



BANGLADESH BANK
(Central Bank of Bangladesh)
Head Office
Motijheel, Dhaka-1000
Bangladesh

09 September 2015

DOS Circular Letter No. 13

Date : -----
25 Vadro 1422

Chief Executives/Managing Director
All Scheduled Banks in Bangladesh.

Dear Sir,

Strengthening and updating the Risk Management System in banks.

Please refer to the guidelines issued vide [DOS Circular no. 02 dated 15-02-2012](#) and [BRPD Circular no. 11 \(Para 5.3\) dated 27-10-2013](#) on the captioned subject.

Practicing sound risk management is crucial for banking sector. Necessary instructions have been issued from time to time through above-mentioned circulars, guidelines and letters with a view to ensuring proper application of sound risk management in banks; i.e., for building the necessary infrastructure and taking various steps for identification, measurement, monitoring, and control or mitigation of various existing and potential risks; and maintaining adequate capital and provision to support risk-taking. To bring greater expertise and harmonization to risk management activities of all banks and exercise international best practices, a format named 'Comprehensive Risk Management Report (CRMR)' for assessing risks (annex-ka & kha), an organogram for a separate risk management division (annex-ga), and a structure of risk management committee at management level (annex-gha) have been prepared to be followed at a minimum in addition to the previously issued circulars. For stronger and timely/updated risk management activities, banks are asked to follow the instructions below, along with preparing reports as per the attachment:

1) Organogram, scope/area of activity, reporting and human resources management of the separate risk management division:

- a) Banks shall prepare a Board-approved organogram of the risk management division (RMD) as per annex-ga, ensuring the use of information technology along with the appointment of adequate and skilled manpower.
- b) Banks shall appoint a Chief Risk Officer (CRO) from at least the AMD/DMD level who is not in-charge of the Internal Control and Compliance (ICC) department, and shall also form a management-level risk management committee with the CRO as the head.
- c) Banks shall appoint at least an EVP/SVP/DGM/VP as the head of the RMD who is experienced in risk management and who will be a member of all important committees related to risks (such as credit risk committee, ALCO, Basel Implementation unit, etc.).
- d) The RMD shall report high-risk related matters, identified by the management-level risk committee, directly to the Board risk management committee, and shall provide a copy to the Managing Director/Chief Executive officer for acknowledgement.
- e) Banks shall entrust in the RMD the responsibility of monitoring implementation of required corrective action, related to objections revealed in the inspections conducted on the basis of the core risk management guidelines.

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Website: www.bb.org.bd

Department of Off-site Supervision

- f) The RMD shall determine the risk appetites on yearly basis for all possible measurable risk areas. These areas include, but are not limited to, sector, industry and area-wise loan targets, credit concentration among top-20 borrowers, off-balance sheet exposure as a percentage of total assets, the annual growth rate for loans and advances, limitations on the percentage of financial liabilities sourced from the top-10 suppliers, the gaps between total assets and liabilities in different time buckets of the liquidity profile, the gap between rate-sensitive assets and rate-sensitive liabilities in different time buckets, various ratios regarding liquid assets, expected loss from operational risk, and the Capital to Risk-weighted Asset Ratio (CRAR) after applying stress test. These risk appetites must be approved by the Board and sent to this department by the end of first quarter of every year.
- g) Banks shall submit the soft copy of their stress test results to this department along with the CRMRs in order to facilitate BB's determination of the Comprehensive Risk Management Rating and understanding of the shock resilience capacity of the individual bank.

2. Risk management related report and meeting minutes:

- a) Banks shall submit the soft copy of CRMR, prepared according to the annex-ka and meeting minutes of the management-level risk management committee to this department by August 10 (based on June 30 data) and February 10 (based on December 31 data), for determination of the risk rating.
- b) For all months other than June and December, banks shall submit the monthly report, prepared as per annex-kha and meeting minutes of the management-level risk management committee by the end of the following month.
- c) Banks shall submit the meeting minutes of the Board Risk Management Committee to this department within 7 days of the meeting.
3. Punitive actions will be taken against the concerned banks as per Bank Company Act 1991 (amended upto 2013) for continuous failure in performing risk management related activities such as determination of risk appetite, risk identification, measurement, control or mitigation and for non-compliance to Bangladesh Bank instructions in this regard.

This Circular letter is issued with immediate effect.

In this regard, all the banks are advised to collect the soft copies of the 'Comprehensive Risk Management Report (CRMR)' format (annex-ka & kha) from this Department within the period of September 13, 2015 to September 17, 2015.

