence	Excelle	good	Fair	poor		No. of employees:		
Date & time:			Office size:		Small	mediu	large	very
			Company profile:		Excelle	good	fair	poor
			Date & time:					
Name of CPV field agent:								
I do hereby declare that the information provided in this report is true and correct.								
Seal & signature on behalf of the CPV Agent:								

APPENDIX – V

Date

Ref:

Name 1
Address 1
Address 2
Address 3

Sub: **Non payment of monthly installment.**

Dear Customer,

Thank you for maintaining your valuable banking relationship with

Please be informed that your Personal Loan Account with us is overdrawn (as at date) for **Tk. -----** due to non-payment of monthly installment.

We would appreciate if you arrange to deposit sufficient amount in your deposit account to adjust the excess and to avoid penal interest over the overdrawn amount.

For any clarification, please feel free to contact our collections department at Tel :
XXXXXXXX- XXX,XXXXXXXX

Please disregard this letter if you have already deposited sufficient amount.

This is a computer-generated letter. It does not require any signature.

APPENDIX – VI
FINAL REMINDER

Date

Name 1
Address 1
Address 2
Address 3
Dhaka

Dear Sir,

Your Personal Loan Account No. XX XXXXXXXX XX
Ref. Our previous letters

The overdue balance in your above loan account as at date is **BDT. XX,XXX.XX.**

Despite our several reminders through our letters & phone calls, we regretfully note that you are not responding towards the regularization of the dues of your above loan account. This letter will be treated as final reminder for the payment.

Failure of placing the payment within 10(ten) days after the issuance of this letter will compel us to take the following actions:

- 1. Shall send your name as “Defaulter” borrower to the Bangladesh Bank as well as circulate this to the all Banks and financial institutions.**
- 2. Shall employ collection agent.**
- 3. Shall go for legal action against you.**

Hope you will perceive the urgency of the issue and come forward to settle this immediately. For any clarification please contact our collection department at telephone numbers XXXXXXXX - XXX Ext XXX.

Yours sincerely,

Signature

XXX XXXXXXXXXXX XXXXXX
XXXXXXXX XXXXXXXX

Copy : XXXXXXX XXXXXXX, as Guarantor

APPENDIX – VII

FACILITY CALL UP

Date

Ref: -----/ PL

Name 1
Address 1
Address 2
Address 3

Dear Mr.XXXXXXX,

Your Loan Account No : XX-XXXXXXX-XX
Present Outstanding : Tk. XX,XXX.XX

Please be informed that your above loan account has been irregular since long. Despite our repeated reminders through phone calls and letters to your available address, it is apparent that you have neither taken any steps to rectify the irregularity nor put your accounts in order. Accordingly we are constraint to cancel the above facility.

We therefore, call upon you to repay the entire outstanding liability against the above facility together with interest within 15 days from the date of issuing this letter. Please note that in case of your failure to repay the loan within the stipulated time, the Bank will initiate such action against you as deemed appropriate under the law of the land at your cost and responsibility.

Hope you will come forward to settle the loan account permanently within the stipulated time.

Should you require any clarification, please contact the undersigned at telephone Nos. XXXXXXX-XX Ext. XXX or XXXXXXX (direct).

Yours sincerely,

XXXXXX XXXXXXXX XXXXX
XXXX XXXX XXX
Consumer Credit & Collections

APPENDIX – VIII

PROVISION REPORT

Date :
Currency : BDT

Branch :		
Customer :		
A/C No. :		
Date A/C Opened :	Date of Approval :	Marketed by :
Recommended by :	Approved by :	
Facility Details :		
Credit Decision :		
Brief History :		
Collection efforts :		
Recovery Prospect :		
Provision Requirement :		
Total outstanding as at date Less Security Proceeds		
Provision Required		
Recommended by :	Supported by :	Approved by :
Officer Collections	Manager Collection	Head of Consumer Credit & Collection

