

Appendix – 1

Chronology of Major Policy Announcement : FY10

Chronology of Major Policy Announcements : FY10

1. Financial Sector Development

- July 2009 • Agricultural / Rural Credit Guidelines and Programme for FY10 have been announced. The target for disbursement of agricultural / rural credit has been fixed at Taka 115.0 billion for FY10 and the amount is the highest ever so far. This credit allocation will not be limited for food grains and crops only rather adequate allocation has been made for fisheries and livestock, agri-supporting sectors as well as for income generating and poverty reduction activities in rural areas.
- July 2009 • A directive has been given to the banks for distributing fresh agri-loan facilities for rehabilitation of agriculture sector in cyclone 'Aila' affected areas. Agricultural credit realisation has been postponed for one year for the affected farmers by the cyclone 'Aila'. Side by side banks will strengthen their monitoring so that affected farmers can get credit at the fastest time and without any hazard.
- July 2009 • A circular has been issued giving the declaration that as a sub-agent of Bangladesh Bank, all activities of EEF have been shifted to Investment Corporation of Bangladesh (ICB) as per agreement made between Bangladesh Bank and ICB on 1 June 2009. According to the agreement policy formulation, fund management and performance monitoring of EEF will be done by EEF unit of Bangladesh Bank.
- July 2009 • A guideline titled 'Risk Factors Relating to Islamic Mode of Investment' to identify the risks involved in investment of Islamic Shariah based banking under Guidelines on " Risk Based Capital Adequacy (RBCA) for Banks" has been issued. According to this guideline Risk Weighted Assets (RWA) has to be defined after imposing risk weight according to RBCA for banks. Concerned scheduled banks have been advised to submit RBCA statement to the Department of Off-Site Supervision (DOS) from 30 June 2009 on quarterly basis as per specified pro-format.
- August 2009 • A scheme titled 'Solar Energy, Bio-gas and Effluent Treatment Plant (ETP) Refinance Scheme' has been created by BB, primarily with Taka 2.0 billion revolving fund in order to facilitate banks to provide loan to Solar Energy, Bio-gas and Effluent Treatment Plant sector with a view to encouraging use of solar energy and alternative environment friendly fuel and to mitigate deficiency of electricity and gas and for the interest of protecting public health along with keeping natural balance.

- October 2009
- Recently, it has been observed that some banks are investing in capital market through merchant banking operation in violation of instructions of section 26(2) of the Banking Company Act, 1991. In this respect banks are advised to follow the instructions of the section 26(2) of Banking Company Act, 1991 accordingly. Moreover, banks are also advised to operate merchant banking activities by constituting separate legal entity i.e., subsidiary company to protect the interest of the depositors. To constitute subsidiary company, existing rules have to be abided by the banks for their compliance.
- October 2009
- Referring to partial modification of the BRPD Circular No. 10 dated 25 November 2002 regarding 'Capital Adequacy of Banks' and BRPD Circular No. 09 dated 31 December 2008 regarding Guidelines on 'Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Basel II), it is advised that henceforth 'Subordinated Debt' will replace 'Perpetual Subordinated Debt' as a component of Regulatory Capital (Tier 2 or Tier 3). To ensure transparency and uniformity in raising subordinated debt as well as for inclusion in Regulatory Capital, the guidelines have been issued for the compliance of the banks.
- October 2009
- It has been decided that complying the instructions of the article 13(3) of Banking Company Act, 1991, all foreign banks operating in Bangladesh can Hold Investment (HTM) Securities more than the HTM and HFT securities investment ratio mentioned in the DOS circular letter no-5 of 2008 only for the purpose of maintaining capital.
- October 2009
- To make the banking services beneficial and easily accessible for the physically incapable people of Bangladesh, all scheduled banks are requested to designate an official as 'Focal Point' at each branch of their banks. This instruction is to be implemented with immediate effect.
- November 2009
- All the scheduled banks may provide following facilities to their e-commerce related customers:–
 - 1) Payment of utility bills from personal account to the bank account of the recipient through online,
 - 2) Transfer of money from one account of any bank to his account of another bank through online,
 - 3) Payment and collection of purchase and sale price from buyer's bank account to seller's bank account through online, and
 - 4) Transaction in local currency through credit card in the Internet.

The above stated online payments will be considered same as cash transaction and the anti money laundering act and earlier issued different circulars / circular letters/ directions in this purpose will have to be followed. CTR and STR in case of online payment have to be submitted in the Financial Intelligence Unit of Anti Money Laundering Department of Bangladesh Bank like the approved procedures in case of cash transaction.