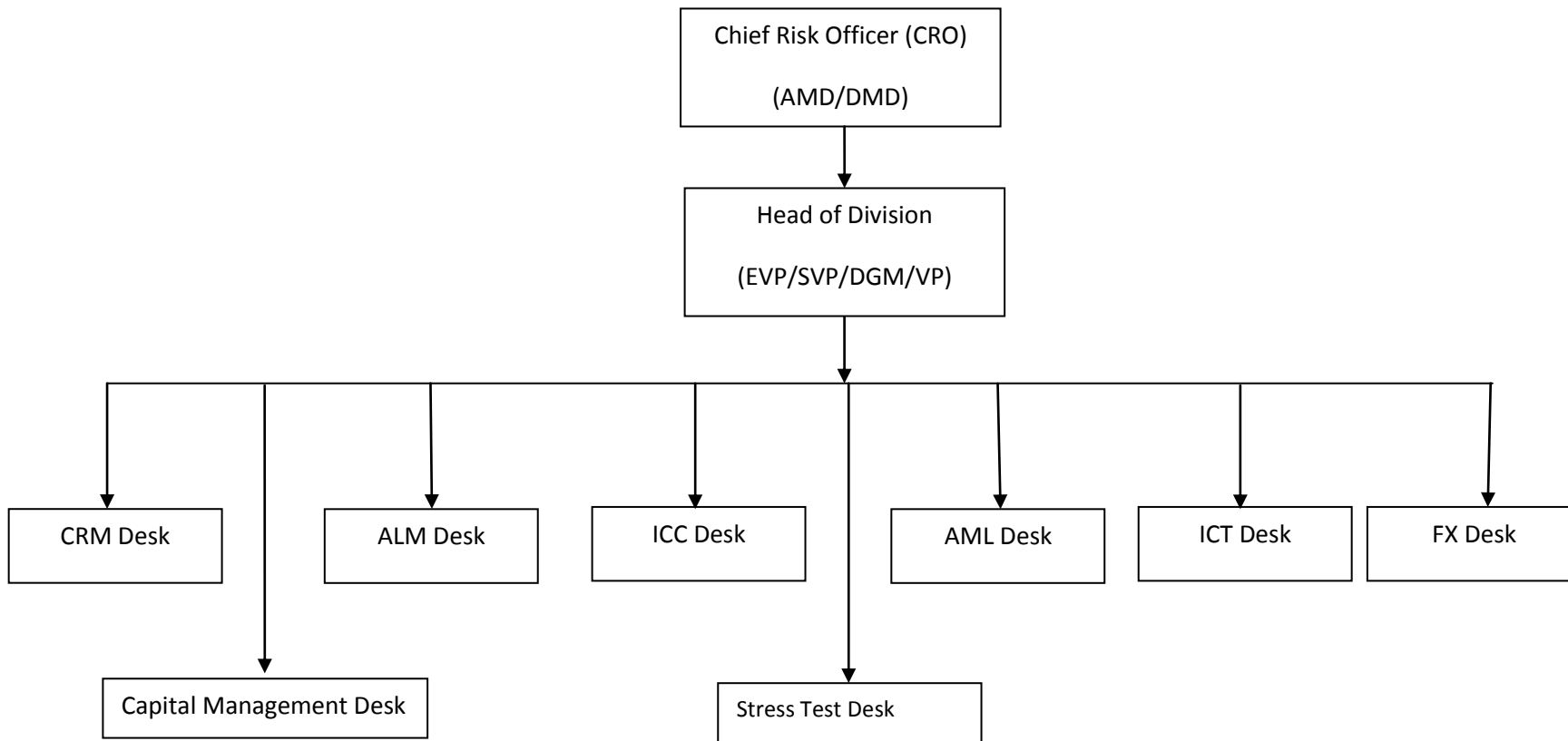
Please acknowledge receipt.

Yours Sincerely,

Sd/-

(S.M. Rabiul Hassan)
General Manager
Phone: 9530093

Structure of Risk Management Division



Structure of Risk Management Committee at management level/ All Risk Committee

- A. Chief Risk Officer, Chairman
- B. Head of ICC
- C. Head of CRM
- D. Head of ALM
- E. Head of AML
- F. Head of ICT
- G. Head of FX
- H. Head of Operations
- I. Head of Finance
- J. Head of any other department (not more than 4) related to risk management.
- K. Head of RMD, Member Secretary