APPENDIX – IX

Documentation Checklist for Consumer Loans for Unsecured Personal Loans

Sl No.	Documents	Document Obtained	If not, justify
1	Application Form duly completed and signed		
2	Photograph of borrower & Guarantor (s)		
3	Letter of Introduction (signed by Head of HR as per our format)		
4	Bank Statement of the Borrower (duly attested, minimum 6 months)		
5	Valid Passport Copy / Driving License / other identification		
6	Visiting Card of the borrower & Guarantor		
7	TIN Certificate		
8	Personal Net-Worth Statement of the borrower and Guarantor		
9	Clearance Certificate from verification agent		
11	Detailed Income-Expense Statement		
16	Customer's request letter to his / her company to issue Letter of Undertaking / Corporate Guarantee (for Type-B)		
17	Original copy of Corporate Undertaking / Corporate Guarantee duly signed by authorized personnel of the company		
18	Original or certified copy of Company's Board Resolution for issuing Corporate Undertaking or Corporate Guarantee		
19	Letter of Offer duly signed & accepted by customer		
20	6 months (minimum) Bank Statement (other bank)		
21	Post dated cheques each eqv. to 6 monthly installment		
22	One undated cheque for full loan value including full interest to be taken in advance		
24	CIB clearance		
25	Any other documents, pls. Specify		

APPENDIX – X

Documentation Checklist for Consumer Loans (Businessman)

Sl. No.	Documents	Document Obtained	If not, justify
1	Application Form duly completed and signed		
2	Photograph of borrower & Guarantor (s)		
3	Valid Trade License		
4	Bank Statement of the Borrower (duly attested, minimum 6 month)		
5	6 months (minimum) Business A/C Statement (specify bank name)		
6	Valid Passport Copy / Driving License / other identification		
7	Visiting Card of the borrower & Guarantor		
8	Personal TIN Certificate		
9	Personal Net-Worth Statement of the borrower and Guarantor (in income column write the 60% AMI for businessman & if you consider the income of the business, then also consider the expenditure of the business)		
10	Clearance Certificate from verification agent		
11	Price quotation for item to be purchased		
12	Detailed Income-Expense Statement		
13	DBR (consider 60% of AMI)		
14	Lease agreement of house/property (if any)		
15	Valid Trade license		
16	Memorandum & Articles of Association of the organization		
17	Form 12 (if required)		
18	Post dated cheques each eqv. to 6 monthly installment		
19	One undated cheque for full loan value including full interest to be taken in advance		
20	Sufficient fund in the A/C for loan processing fee & Stamp Charge		
21	CIB		
22	Registration of vehicle on Higher-Purchase basis(Blue Book)		
23	Comprehensive insurance over vehicle/professional tools		
24	Original receipt of Fixed Deposit (duly discharged & verified)		
25	Letter of Offer duly signed & accepted by customer		
26	Any other documents (specify)		

APPENDIX – XI

Company Letter Head

Letter of Introduction

Date:

This is to certify that Mr/Mrs..... has been working in (company) since (date of joining).

He/She is a permanent employee of the company. He/She is currently is working in ourdivision / department as.....

His /Her salary structure per month is as follows:

Gross Salary : BDT

Less: Deductions

Tax : BDT

Provident Fund : BDT

Loan Installment(s)* : BDT

Other deductions :BDT

(please specify)

Take-home Salary : *BDT*

(In words: Taka)

***Note:** *Loan Installment(s) means applicant's monthly loan repayment to the company against the loan(s) taken by him/her from the company. It also should include the monthly installment amount paid by the employee for any other loan from any other Bank/Financial Institutions etc that the company is aware of.*

This company shall inform the Bank in the event of the loan applicant's death, retirement, resignation, dismissal or termination from the company.

Signature & Company Stamp

Name:

Designation:

APPENDIX – XII

Company's Letterhead

LETTER OF UNDERTAKING

(From applicant's employer to XXX Bank)

The Manager
XXX Bank
Motijheel C/A
Dhaka.

Dear Sir,

Re: Loan to Mr./Ms.....

In consideration of your granting a loan of Tk. _____ (Taka _____) only (hereinafter called "the Loan") for a period of _____ years to Mr./ Ms..... (hereinafter called "the Borrower") who has been under our employment since _____ (dd-mm-yy) and whose monthly Take home salary is Tk. _____ (Taka _____) only (hereinafter called "the salary") and in pursuance of the authorization of the Borrower dated (dd-mm -yy) we hereby agree and undertake to deposit the following to the Bank A/c of the Borrower with you being A/c no.....(hereinafter called "the Bank A/c"):

- (a) Regularly Monthly Take-home of the Borrower.
- (b) Borrower's provident Fund, Gratuity and any other benefit to which the Borrower or his legal heir or nominee will be entitled to in the event of death, retirement, resignation, dismissal or termination of the Borrower arrived at after deduction of all dues to **Employer's Name**. As of today, in case of separation for reasons mentioned above, his terminal benefits after deduction of all dues to **Employer's Name** will be not exceeding Tk. _____ (Taka _____) only.