- November 2009 • Private sector enterprises in Bangladesh having Foreign Direct Investment (FDI) and/or Private Sector External Debt (PSED) have been instructed to submit returns of FDI and/or PSED to the Statistics Department, Bangladesh Bank, Head Office, Dhaka through their nominated ADs/OBUs using formats Prescribed by Foreign Exchange Policy Department.
- November 2009 • The minimum paid up capital for the Financial Institutions registered in Bangladesh shall not be less than Taka 0.50 (Fifty) billion or the minimum risk based capital to be determined time to time by Bangladesh Bank, with the prior approval of the government, whichever is higher.
- November 2009 • Islamic Banking has become a part of mainstream banking in Bangladesh. In view of some basic differences in Shariah based islamic banking and interest based banking it has become necessary to introduce guidelines which would bring greater transparency and accountability and therefore governance to the islamic banking. To this end, in presence of section 45 of Banking Company Act, 1991 Bangladesh Bank has taken the step of introducing the guidelines for Shariah based islamic banking. This guidelines should be treated as supplementary, not substitute, to the existing banking laws, rules and regulations. Any point not covered under these guidelines and in case of any contradiction, the rules under the Banking Companies Act, 1991 and Companies Act, 1994 will prevail. The concerned banks are, therefore, advised to comply with the guidelines by 31 December 2009 and submit a compliance report to the effect that the guidelines have been put in practice, to the Banking Regulation and Policy Department of Bangladesh Bank by 31 January 2010.
- November 2009 • Four state owned banks (Sonali/ Janata / Rupali/ Agrani Bank Ltd.) and two specialised banks (BKB/ RAKUB) are advised to disburse agricultural credit with priority among the physically handicapped people individually/ jointly as well as to follow the regulations approved by themselves for special microcredit in order to make them self- reliant and to bring them in the main stream of economic activities. The banks have to adopt the correct monitoring system so that the physically handicapped people are not hassled and the Compliant and Monitoring Cell of the banks will monitor this regularly.
- November 2009 • There is a Master Circular (BRPD Circular No.19 dated 22 December 2009) on schedule of charges. So there is no need to publish anything about circular issued on 17 November 2009.
- December 2009 • Rescheduling of Short Term Agricultural Credit may take place by imposing required down payment as per clause 1.02 of BRPD circular No. 01/2003.
- December 2009 • It has been decided that classified and default loans of the businessmen and industries, affected during the tenure of the Caretaker Government because of leaving the country, self-disguise or imprisonment in the backdrop of panic creation and harassment, could be re-scheduled without necessary down payment on the basis of banker-customer relationship considering merit of the case. This facility will remain effective till 30 June 2010.

- December 2009 • The defaulted loan /lease of the customers of the export oriented industries, especially frozen food, leather and leather products, jute and jute products, textile (including spinning) and readymade garment industries, affected by the global economic recession may be re-scheduled on the basis of banker/financial institution-customer relationship without required down payment till 30 June 2010.
- December 2009 • In the developed market, interbank interest rate is widely used as the benchmark or barometer of short term interest rate. Bangladesh Foreign Exchange Dealers Association (BAFEDA) has taken an initiative with the help of Bangladesh Bank to publish the Dhaka Interbank Offered Rate (DIBOR) which is the average interest rate between banks in the Dhaka interbank market. DIBOR is published every day afternoon at around 2 PM. Bangladesh time by BAFEDA through their web site. DIBOR is calculated for periods as short as overnight and as long as 3 months initially. DIBOR is fixed for the 24 hours period. To maintain the continuity, the scheduled banks are advised to send the lending and borrowing (in applicable cases) rates of the above tenors to the BAFEDA office within 12.00 PM. everyday.
- December 2009 • In order to avoid the settlement risk of government securities transactions (outright sale/ purchase, interbank repo etc.) between two banks and/or their customers, Bangladesh Bank has recently issued guidelines on the Delivery Vs Payment (DvP) system. Delivery of securities (i.e. the change in their ownership) will be done simultaneously with payment means that neither the buyer nor the seller is exposed to the risk that the other will default. It directly protects the participants of government securities markets and indirectly reduces the costs and risks of trading for everyone. Unless settlement is real time it means that, if there is a trade failure, trade will have to be unwounded.
- December 2009 • BB has issued the following instructions with a view to rationalising the charges/fees/ commission charged/imposed by banks:
 Minimum Balance Fee/Incidental Charge/Ledger Fee/Service Charge against Savings & Current Bank Account, Premature Encashment Fee, Counter Transaction Fee, Foreign Correspondent Charge (local part) and Data Max, Handling charge, copy document endorsement charges, L/C cancellation or overdue/unused L/C charges have been cancelled.
 Savings and current account closing charge, L/C commission, L/C amendment, L/C confirmation, foreign commission charge, export bill negotiation commission, back to back L/C certificate issue charge, proceed realisation certificate(PRC) charge, beneficiary owner's account certificate charge and early settlement fee etc. have been reduced. Only account maintenance fee against savings and current account may be charged semi-annually at maximum Taka.300/- & 500/- respectively. Complete list of schedule of charges has to be displayed in respective bank's head office & branches and uploaded in their web-sites. Undeclared charges/fees/ commission those are not in the schedule of charges cannot be charged.

