

Department of Financial Institutions and Markets
Bangladesh Bank
Head Office
Dhaka

DFIM Circular No.-06

Date: 05 Bhadro 1420
20 August 2013

Chief Executives/Managing Directors,
All Financial Institutions in Bangladesh.

Dear Sir,

**Guidelines on the Base Rate System
for Non-Bank Financial Institutions.**

Non-Bank Financial Institutions (NBFIs) in Bangladesh have achieved impressive growth in recent years reflecting the process of financial innovation and holding the promise of deepening financial intermediation in long term financing needs. In the process of ensuring corporate governance and sustainable development of this emerging financial sector, Bangladesh Bank (BB) extended its policy support in the risk management culture through adoption of the best practices on prudential regulations, Basel accord implementation, Stress testing model. A new inclusion in this endeavor is the Base Rate System. In this regard, BB hereby issues the “[Guidelines on the Base Rate System for Non-Bank Financial Institutions](#)”.

Pricing of financial products like loans, leases and other services is a critical issue as many approaches are available and they capture different aspects. Base rate is the minimum rate below which it is not viable for an NBFI to lend in the market. Base rate system promotes transparency in product pricing and encourages healthy competition in the economy. Cost of Funds Index (CoFI) is another vital start pioneering the price-setting mechanism in the industry. This index will track movement of cost data in the NBFI industry and will serve as the reference rate for floating rate loan/lease products. The Base Rate System aims at ensuring corporate governance and market efficiency in the financial sector of the country. The guidelines provide a framework for the components, computation mechanism, [reporting formats](#) and prudential regulations on the Base Rate System.

Henceforth, NBFIs have to compute their Base rate as per instructions in the guidelines on monthly basis and submit statements to the Department of Financial Institutions and Markets of Bangladesh Bank within 10(ten) days of the following month. For initial preparation of the CoFI, NBFIs have to submit monthly report starting from December 2012 on or before 15 September 2013.

The “[Guidelines on the Base Rate System for Non-Bank Financial Institutions](#)” and the [Excel based “Reporting Format”](#) are available on the website of Bangladesh Bank for all concerned.

Please acknowledge the receipt.

Yours Sincerely,



(Mahbuba Khatun)
Deputy General Manager
Phone: 9530145