You shall be entitled to apply the said deposit towards repayment of the loan and payment of interest and other charges accrued thereon.

We shall not at any time accept revocation of the said authority of the Borrower dated _____ without your prior written consent.

We shall not at any time violate any of our obligations set out herein. In the event of our violation of any of our obligations set out herein, we shall be liable to pay the entire outstanding along with interest of the Loan to you immediately, on demand as principal debtor without any question or reference to the Borrower or as to the performance or breach of the terms and conditions of the Loan by Borrower and we shall accept your statement as to the quantum of the amount demanded under this undertaking. But the amount shall not exceed Tk. _____ (Taka only).

This undertaking is firm, unconditional and irrevocable and shall not be revoked, terminated or discharged by us for any reason whatsoever.

This undertaking is valid and binding on us, our successors and assigns till the Loan together with interest and charged are paid to you in full by the Borrower.

Nothing therein contained shall operate so as to merge or otherwise prejudice, effect or exclude any other security, guarantee or lien which you may for the time being hold or would have held but for this security or any of the bank's rights or remedies under any security, guarantee or lien or otherwise.

Yours faithfully,

Employer's Name

1. Authorized Signatory
Designation
Company's seal

2. Authorized Signatory
Designation
Company' seal

APPENDIX – XIII

JOB DESCRIPTION		
JOB TITLE	Head of Retail Banking	
REPORTS TO	The Managing Director / CEO	
JOB PURPOSE	<p>Consistent with bank's policies, develop and then lead and manage the implementation of consumer banking strategy in the Country to deliver agreed business plans and financial objectives.</p> <p>Monitor and manage risk in the business with agreed parameters.</p> <p>Ensure the highest standards of service are provided to client relationships. Responsible for training and succession planning and recruitment of key personnel for the Division</p>	
KEY RESPONSIBILITIES	<p>Develop Retail Banking strategic plan for the country, consistent with overall bank's policy.</p> <ul style="list-style-type: none"> • Restructure the Retail Banking Unit in line with Group focus and re deploy resources to achieve the maximum benefit from the structure. • Ensure delivery of annual business and financial goals and targets. • Ensure all risk within the retail banking business is minimised, and those systems are in place to monitor and, as appropriate, eliminate risk in all areas of the business. • Ensure highest standards of corporate governance and of regulatory compliance in line with specific country requirements. • Set, monitor and ensure progress is made towards quality targets across the retail banking business in line with business strategies and competitor initiatives. • Monitor economic and commercial developments in Bangladesh for opportunities to introduce new/migrate existing products and services. • As part of the country management team, participate in the formulation of country business strategy and plans particularly on issues such as liquidity management, balance sheet management and ALCO. • Ensure the availability of high quality trained and motivated staff throughout the business in the region to meet business goals. • Define functionality required by Retail business segment from the technology platform, and work closely with business technology staff to ensure this is delivered. 	

APPENDIX – XIV

JOB DESCRIPTION	
JOB TITLE	Credit Analyst, Retail Banking Division.
REPORTS TO	Head of Credit Collection, Retail Banking Division
JOB PURPOSE	To assess lending applications as per Product Program Guidelines (PPG), and reviews relating to discretionary lending, to recommend whether the loan be granted and to conduct research and analysis related to this lending applications and reviews as required.
KEY RESPONSIBILITIES	<ol style="list-style-type: none"> 1. Assesses lending applications to ascertain whether loan meets lending criteria and therefore whether loan should be approved. 2. Ensures all approval related procedures are completed prior to handling file to Credit Operations for processing and drawdown. 3. Liase with branch managers, and sales managers regarding the status of customer loan application 4. Conduct periodic credit reviews on loan accounts held within Credit Center to ensure accounts are in order and as approved. 5. Develop and introduces new and innovative credit measures to improve quality of portfolio such as negative checks, simplification of credit process to ensure workflow consistency within credit approvals and high portfolio standards throughout consumer banking