- December 2009 • Guidelines on 'Risk Based Capital Adequacy (RBCA) for Banks' (revised regulatory capital framework in line with Basel II) was introduced from 1 January 2009 parallel to existing BRPD Circular No. 10 dated 25 November 2002. From 1 January 2010 Basel II regime will be started and the guidelines on RBCA will fully come into force with its subsequent supplements/revisions. Accordingly, instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirement as stated in the guidelines have to be followed by all scheduled banks for the purpose of statutory compliance. This circular will replace BRPD Circular No. 10 dated 25 November 2002 and its amendment thereof.
- January 2010 • Considering contribution of the farmers to the economic activities specially in agricultural activities, it has been decided that a farmer can open deposit account at any state-owned commercial and specialised bank against national ID card/birth registration card and agricultural equipment assistance card issued by the Department of Agricultural Extension. There will be no bindings for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts.
- January 2010 • In the backdrop of increasing demand for export ships in the world market, there has been an opportunity to increase export earnings and create huge employment as well as eradicate poverty. With a view to assisting this potential ship building industry, following decisions have been taken:
- A) The commission charged by the local bank against guarantee of advance to exporters by indenters'/buyers' in addition to add confirmation charge imposed by foreign banks for exporting ship will not exceed yearly 1.50 percent.
- B) The existing instruction will also be applicable in case of opening L/C for this industry. In this case, commission for opening sight L/C will be 0.40% at maximum, 0.50% for opening defard/usance L/C, maximum 0.25% commission for opening L/C by 100% cash margin, and commission for opening back to back L/C 0.40% at maximum in each quarter, in any case commission for opening L/C shall not be in excess of 2% yearly.
- January 2010 • It has been decided that from now the re-financing facility which is provided by Bangladesh Bank will not only be applicable for schedule banks but also for the financial institutions of the country subject to the financing under the refinancing scheme over the solar energy, the bio-gas and the ETP sectors.

- January 2010
- According to the direction of the BRPD circular no.-11/2007 regarding the eligibility or fitness of appointment of director, no loan defaulter is eligible for the post of director of a bank. It is observed that, some defaulters hide their information & appointed as director of banks by providing fake announcement which is irregularity and hindering for good governance. In this circumstance, for ensuring the “eligibility and fitness of appointment of directors” described in BRPD circular no.-11/2007, before the appointment/re-appointment of any director it must be justified by the current report of CIB of Bangladesh Bank whether he/she is a defaulter or not. Banks are advised to add current CIB report to be attested by chairman of the board of directors & the current list of directors with “Appendix-A” of the said circular.
- February 2010
- Board of directors and managements of a bank should comprise of the competent and professionally skilled persons with a view to ensure good and corporate governance in the bank management. It is also inevitable to have specific demarcation of responsibilities and authorities between these controlling bodies over bank’s affairs. In absence of specific division of responsibilities and authorities, even in spite of these bodies’ are being formed with skilled and efficient persons, the desired goals of an institution cannot be achieved due to lack of transparency and accountability of all concerned.

Under such circumstance, the specific demarcation of responsibilities and authorities among the board of directors, its chairman , Chief Executive Officer (CEO) of the banking-companies in respect of its overall financial, operational and administrative policymaking and executive affairs including overall business activities, internal control, human resource management and development thereof, income and expenditures etc, along with lending and risk management issues. Details can be seen from the original circular in bangla version.
- February 2010
- Banks have been advised not to charge more than Taka 500 against commission earned in case of exchange gain through export bill negotiation and collection.
- February 2010
- To ensure balanced industrial development and for easy access of small & medium industrial entrepreneurs to the institutional loans the “Refinancing scheme for small entrepreneur” is run by the Bangladesh Bank. The lower limit of loan under the scheme described in section-2 of ACSPD circular no. 01/2004 and ACSPD circular no. 01/2007 is fixed at Taka 50,000 instead of 0.02 million & 0.01 million respectively.

