

Department of Financial Institutions & Markets
Bangladesh Bank
Head Office, Dhaka

DFIM Circular No. : 10

Date: 20 October, 2015
05 Kartik, 1422

Managing Director/Chief Executive Officer
All Financial Institutions in Bangladesh

Dear Sir,

Providing Revolving Loans by Financial Institutions (FIs)

It has been observed from the analysis of loan statements of FIs submitted to Bangladesh Bank that, some FIs are providing revolving loans for one year with condition of interest repayment on monthly basis and the principal amount at the end of tenure. As per the loan contracts, these kinds of loans are renewable after the end of the tenure. It has been identified by recent on-site and off-site supervision of Bangladesh Bank that FIs renew this type of loans by showing them regular despite of the clients' failure to adjust the outstanding amount at the end of the tenure.

Moreover, being failure to recover these loans at the end of the tenure, some FIs have been renewing these loan accounts for the next tenure by considering the outstanding amount as new loan limit. Though these loans are classifiable under qualitative judgement, FIs are showing these as regular. Thus it has been generating credit risk in one hand and hampering transparency and accountability of the institution on the other hand. Besides these, the true picture of loan classification status is not being reflected in the financial statements. As a whole, the FIs are falling in greater risks gradually due to the lack of transparency in loan approval and renewal process.

Under these circumstances, in order to ensure the factual reflection of the classified loans and to reduce the risk of nonpayment, it has been decided that, FIs will not renew any revolving loan account without adjusting its overdue amount.

The **DFIM Circular No.02**, dated: July 02, 2014 will be treated as void.

The instructions of this circular will be in effect immediately.

Yours sincerely,



(Md. Shah Alam)
General Manager
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