APPENDIX – XV

JOB DESCRIPTION		
JOB TITLE	Manager Loan Administration, Retail Operations	
REPORTS TO	Head of Operations	
JOB PURPOSE	<ul style="list-style-type: none"> • To manage / control risks in connection to new loan disbursements, adjustments, closings, OD renewal, Limit increase, Limit decrease, Limit cancellation. Managing BAU. • To build and run an efficient centralized Loan Administration and enabling the business to focus as sales outlets. • To control & manage operational risks on transaction processing. • To ensure compliance with internal and external requirements. • To provide quality in service delivery. Maintaining / Improving Service Quality by visiting business people. Build a support "Sales" culture in operations by installing the concept of both internal/external customer, maximise on service efficiency, and drive this process by establishing service level agreements with sales and service functions and ensure delivery standards as per SLAs. 	
KEY RESPONSIBILITIES	<ul style="list-style-type: none"> • Ensure proper disbursement, closing, renewal, adjustment of all consumer and loans (10 consumer products) • Ensure proper disbursement, closing, renewal, adjustment of Staff loans (4 products) • Reviewing Product Development Document and raise with business of any deviation thereto. • Risk Management: To ensure that all risks related to Loan Admin are identified and also documented. To ensure that system disorders are detected by extensive Data Mining Tools. Ensure that department gets satisfactory Audit rating. • To ensure that there is proactive follow-up on open issues on risks identified. Effectively manage operations risk and risk management processes. Daily monitor excesses. • Regulatory: Ensure compliance with the Laws of the land, implement and exercise local banking regulations. 	

APPENDIX XVI

Product Program Guideline– Auto Loan

This product will allow car financing to the customer segment in terms of each bank's policy. Under this scheme, the vehicle is hypothecated to the bank only. In addition to this registration requirement, on a case to case basis, banks may also wish to secure the loan partially by the commonly acceptable form of cash/quasi cash securities available in the market.

Auto Loan PPG Guideline No. 1 - Customer Segment

Any Bangladeshi individual who has the means and capacity to repay bank loan. In specific terms, these could be salaried executives of multinational and middle to large size local corporate, Government officials, Officials working in reputed NGOs (Non Government Organizations), international aid agencies & UN bodies, any tax paying businessmen of repute, any employed / self-employed tax-paying individual having a reliable source of income

Auto Loan PPG Guideline No. 2 - Purpose

Purchase of non-commercial new and reconditioned vehicles for personal use only.

Auto Loan PPG Guideline No. 3 - Nationality

Bangladeshi only

Auto Loan PPG Guideline No. 4 - Age Limit

Minimum age (years)	21
Maximum age (years)	65 years at the time of maturity of loan.

Auto Loan PPG Guideline No. 5 - Minimum Income

To be decided by respective banks.

Auto Loan PPG Guideline No. 6 - Loan Size

To be decided by respective banks

Auto Loan PPG Guideline No. 7 - Loan to Price Ratio

Loan amount can not exceed 90% of the vehicle price

Auto Loan PPG Guideline No. 8 - Security/ Collateral

- a) Hypothecation over the car (lien mark- Hire Purchase raised in the BRTA and blue-book of the car).
- b) First party comprehensive insurance of the car (Policy must be renewed every year and copy of the policy must be submitted to the bank)
- c) Post dated cheques for each 6 monthly installment
- d) One undated cheque for full loan value including full interest to be taken in advance.
- e) Personal Guarantee of spouse/parents and an individual having minimum solvency/income not less than that of the borrower supported by income proof.

Auto Loan PPG Guideline No. 9 - Legal Documents

- a) Duly filled in Car Loan Application Form Terms and conditions signed
- b) Demand Promissory Note
- c) Letter of Set-Off
- d) Irrevocable Letter of Authority to repossess the vehicle
- e) Ownership transfer form signed by customer
- f) Letter of Offer with full terms and conditions stated therein and duly accepted.

Auto Loan PPG Guideline No. 10-Interest Rate

To be decided by individual banks in terms of their costing and market conditions

Auto Loan PPG Guideline No. 11 - Maximum Term of Loan

60 months

Auto Loan PPG Guideline No. 12-Repayment Method

Equal Monthly Installments

Auto Loan PPG Guideline No. 13-Disbursement Mode

After loan approval vendor will receive a facility confirmation letter. On the basis of that vehicle will be registered with a lien marked on it. After registration, vendor will be paid the **total value** of the vehicle in the form of Pay Order. Customer should pay the down-payment/total value prior to issuance of facility confirmation letter.

Auto Loan PPG Guideline No. 14 - Disbursement pre-condition

Comprehensive Insurance coverage and Registration Document must be in place before giving the Pay Order.

Auto Loan PPG Guideline No. 15-Debt Burden Ratio (DBR %)

Debt Burden ratio to be maintained at minimum 33% at all times.

Auto Loan PPG Guideline No. 16 - Verification of Personal Details and Quotation

Details of an applicant to be verified by a third party before an approval is accorded.