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- February 2010
- With a view to ensure adequate supply and controlling price hike of rice, following decisions have been taken:
 - a) The revolving CC/OD loan taken by the local mill owners against Pledge & Hypothecation have to be repaid/adjusted compulsorily within maximum 2 months, i.e., 60 days from the date of disbursement.
 - b) The revolving CC/OD loan taken by the paddy, rice traders against Pledge & Hypothecation have to be repaid/adjusted compulsorily within maximum 45 days from the date of disbursement.
- February 2010
- The accounts (opened before 30 April 2002) for which KYC procedures have not been completed within 31 January 2010, shall have to be completed within 31 March 2010 by sending letters to the customers in appropriate manner and by communicating with them in other ways. The accounts for which it would not be possible to complete the KYC procedures within 31 March 2010 shall have to be marked as 'dormant' after 31 March 2010. Customers will not be allowed to withdraw money from those dormant accounts but they will be allowed to deposit money into those accounts. Bank can regularise the dormant account by completing the KYC procedures of the accounts after receiving the application from the customer.
- March 2010
- For compliance of the provisions of Money Laundering Prevention Act 2009 and Anti Terrorism Act 2009 by banks and financial institutions, a set of instructions has been issued. Instructions include policies for prevention of money laundering and terrorist financing, customer identification & how to conduct customer due diligence at different stages, instructions in relation to politically exposed persons and instructions in relation to correspondent banking. According to the circular reporting institutions under Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009 having branches and subsidiaries abroad shall also comply with the provisions of Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009. Banks and financial institutions shall have to undertake proper screening mechanism in their different appointment procedures so that they do not face money laundering and terrorist financing risks by any of their staffs. To ensure proper compliance of anti money laundering and anti terrorism financing activities each bank and financial institution shall arrange suitable training for their officials and shall distribute leaflets time to time among customers to make them aware and also arrange to stick posters in every branch at a visible place. Details can be seen from the original circular.
- March 2010
- It has been decided that financial institutions may receive term deposits from individuals and institutions for the minimum period of 6 (six) months. And it cannot be withdrawn/ encashed before the minimum maturity period of 6(six) months.

- March 2010 • Referring to BRPD Circular No. 20 dated 29 December 2009 regarding implementation of 'Risk Based Capital Adequacy (RBCA) for banks, it is mentioned that Basel-II regime has been started from 1 January 2010 and the 'Guidelines on RBCA for banks' has fully come into force from the aforesaid date. The overall situation has since been reviewed and it has been decided that all scheduled banks will maintain regulatory Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR) as per following timetable:

Capital Adequacy Ratio (CAR)	From 1 January 2010 - 30 June 2010	From 1 July 2010 – 30 June 2011	From 1 July 2011 to onwards
	CAR > 8%	CAR > 9%	CAR > 10%
$\text{CAR} = \frac{\text{(Eligible Regulatory Capital)}}{\text{Risk Weighted Assets (RWA)}} \times 100$			
MCR	8% of RWA**	9% of RWA**	10% of RWA**
**MCR will be the above stipulated percentage of RWA or the amount of MCR fixed by Bangladesh Bank from time to time which one is higher.			
In every case, at least 50% of the CAR and MCR must be constituted by Tier-I capital components.			

Concerned paragraphs of the RBCA guidelines, Section 4(a) and 4(b) will be replaced by the above paragraph. All other instructions as stipulated in the RBCA guidelines will remain unchanged till further instructions.

- March 2010 • According to the guidelines, on subordinated debt for inclusion in Regulatory Capital, all scheduled banks operating in Bangladesh can issue subordinated debt as an element of the Tier-II Regulatory Capital if the bank meet up the rating requirements i.e. each of composite CAMELS rating, issuer rating and instrument/issue rating will be at least 2 (two). The situation has since been reviewed and it has been decided that a bank will be eligible to issue subordinated debt which has composite CAMELS rating at least 2(two), issuer rating at least 3 (three) instead of 2 (two) and instrument/issue rating at least 3(three) instead of 2 (two). Concerned sections of the guidelines i.e. 'Criteria to Qualify as Regulatory Capital' and 'Other Eligibility Criteria' will be rephrased by the above decision. According to the circular, all other instructions of the said guidelines issued earlier will remain unchanged.
- April 2010 • Brick-field is a big source of environmental pollution in Bangladesh. Black smokes with CO₂ released from burnt fossil fuel causes air pollution and health hazards equally, which finally results in global warming. The trend of environmental degradation is increasing with the increased area of urbanisation. Current carbon releasing rate may be reduced by introducing Hybrid Hoffman Kiln (HHK)/ equivalent technology in the brick-fields. A decision has been taken for allowing refinance of Taka 0.3 billion at maximum of Taka 0.02 billion per project at the existing bank rate. The scheme has been provided with fund from the previously sanctioned refinance scheme of Taka 2.0 billion for refinancing the sector of solar energy, bio-gas and ETP.

