

Banking Regulation and Policy Department  
Bangladesh Bank  
Head Office  
Dhaka

BRPD Circular No-13

18 September 2014  
Date:-----  
03 Ashwin 1421

Managing Director/Chief Executive  
All Islamic Shariah based Scheduled Banks and Financial Institutions in Bangladesh

Dear Sir,

**Refinance Fund for Islamic Shariah-based Financing to ‘Agro-based Product Processing Industries’, Small Enterprises (include Women Entrepreneurs), Renewable Energy & Environment-friendly Ventures.**

To pave the way for Islamic Shariah-based refinancing to ‘Agro-based Product Processing Industries in Rural Areas’ and ‘Small Enterprises (including Woman Entrepreneurs) SMESPD Circular No. 01 dated 29/10/2013 was issued. Besides, Bangladesh Bank provides refinance to conventional banks for financing Renewable Energy and Environment-friendly ventures under ACSPD Circular No. 06/2009 and GBCSRD Circular No. 02 dated 01/07/2013, GBCSRD Circular Letter No. 1 & 2 dated 20/05/2014 and 18/08/2014 respectively. However, it has been observed that cash reserves of Islamic banks and financial institutions maintained with Bangladesh Bank generally remain far excess than minimum requirement. In order to make the excess reserves available for further investment in economic activities profitably and to enhance the involvement of Islamic banks and financial institutions in financing the above mentioned industries and businesses, an initiative has been taken to create a fund titled “Islamic Refinance Fund Account” at Bangladesh Bank. Following principles will be applicable for administering the said Refinance Fund:

**1. General Principles:**

- (a) Investment in and refinancing from the Islamic Refinance Fund Account will be available for Islamic banks and financial institutions only.
- (b) Investment by Islamic banks and financial institutions in this Fund shall be qualified as approved assets for maintenance of their Statutory Liquidity Requirement (SLR).
- (c) Islamic banks and financial institutions shall get refinancing from the Fund against their financing to Agro-based Product Processing Industries, Small Enterprises, and Renewable Energy & Environment-friendly Ventures.

**2. Terms of investment in and refinance from the Fund:**

- (a) Islamic banks and financial institutions shall be able to invest in the Fund for 3-month (three) term on renewable basis.
- (b) Refinancing shall be made available for 3-month term against financing to the sectors mentioned in Clause 1(c) above, which could be renewable up to the maturity of the original financing if it remains performing and unclassified.

**3. Determination of Profit/mark-up and its sharing:**

(a) Profit/markup on the refinanced amount from the Fund shall be determined at the rate of the applicant bank/institution's prevailing profit rate on mudaraba savings account, or 5% (five percent), whichever is lower.

(b) Total profits earned through the Fund shall be distributed amongst the investing banks/financial in accordance with their investment ratio. Bangladesh Bank, though managing the Fund, shall not earn any profit/income from this fund.

**4. Managing the Fund and refinancing activities:**

(a) Functions relating to acceptance of investments to the Fund from Islamic banks and financial institutions, accounting for refinancing from the Fund and distribution of profit shall be performed by the Motijheel Office of Bangladesh Bank.

(b) Granting of refinance against financing to Agro-based Product Processing Industries and Small Enterprises and related management activities thereof, shall be performed by the SME and Special Programs Department of Bangladesh Bank.

(c) Granting of refinance against financing to Renewable Energy & Environment-friendly Ventures and related management activities thereof, shall be performed by the Green Banking and CSR Department.

**5. Repayment schedule and recovery:**

(a) Refinancing facility availed from Bangladesh Bank shall be repayable at the end of each quarter along with profit; however, it can be rolled over on quarterly basis up to the tenure of the original financing (client).

(b) If the arrears are not paid on the due date, the sum will be adjusted by debiting the current account of the respective bank/financial institution maintained with Bangladesh Bank.

Bangladesh Bank reserves the right to make necessary additions, deletions, and revisions from time to time regarding the terms and conditions of refinancing from the Fund mentioned above.

This circular shall come into force with immediate effect.

Sincerely yours,



(Chowdhury Md. Firoz Bin Alam)  
General Manager  
Phone: 9530252