- Letter from employer with details of employment and salary
- Borrower and Guarantors (if any) details (addresses – both present and permanent, all telephone numbers of residence, office & mobile no.)
- Personal net-worth statement
- Car quotation
- Referee details
- Bank statement

Auto Loan PPG Guideline No. 17 -Substantiation of Income

Proper substantiation of income will be mandatory.

All or any of the following original / true copy of original (accepted only after seeing the originals) documents are accepted for the purpose:

- Last Tax Return
- Bank Statements for minimum last 6 months
- Personal Net-Worth Statement
- Any other document that may stand as a proof of income

APPENDIX XVII

Product Program Guideline – Consumer Durable Loans

A personal loan scheme that supports purchase of various consumer durables such as Television, Refrigerator, Air Conditioner, Hi-Fi, Washing Machine, Computers, other household furniture etc.

Consumer Durables Loan PPG Guideline No. 1 - Customer Segment

Any Bangladeshi individual who has the means and capacity to repay bank loan. In specific terms, these could be salaried executives of multinational and middle to large size local corporate, Government officials, Officials working in reputed NGOs (Non Government Organizations), international aid agencies & UN bodies, any tax paying businessmen of repute, any employed / self-employed tax-paying individual having a reliable source of income

Consumer Durables Loan PPG Guideline No. 2 - Purpose

Consumer durables for personal/family use. Items like: Television, Refrigerator, Air Conditioner, Hi-Fi, Washing Machine, Computers, other household furniture etc.

Consumer Durables Loan PPG Guideline No. 4 - Age

Minimum age (years)	21
Maximum age (years) at loan maturity	up to 65 years

Consumer Durables Loan PPG Guideline No. 5 - Minimum Service / length of business

- For salaried individual, minimum total service length of 3 years.
- Govt Employees must be confirmed on job
- For self employed individual, a business record of minimum 4 years

Consumer Durables Loan PPG Guideline No. 6 - Minimum Income

As decided by respective banks

Consumer Durables Loan PPG Guideline No. 7 - Loan Size

As decided by respective banks

Consumer Durables Loan PPG Guideline No. 8 - Loan to Price Ratio

Financing 90% of the cost of the item is allowed

Consumer Durables Loan PPG Guideline No. 9 - Security/ Collateral

- Hypothecation over purchased assets.

- Comprehensive insurance over assets (Policy must be renewed every year and copy of the policy must be submitted to the bank)
- Post dated cheques for each 6 monthly installment
- One undated cheque for full loan value including full interest to be taken in advance.
- Personal Guarantee of spouse/parents and an individual having minimum solvency/income not less than that of the borrower supported by income proof.

Consumer Durables Loan PPG Guideline No. 10 -Other forms of Security

Readily encashable securities. These are called 'prime' securities:

- Wage Earner's Development Bonds
- Fixed Deposit
- Other form of bank deposits
- ICB unit Certificates
- Corporate Undertaking and/or Corporate Guarantee from reputed and creditworthy organizations.

Consumer Durables Loan PPG Guideline No. 11 - Interest Rate

As decided by respective banks.

Consumer Durables Loan PPG Guideline No. 12 - Tenor

Minimum 12 months/24 months &/or maximum 36 months

Consumer Durables Loan PPG Guideline No. 13 -Repayment Method

Equal Monthly Installments

Consumer Durables Loan PPG Guideline No. 14 -Disbursement Mode

Wherever possible, payment to be made by issuing cheque in vendors name.

Consumer Durables Loan PPG Guideline No. 15 - Debt Burden Ratio (DBR %)

33% of Net income

Consumer Durables Loan PPG Guideline No. 16- Verification of Personal Details and Quotation

Details of an applicant to be verified by a third party before an approval is accorded.

- Letter from employer with details of employment and salary
- Borrower and Guarantors (if any) details (addresses – both present and permanent, all telephone numbers of residence, office & mobile no.)
- Personal net-worth statement
- Quotation of the item to be purchased
- Referee details
- Bank statement

Consumer Durables Loan PPG Guideline No. 17 - Substantiation of Income

Proper substantiation of income will be mandatory. All or any of the following original / true copy of original documents are accepted for the purpose:

- Last Tax Return
- Bank Statements for minimum last 6 months
- Personal Net-Worth Statement
- Any other document that may stand as a proof of income

APPENDIX XVIII

Product Program Guideline– Loans for Professionals

A personal loan scheme meant for professionals only (doctors, engineers, computer professionals, lawyers etc) to support their small scale purchase of different equipment, tools and small machineries for installation at their business sites / offices. This is a partially secured product, security being the commonly acceptable form of cash/quasi cash securities available in the market. In addition, we believe, this particular product is of an inherently safe nature because the target customers are the established doctors, engineers or highly qualified other professionals of the society.