- April 2010 • To take in or use tobacco and tobacco products are a threat to public health, financial condition and food security. The land for cultivating corn/ crop in the various areas in the country is now decreasing gradually for the expansion of tobacco cultivation, which is enhancing the risk of food security such a over populated country like Bangladesh. On the other hand, cultivator uses lots of fuel for curing raw tobacco leaves which emits CO₂ and pollutes air. In order to manage fuel, tobaccoists cut off lots of trees and thereby it becomes one of the reasons of climatic disorder. In this situation, cultivation of tobacco should be discouraged and it is suggested not to disburse loan directly to farmer or in favour of individual/ institution/ company for contract farming of tobacco. The relevant institutions have to collect the loan/financing facilities in proper time, which have already been disbursed for cultivating tobacco. The amount of loan will not be renewed and the time limit will not be extended.
- April 2010 • A decision has been taken that chief executives of commercial banks will get incentive bonus subject to the payment of incentive bonus in favour of general employees of the respective bank. But the pre-condition is that the bonus which will be allotted for the chief executive will not exceed Taka 0.1 million yearly. In this case, all other instructions of BRPD circular number: 03/2006 will remain unchanged.
- April 2010 • Referring FID circular number: 04 dated 27 August 2003, the direction of paragraph `KA' , it has been decided that,
- KA) Financial institutions can buy motorcar or Jeep not exceeding price of Taka 0.35 million and Taka 0.5 million respectively.
- April 2010 • In order to strengthen the country's financial system, Bangladesh Bank (BB) has designed a stress testing framework for banks and FIs to proactively manage risks. For this purpose, and to ensure consistency, BB has prepared a guideline for banks and FIs. This model guideline initially focuses on "Simple Sensitivity and Scenario Analysis". But with the increasing know-how and availability of more data this model will undergo further refinement over time. All banks and FIs have been advised to carry out the stress test, as per the guideline, from the half year ending June 2010. They shall also submit a report within 45 days at the end of 30 June 2010, along with a soft copy. Banks shall submit their reports to the DOS and the FIs shall submit their reports to the Department of Financial Institutions' and Markets (DFI&M). Subsequently, the stress test shall be carried out on half yearly basis i.e. on June 30 and December 31 each year and results shall be submitted to the DOS and DFI&M within 45 days after the respective half year.
- April 2010 • As per RBCA guidelines, banks are required to establish their own supervisory review process to ensure maintenance of sufficient capital to fully cover their risk exposure. Furthermore, determination of level of adequate capital will be subject to evaluation and dialogue between BB and the well designated SRP team of banks'.

- April 2010 • It has been observed that some entrepreneurs have applied for more working capital for EEF projects; after receiving full allotment of the projects. In this context, the authority has decided that if extra fund is necessary the entrepreneurs should have to apply for getting NOC for working capital to the EEF division of ICB through the project evaluated by bank/financial institution. Entrepreneurs should mortgage their own assets/shares of EEF project that held by them subject to NOC of ICB for collecting more working capital for the project. Others terms and conditions of EEF circulars will remain unchanged.
- April 2010 • According to the directions of BRPD circular letter number: 01/2003 and 02/2003, banks/financial institutions send the loan statement of their own directors as well as the loan statements of the directors of other banks/financial institutions to BRPD. But it has been observed that banks /financial institutions are facing problems of sending loan statements as they do not have updated information of directors of all other banks/ financial institutions. Therefore, the banks/ financial institutions are advised to follow the guidelines here under:
- a) All scheduled banks in Bangladesh shall have to send a current list of their directors to all other banks /financial institutions within 7 days of issuing the circular.
 - b) Detail information about the appointment/exemption of directors shall have to send to all scheduled banks /financial institutions.
 - c) A copy of the directors list which has been sent to banks /financial institutions will have to send to the BRPD.
 - d) The list of the directors will have to send to BRPD within the first week of the next month on quarterly basis.
 - e) Following the table given in the BRPD circular number: 05/2010, the proclamation, the current CIB report, the information about directors and the current list of the directors shall have to send to the BRPD of BB.
 - f) After the appointment/exemption of directors, banks/financial institutions will immediately update their websites.
 - g) Banks /financial institutions will preserve the current list of the directors appositely.
- April 2010 • Due to activation of floating exchange rate regime from 31 May 2003, the necessity of preservation of Exchange Equalisation Account directed through BCD circular number: 09/1979 has been abolished. Banks have been suggested that if the account is closed by the account holders profit-loss of the present year, the balance of the account will have to show as an Extra Ordinary Gain instead of showing it as operating profit.
- April 2010 • The values of land have been increased abnormally due to increasing trend of purchasing and demand for land. There has been a negative impact over the economy because of increasing flow of credit from banks to such unproductive sector. In this context, it has now been decided that banks shall not provide any loan/credit facility for purchasing land.

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- May 2010 • Unemployment is one of the major hindrances of economic development of our country. National service programme is being implemented by the government to eradicate unemployment. For the successful implementation of this programme, unemployment young men/women can open saving account by depositing Taka 50 under the national service programme. There will be no bindings for maintaining minimum balance on the said account and banks are not allowed to impose any charges/ fees on these accounts.
- May 2010 • With a view to ensuring adequate supply of essential commodities and keeping the price of these commodities within a reasonable limit during Ramadan, banks have been advised to maintain a maximum of 12% rate of interest on loan for import financing of edible oil (crude and refined), chickpeas, lentils, beans, onions, spices, dates, fruits and sugar (refined and raw sugar/raw cane sugar).
- May 2010 • The ``Boro” crop of North-East region has been severely affected by sudden flood and farmers of that region has faced hardship to repay their agricultural loan (crop). For this reason, decision has been taken to extend the time limit of loan repayment for more than one year from the date of expiry of the particular loan to minimise the suffering of the affected farmers. Further, monitoring and supervising system will be strengthened to ensure timely sanction of loan without any harassment.
- May 2010 • Considering the interest of small depositors, it has been decided that no charge can be imposed as account maintenance fee for average deposit balance up to Taka five thousand. It has also been decided that Taka one Hundred at maximum may be imposed as account maintenance fee on six monthly basis for average deposit balance up to Taka Twenty Five thousand. All other instructions of BRPD Circular number-19/2009 will remain unchanged.
- May 2010 • Banks have been advised to comply with the following rules with a view to removing ambiguity and ensuring uniformity in the operation of Special Notice Deposit (SND) account:
- a) All the accounts like short term deposit/SND/call accounts shall only be termed as SND.
 - b) Minimum 7 days prior notice from the depositors will be required to withdraw money from the SND account.
 - c) Check book must be issued against this account to facilitate direct withdrawal.
 - d) Interest on the SND account will be calculated on the day end balance and accumulated interest will be credited to the same account on a half yearly basis /at the time of closing the account.

