



BANGLADESH BANK

(Central Bank of Bangladesh)

Head Office

Motijheel, Dhaka-1000

Bangladesh

www.bb.org.bd

DOS Circular Letter No. 42

Date: 07/10/2021

Chief Executives

All Scheduled banks in Bangladesh

Mark-to-Market based Revaluation of Treasury Bills and Bonds held by the Banks

Please refer to DOS Circular Letter No. 05/2008, DOS Circular Letter No. 05/2009, DOS Circular Letter No. 02/2012, and DOS Circular No. 01/2014 on the captioned subject.

Based on the assessment of current liquidity condition and level of market risk in the banking sector following decisions have been made:

1. The maximum limit of holding approved Securities in Held-to-Maturity (HTM) portfolio were set in DOS Circular No. 01/2014 as follow:

For all Non-primary dealer banks: 110% of SLR;

For all Primary dealer banks: 125% of SLR.

It has been decided that all banks (both the primary and non-primary dealer bank) are permitted to exceed the maximum HTM limit by 10 percentage points. For a limited time period, the maximum HTM limit is re-set as under:

For all Non-primary dealer banks: 120% of SLR;

For all Primary dealer banks: 135% of SLR.

The enhanced HTM limit shall be restored to its present state in a phased manner. A bank needs to progressively reduce the holding approved Securities in HTM so that the HTM limit shall not exceed:

	Non-primary dealer banks	Primary dealer banks
As on 31 December 2023	115% of SLR	130% of SLR
As on 31 December 2024	110% of SLR	125% of SLR

2. Transfer of approved securities from the Held-for-Trading (HFT) to the HTM category is generally not permitted. However, Primary Dealers (PDs) of government treasury

securities are allowed to remeasure treasury bonds that match certain criteria. In this regard, following decisions have been made:

- i. Treasury bonds have been categorized as HFT and have remained unsold for at least two years from the date of purchase may be remeasured. All PDs are eligible to carry out such remeasurement.
- ii. Treasury bonds have been categorized as HFT and have remained unsold for at least one year from the date of purchase may also be remeasured by a PD that holds approved securities in the HFT category not less than 50% of its required SLR of that period. In this instance, a PD may remeasure bonds to the extent where the holding of approved securities in the HFT portfolio does not fall below 50% of its required SLR at the time of remeasurement.
- iii. Treasury bonds that have already been selected as Benchmark Securities (by DMD Circular No. 6/2020 or its subsequent circular letter) or will be selected as Benchmark Securities in future are not allowed to remeasure in any situation.

2a. Other instructions:

- i. Although the remeasured securities are categorized as HTM, for the time being, they will be excluded from the maximum limit of holding approved securities in the HTM category.
- ii. The remeasured securities will be eligible for SLR, Repo, and ALS operation.
- iii. All other existing regulations regarding HTM securities will be applicable for the remeasured securities.

2b. Accounting Procedure:

- i. A bond should be remeasured at the purchase price (clean) or fair value, whichever is lower.
- ii. In cases where the market value of the bond at the time of remeasurement is higher than the purchase price, the bond should be remeasured at the purchase price and the appreciation (market value - purchase price) should be adjusted with revaluation reserve for the bond under consideration. If there is any excess in revaluation reserve for the bond under consideration after such adjustment, it may be taken into the P/L account. (see Annexure-I)
- iii. On the other hand, in cases where the market value of the bond is less than the purchase price, it should be remeasured at the market value. In this case, the existing revaluation reserve for the bond under consideration may be taken into the P/L account. (see Annexure-I)
- iv. Any difference between new book value and maturity amount should be amortized over the remaining life of the bond as usual.

2c. Reporting:

- i. Any remeasurement shall be reported to DOS within the next 10 days of such remeasurement in the prescribed format (Annexure-II)
- ii. The remeasured bond should be shown under HTM portfolio during regular monthly reporting in DB-5p (DOS Circular Letter No. 05/2008)

3. This circular letter shall come into force with an immediate effect and DOS Circular Letter No. 02/2012, will be substituted by this one. All remeasurements carried out within the purview of DOS Circular Letter No. 02/2012 will continue until their usual expiration. Other instructions of DOS Circular Letter No. 05/2008, DOS Circular Letter No. 05/2009, and DOS Circular No. 01/2014 shall remain unchanged.

Sincerely yours,



(Md. Anwarul Islam)
General Manager
Phone: 9530093

Annexure-I

Example:01 [MTM> Purchase price]

(amount in BDT)

Face value: 30,00,00,000

Purchase price (clean): 31,00,00,000

Mark to market value: 34,00,00,000

Revaluation reserve: 5,00,00,000

At the time of remeasurement:

T-bond -HTM (remeasured)	Dr.	31,00,00,000	
RRA (Revaluation reserve)	Dr.	5,00,00,000	
T-bond - HFT	Cr.		34,00,00,000
P/L a/c	Cr.		2,00,00,000

Example:02 [MTM<Purchase price]

Face value: 30,00,00,000

Purchase price (clean): 31,00,00,000

Mark to market value: 28,00,00,000

Revaluation reserve: 1,00,00,000

At the time of remeasurement:

T-bond – HTM (remeasured)	Dr.	28,00,00,000	
RRA (Revaluation reserve)	Dr.	1,00,00,000	
T-bond - HFT	Cr.		28,00,00,000
P/L a/c	Cr.		1,00,00,000