Professional Loans PPG Guideline No. 1 - Customer Segment

Any Bangladeshi in the following professions as self employed or salaried people:

- Doctors or medical professionals
- Engineers
- IT professionals
- Management Consultants

Professional Loans PPG Guideline No. 2 - Purpose

For purchase of items to support professional needs of above customer segment (e.g. purchase of X-ray machine, medical beds, ultra- sonogram machine, engineering/mechanical tools, or set up of an office / chamber on a small scale etc)

Professional Loans PPG Guideline No. 3 - Nationality

Bangladeshi only

Professional Loans PPG Guideline No. 4 - Age

Minimum age (years)	21
Maximum age at loan maturity (years)	up to 65 years

Professional Loans PPG Guideline No. 5 - Minimum Service / length of business

- For salaried individual, must be confirmed employees of a relevant firm
- For self employed individual, a business record of minimum 2 years

Professional Loans PPG Guideline No. 6 - Minimum Income

As decided by respective banks in terms of their policy.

Professional Loans PPG Guideline No. 7 - Loan Size

As decided by respective banks in terms of their policy.

Professional Loans PPG Guideline No. 8 - Loan to Price Ratio

Financing 90% of the cost of the item is allowed

Professional Loans PPG Guideline No. 9 - Security/ Collateral

- Hypothecation over purchased assets.
- Comprehensive insurance over assets (Policy must be renewed every year and copy of the policy must be submitted to the bank)
- Post dated cheques for each 6 monthly installment
- One undated cheque for full loan value including full interest to be taken in advance.
- Personal Guarantee of spouse/parents and an individual having minimum solvency/income not less than that of the borrower supported by income proof.

Professional Loans PPG Guideline No. 10 - Other forms of Security

Readily encashable securities. These are called 'prime' securities:

- Wage Earner's Development Bonds
- Fixed Deposit
- Other form of bank deposits
- ICB unit Certificates
- Corporate Undertaking and/or Corporate Guarantee from reputed and creditworthy organizations.

Professional Loans PPG Guideline No. 11 - Tenor

Minimum 12 months & maximum 48 months

Professional Loans PPG Guideline No. 12 - Repayment Method

Equal Monthly Installments

Professional Loans PPG Guideline No. 13 - Disbursement Mode

Wherever possible, payment to be made by issuing cheque in vendors name.

Professional Loans PPG Guideline No. 14 - Debt Burden Ratio (DBR %)

33% of Net income

Professional Loans PPG Guideline No. 15 - Verification of Personal Details and Quotation

Details of an applicant to be verified by a third party before an approval is accorded.

- Letter from employer with details of employment and salary
- Borrower and Guarantors (if any) details (addresses – both present and permanent, all telephone numbers of residence, office & mobile no.)
- Personal net-worth statement
- Quotation of the item to be purchased
- Referee details
- Bank statement

Professional Loans PPG Guideline No. 16 - Substantiation of Income

Proper substantiation of income will be mandatory.

All or any of the following original / true copy of original (accepted only after seeing the originals) documents are accepted for the purpose:

- Last Tax Return
- Bank Statements for minimum last 6 months
- Personal Net-Worth Statement
- Any other document that may stand as a proof of income

APPENDIX XIX

Product Program Guideline– Unsecured Personal Loans

Unsecured Personal Loan (UPL) is a terminating facility offered by Bank's Retail Banking Division to individual salaried or self-employed people living in the cities / towns where the Bank has its operations. It is a clean or unsecured loan in the sense that only security in this type of loan product is: a) Letter of Introduction from employer; or b) Transfer of monthly salary and assignment of Terminal Benefits; or c) Personal Guarantee taken from specific section of people.

This is an "any purpose" loan which means the applicant does not have to declare the purpose for which he / she is taking the loan, hence there will be no hypothecation over the asset to be purchased.