- e) As this account does not have any fixed term, rate of interest may only vary for different amount/range of deposits. However, banks shall not differentiate rate of interest among the customers belong to same range. Rate of interest on SND account must not exceed the rate of interest on savings accounts.
- f) No minimum balance fee/incidental charge/lager fee/service charges can be imposed on these accounts. Only account maintenance fee and account closing charge at the time of closing the account can be imposed. No charge above Taka five hundred as account maintenance fee on six monthly basis and no charge above Taka three hundred as account closing charge at the time of closing the account can be imposed.

Rate of interest for SND account has to be declared in ranges (a) Less than Taka 0.01 billion (b) Taka 0.01 billion and above but less than Taka 0.25 billion (c) Taka 0.25 billion and above but less than Taka 0.5 billion (d) Taka 0.5 billion and above but less than Taka 1.0 billion (e) Taka 1.0 billion and above.

No rate of interest beyond published /announced rate can be offered.

Banks shall upload published/offered rate of interests in their respective websites and must submit the returns in the revised BR-15 format on a monthly basis within 7 days of the respective month.

- May 2010 • Chief executives of financial institutions will be entitled to get incentive bonus not exceeding Taka 0.1 million yearly subject to the payment of incentive bonus to the staffs.
- June 2010 • In the lead bank system, district agricultural credit committee (DACC) is playing vital role in implementing and coordinating agricultural activities. In that system a bank branch (commercial or specialised) is already specified for union level disbursement of agricultural credit. Major functions of DACC are to monitor and coordinate credit situation (disbursement and recovery) among banks and local administration. Deputy Commissioner (DC) is the chairman of the committee and lead bank of the concerned district is playing secretarial role by conducting monthly meeting to monitor overall agricultural credit through DACC. At the district level, private commercial banks have little banking networks. At present private & foreign banks are disbursing their agricultural/rural credit through either their own branch or Micro Finance Institutions (MFIs) approved by Micro Finance Regulatory Authority (MRA). Due to participation of all banks, it is necessary to include the representatives from private and foreign commercial banks in the DACC. Decisions have been taken for including the representative from private and foreign commercial banks. Private and foreign banks will nominate their representatives in the DACC and inform to the respective lead bank and also will inform to Agriculture Credit Department of BB.

- June 2010
- At present, it is compulsory to participate in agricultural /rural credit activities for all scheduled private & foreign banks in Bangladesh. The opportunity of participation in agricultural/rural credit activities by partnership with the MFIs approved by MRA under the agricultural/rural credit policies of FY10 have been created for the banks which have no branch office or have not sufficient branch offices in the rural areas. Some decisions have been taken in order to emphasise on monitoring and co-ordination which are given below:
 - a) The banks disbursing agri-credit through partnership with MFIs partially or fully shall have to ensure that the loans have been received by borrower. Concerned Banks and MFIs shall have specific work plan and monitoring system in place. However, the concerned bank shall be responsible for submitting all required information and statements to BB.
 - b) The banks shall consider to provide the credit line to the MFIs on the basis of a credit proposal submitted by them specifying the amount of loan, probable size of loan at borrower level, number of borrowers, tenure, sector/sub-sector, applicable rate of interest at borrower level, project area (district/ upazilla) etc. and shall be incorporated clearly in the corresponding sanction letter/loan agreement.
 - c) While releasing the loan amount at the first installment by the banks, MFIs shall have to submit a detailed information of financing containing the number of borrowers, tenure, sector/sub-sector, applicable interest rate at borrower level, project zone (district/ upazilla) etc. to the respective banks and at the time of releasing subsequent installments they will submit a certificate on each occasion mentioning that previous loan has been used in agricultural/rural credit activities properly.
 - d) Under the Bank-MFI partnership, the fund released by the bank to the MFIs will be treated as agricultural/rural credit by BB only after the disbursement of the fund to the farmers/borrowers level.
 - e) The banks, disbursing the agri/ rural credit through MFIs partially or fully, shall ensure disbursement of 60% of target amount as crop loan as per policy guidelines. For the purpose, the MFIs shall have to disburse crop loan along with the income generating and poverty alleviation activities.
- June 2010
- Considering power sector development as a government priority, it has been decided that Single Borrower Exposure Limit as stipulated in the BRPD circular number 09/2005 will not be applicable for the banks financing in order to produce and distribute electricity against the award provided by the electricity department or the institutions controlled by electricity department (such as- BPDB, REB, PGCB, EGCB, DPDC, DESCO, APSCL, WZPDCO, NWZPGC).