Unsecured Personal Loan PPG Guideline No. 1 - Customer Segment

- Employees of reputed MNCs and large local corporates
- Employees of medium sized or mid-range local companies such as reputed schools, pathology labs, hospitals, restaurants, hotels, newspapers, airlines, travel agencies, real-estate developers of repute, insurance companies, NGOs, aid agencies, UN bodies, reputed trading firms and business establishments and all other salaried employees including Government Employees etc

Unsecured Personal Loan PPG Guideline No. 2 - Purpose

Miscellaneous personal financial requirements. The customer has to declare the purpose of the loan but submission of supporting document is not mandatory. Purposes may be as follows:

- House renovation
- Marriages in the family
- Advance rental payments
- Hospitalisation or other emergency medical needs
- Trips abroad
- Purchase of miscellaneous household appliances
- Purchase of Personal Computers
- Purchase of refrigerators
- Purchase of audio-video equipment
- Purchase of furniture
- Others

Unsecured Personal Loan PPG Guideline No. 3 - Age

Minimum age 25 years

Maximum age at loan maturity up to 65 years

Unsecured Personal Loan PPG Guideline No. 4 -Minimum Service /length of business

To be decided by respective banks

Unsecured Personal Loan PPG Guideline No. 5-Minimum Income (Net BDT)

To be decided by respective banks

Unsecured Personal Loan PPG Guideline No. 6 - Loan Size

To be decided by respective banks

Unsecured Personal Loan PPG Guideline No. 7 - Security Requirement

- Letter of Introduction from the employer (refer Annexure)
- Letter of undertaking for salary and Terminal Benefits assignment
- Complete Loan Document
- For tangible assets letter of Hypothecation
- Personal Guarantee of Spouse/Parents
- Bank Statement
- Personal Net-Worth Statement
- Post dated cheques eqv. to 6 monthly installment
- One undated blank cheque (for future default covering)

Unsecured Personal Loan PPG Guideline No. 8 - Tenor

Minimum 12 months/24 months &/or maximum 36 months

Unsecured Personal Loan PPG Guideline No. 9 - Repayment Method

Equal Monthly Installments

Unsecured Personal Loan PPG Guideline No. 10 - Disbursement Mode

By making credit to customer's Savings/Current account

Unsecured Personal Loan PPG Guideline No. 11 - First Repayment Date

Generally, one month after the date of customer's availing the loan. May be earlier if customer wants.

Unsecured Personal Loan PPG Guideline No. 12 - Debt Burden Ratio (DBR %)

A maximum of 35% based on Net Monthly Income

Unsecured Personal Loan PPG Guideline No. 13 - Loan Processing Fee

As decided by respective banks

Unsecured Personal Loan PPG Guideline No. 14 - Penal Charges

As decided by respective banks

Unsecured Personal Loan PPG Guideline No. 15 - Verification of Personal Details

Bank's nominated agency will verify the addresses – both present and permanent, all telephone numbers of borrower, guarantor, referee, employment/occupational details, invoice etc. This will be a physical verification in all cases.

After the verification is done, the agency will submit a report on their findings in the prescribed form. The report will be kept attached to the borrower's loan file.

Unsecured Personal Loan PPG Guideline No. 16 - Substantiation of Income

Following as appropriate:

- Salary Certificate / Salary Slip
- Bank Statements
- Income Tax returns of last period

Any other document that may stand as a proof of income

Unsecured Personal Loan PPG Guideline No. 17 - Present Address

Borrower must reside for at least 6 month in the same address.

Unsecured Personal Loan PPG Guideline No. 18 - Restrictions on purpose of the facility

Though specific disclosure of need is not a mandatory requirement on customer's part, no facilities can be granted for purposes that are legally in contradiction with the law of the land. It is therefore advisable that the dealing officer knows the purpose of the facility and records the same.

APPENDIX XX

Product Program Guideline – Credit Card

The target market consists of salaried and self-employed individuals generally with a minimum gross income of 5,000 per month (bank may decide to higher or lower as they deem appropriate) and usually at least 21 years of age for a primary card and 18 years of age for a supplementary card. Cards are not normally issued to individuals over 70 years old. Applicant must be a citizen of Bangladesh or non-Bangladeshi holding a valid work-permit.

Credit Card PPG Guideline No. 1 - Target Market

Salaried & Self-employed

Credit Card PPG Guideline No. 2 - Age

For Primary card – 21 years to 70 years
For Supplementary card – 18 years to 70 years

Credit Card PPG Guideline No. 3 - Business Existence

1 year for self employed only.

Credit Card PPG Guideline No. 4 - Cash Advance Limit

50% of total limit

Credit Card PPG Guideline No. 5 - Interest Free Period

Minimum – 15 days
Maximum – 45 days

Credit Card PPG Guideline No. 6 - Interest Accrual

On daily average balance

Credit Card PPG Guideline No. 7 - Interest Application

Monthly from transaction date

Credit Card PPG Guideline No. 8 - Validity Period

1 year

Credit Card PPG Guideline No. 9 - Renewal

Cards will be automatically renewed unless revoked by the bank or requested by the customer.