- June 2010 • Regulation 23 and 25 of the guidelines for prudential regulations for consumer financing, circulated vide BRPD Circular number-07/2004, has been amended and will now stand as under:
- Regulation-23:**
“The maximum per party limit in respect of housing finance by the banks will be Taka 10 (Ten) million. The housing finance facility will be provided at a maximum debt equity ratio of 80:20.”
- Regulation-25:**
“Banks are free to extend mortgage loans for housing, for a period not exceeding 25 (twenty five) year. Banks should be attentive to adequate asset liability matching”.
- June 2010 • To make available the benefits of refinance scheme to solar energy sector, the ACSPD circular no: 6, dated 3 August 2009 is amended. As per amendments, any bank/financial institution can use any company/institution/farm as an intermediary to select borrower to make credit proposal, evaluation, grant, disbursement of loan, monitoring and collecting of loan. In this case, the rate of interest at the borrower level will be at existing bank rate + maximum 5%.
- June 2010 • Guideline on information and communication technology for financial institutions (non-banking) has been updated and renamed as “Guideline on ICT Security for banks and financial institutions, April 2010.” The new guideline is available at BB’s website www.bangladesh-bank.org and www.bangladeshbank.org.bd.

2. Monetary Sector Development

- October 2009 • In the backdrop of prevailing excessive liquidity in the interbank money market and with a view to more effective use of repo and reverse repo auction process, annual repo and reverse repo rates have been re-fixed at 4.5 and 2.5 percent respectively. These rates will be in effect from 12 October 2009 until further instruction.
- May 2010 • All scheduled banks of Bangladesh maintained Cash Reserve Requirement (CRR) with BB at 5.00% of their total demand and time liabilities on average of bi-weekly basis and 4.50% on daily basis. The decision has been taken for the fulfillment of monetary policy that the mentioned CRR will be on average of 5.50% bi-weekly basis and 5.00% on daily basis with effect from 15 May 2010.
- May 2010 • All scheduled banks in Bangladesh will maintain Statutory Liquidity Reserve (SLR) including Cash Reserve Requirement (CRR) with BB not less than 18.5% of their total demand and time liabilities with effect from 15 May 2010.

3. External Sector Development

- July 2009 • In terms of Section 18A of the Foreign Exchange Regulation Act, 1947, permission of BB is required for any person (which includes individuals, firms, business organisations or concerns incorporated or not) to accept an appointment to act as an agent in trading and commercial transactions or as a technical or management adviser of any person resident outside Bangladesh or of a person resident in Bangladesh but not citizen of Bangladesh. For the purpose of the said section, it has been clarified by BB that the definition of agent will be the same as in Sections 182 and 186 respectively of Chapter X of the Contract Act, 1872.
- July 2009 • Bangladesh Bank has issued Guidelines for Foreign Exchange Transactions, 2009 (Vol-1) [the successor of the earlier edition 1996] compiling the core contents of FE Circulars and Circular Letters issued up to 31-05-2009 in accordance with authority given to BB under Section 20(3) of the Foreign Exchange Regulation Act, 1947 (Act No. VII of 1947) for compliance by the authorised dealers and other concerns.
- August 2009 • With a view to liberalising the regulations for foreign exchange transactions, decision has been taken that authorised dealers may now release foreign exchange on account of registration/participation fee of the government, officials, employees of banks and financial institutions, faculties of banking training institutions, officials of the private sector companies (incorporated in Bangladesh), firms, institutions and NGOs for attending training/seminar/workshop abroad without prior approval of BB.

Regulations for releasing foreign exchange for study abroad by Bangladesh's students have been relaxed further. In addition to the existing entitlements/facilities for releasing foreign exchange for study abroad, ADs may now release foreign exchange without prior approval of Bangladesh Bank for (i) students who had left Bangladesh for studying abroad without buying any foreign exchange at the time of departure from Bangladesh (ii) students studying abroad for meeting the expenses of subsequent years/semesters/higher courses (iii) students studying abroad intending to change the institution or course.

Decision has been taken that surplus local earnings of the authorised local agent of foreign railway company may be remitted to principal abroad through authorised dealer banks subject to post facto reporting to BB.

Banks in Bangladesh sometimes have to face litigation abroad. Permission has been accorded to remit foreign exchange abroad in respect of legal expenses in such cases. However, for the first time, remittance can be made with prior permission of BB. Subsequent remittances for the same case may be made without prior approval of BB.