Last 12 months

Currently not 30+ DPD

Never became 60+ DPD

Credit Card PPG Guideline No. 10 - Determination of Income

- Salaried: Gross Monthly Income (GMI) is defined as the total income of an applicant including overtime and other allowances received on a regular basis before any deductions/loan installments as reflected in the salary certificate or pay-slips or the bank statements.
- Where free accommodation is provided by the employer, up to 25% of the salary and allowances as mentioned in the salary certificate may be added to arrive at GMI.
- Self-employed: GMI is defined as the average monthly income of an applicant after deduction of all business expenses. GMI is determined on the basis of Income Tax Return (IT 88) and/or Bank Statement(s).
 - a. Income Tax Return (IT 88) shows gross yearly income (before deduction), which is divided by twelve to arrive at GMI.
 - b. Personal (or company account statement in case of sole proprietorship) and/or company bank statements are considered as supporting income documents. Bank statement is analyzed to calculate average monthly credit (both frequency & volume) and average monthly balance. In calculating GMI, maximum 50% of average monthly credit can be taken into consideration. Depending on the nature, frequency and size of business and cash flow, credit analysts will use their discretion to decide on the appropriate discounted percentage to be taken to calculate GMI. As a general rule, the average monthly balance should cover at least 30% (minimum repayment option being 5%) of the approved credit limit. For calculating GMI from company bank statement, the appropriate discounted percentage will be applied first and then the applicant's share of the business (ownership share %).

Credit Card PPG Guideline No. 11 - Debt Burden Ratio

- Defined as the amount of monthly loan repayments of an individual as declared in the application or identified in the bank statements taken as a percentage of the gross income.
- For applicants provided with accommodation by employer/having own house, up to 25% of gross income may be added to gross income while calculating the DB ratio.
- In cases where DB ratio exceeds prescribed norms, spousal income may be added to enable recalculate DB ratio provided this income is substantiated and the proof of relationship is given.

Credit Card PPG Guideline No. 12 - Documentation

Documents usually sought from the applicants are:

- Salary certificate: Signed by Manager Accounts/HR/Admin/Finance/Personnel or equivalent on official letterhead).
- Pay Slip: Latest month's (not more than three months' old) pay-slip stating company's name.
- Bank Statement: Latest (no more than two months old) six months' bank statement is required.
- Income Tax Return: Latest (not more than two years old) IT 88 acknowledged by ITO.
- Trade License: Owner's name should be clearly stated.
- Memorandum of Association: Ownership share should be mentioned.
- Rent Agreement: Should be on govt. revenue stamp paper.
- Passport Copy: In Bangladesh, we do not have any national ID or social security number. Alternatively, as a proof of customer's identity, passport photocopies will be sought. However, it is not a mandatory requirement considering the fact that a sizeable portion of our target customer does not have a passport.
- Authentication: The application receiving person (Sales/Branch) will verify all copies of documents against original and mark "O/S" (original seen) with his/her name and signature on it.

APPENDIX XXI

**GUIDELINES IN THE MATTER OF CLASSIFICATION
AND PROVISIONING FOR ASSETS (REGULATION- 4)**

CLASSIFICATION	DETERMINANT	TREATMENT OF INCOME	PROVISIONS TO MADE
(1)	(2)	(3)	(4)
1. Special Mention Accounts (SMA)	Where mark-up/interest or principal is overdue (past due) by 90 days or more from the due date.	Not Applicable	No provision is required
2. Unsatisfactory	Where mark-up/interest or principal is overdue (past due) by 120 days or more from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision of 10% of the difference resulting from the outstanding balance of principal less the amount of liquid securities with the bank.
3. Substandard	Where mark-up/interest or principal is overdue (past due) by 180 days or more from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision of 20% of the difference resulting from the outstanding balance of principal less the amount of liquid securities with the bank.
4. Doubtful	Where mark-up/interest or principal is overdue (past due) by 270 days from the due date.	Unrealized mark-up/interest to be put in suspense Account and not to be credited to income Account except when realized in cash.	Provision of 50% of the difference resulting from the outstanding balance of principal less the amount of liquid securities with the bank.
5. Loss	Where mark-up/interest or principal is overdue by 12 months or more from the due date.	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal less the amount of liquid securities with the bank.