- August 2009 • The ceiling of amount of Bangladesh Taka (Bangladesh Bank notes and Bangladesh coins) for carrying by incoming/outgoing passengers (at the time of entering into Bangladesh or departure from Bangladesh, as the case may be) has been enhanced to not exceeding Taka 2000 (two thousand) from Taka 500 (five hundred).
- August 2009 • In the context of decision taken by the government regarding barring export of aromatic and fine rice, export subsidy facility on the same item has been accordingly withdrawn.
- August 2009 • To facilitate the exporters for meeting emergency import payments authorised dealers have been allowed to effect advance payment not exceeding USD 10,000 (USD Ten Thousand) or its equivalent from the Exporters Retention Quota (ERQ) accounts against bonafide business purposes subject to observance of the relevant contract/proforma invoice and compliance of some other stipulated terms and condition for such payment .
- September 2009 • To encourage export trade of the country it has been declared to continue cash incentive/export subsidy by the government like preceding years on net fob value of the selected commodities shipped during 1 July 2009 to 30 June 2010 at the following rates (i) local textiles 5%; (ii) frozen shrimp and other fishes 12.50%; (iii) leather products 17.50%; (iv) product made of hoogla, straw, coir of sugar cane from 15% to 20%; (v) agro (vegetables/fruits) and agro processing products 20%; (vi) potato 10%; (vii) bi-cycle 15%; (viii) crushed bone 15%; (ix) jute products 10.00%; (x) hatching eggs and day old chicks of poultry industries 15%; (xi) light engineering products 10%; (xii) liquid glucose from Irshardi EPZ 20% ; and (xiii) 100% halal meat 20%.
- September 2009 • Decision has been taken that after preliminary scrutiny 70% of cash incentive/export subsidy as claimed by the exporter may be released immediately by the ADs concerned before completion of audit formalities on such claims. Reimbursement claims of the banks against such disbursements shall be met by Bangladesh Bank within the next working day. The remaining 30% shall be payable after completion of audit.
- September 2009 • To include in the 'Balance of Payment Accounts' the foreign exchange transactions of resident entities undertaken through their foreign currency accounts maintained with ADs new summary statements S-9 & S-13 respectively are to be submitted to Bangladesh Bank by ADs with their monthly returns. Transactions in the foreign currency accounts of Bangladesh nationals working abroad are to be reported in the summary statement FCS-7 as usual.
- September 2009 • It has been decided that all money changers licenced by Bangladesh Bank shall have to furnish return of all foreign exchange transactions undertaken by them in prescribed statements/schedules to Bangladesh Bank on monthly basis.

- October 2009 • As a part of deepening the foreign exchange market, regulations on foreign exchange forward transactions has been relaxed. Earlier banks were required to cover at least 50% of their forward sales by forward purchase and the remaining portion by interbank forward purchase and/ or spot purchase of export bills. Banks are now free to undertake foreign exchange forward transactions.
- October 2009 • Banks have been instructed to route all transactions with Maldives under the Asian Clearing Union (ACU) mechanism from 1 January 2010 since the Maldives Monetary Authority (the central bank of Maldives) got the membership of ACU.
- November 2009 • Recently government has decided to provide export subsidy against export of (i) pet bottle flakes and (ii) finished leather in order to encourage export trade. This export subsidy facility will be valid for commodities shipped from 1 July 2009 to 30 June 2010. In all cases, export subsidy will be calculated on the basis of the net fob value of export proceeds concerned.
- December 2009 • With effect from 1 January 2010 annual travel quota entitlements for a Bangladeshi national to visit (i) SAARC member countries and Myanmar and (ii) other countries were re-fixed at maximum 1,500 USD or equivalent and 5,000.00 USD or equivalent respectively during a calendar year.
- December 2009 • Master Circular on Export Development Fund (EDF) was issued for ease and strict compliance of authorised dealer banks. The circular describes the operational procedures of the said fund. However, some changes as to size, interest rate and scope of the fund also depicted in the said circular.
- December 2009 • Following the BASEL-II guidelines, it has been decided to amend the existing calculation method of daily exchange position and new format have been designed to calculate the same. ADs have been instructed to start using of new format for submission of their daily exchange position on trial basis from 10 January 2010. However, submission of daily exchange position under the existing format (according to FE Circular No. 07, 8 June 2005) will continue till 31 January 2010 and the existing format shall be replaced by the new formats from 1 February 2010.
- April 2010 • According to FE Circular-23/2009, the decision has been taken by the government that, producer-exporters will get subsidy along with the customs bond/duty draw-back facility simultaneously. In this context, the direction of para 2 of the same circular “the export subsidy will not be permitted if they have already availed customs bond/duty-draw back facility at the point of production of commodities/ processing of commodities” has been suspended. Besides this, conditions in para C(2) of the attached form ‘Ka’ will be treated as amended. Other conditions of the said circular will remain unchanged.

- April 2010 • In order to encourage export trade of our country the government has decided to give subsidy against export of ship and crust leather. These facilities become effective from 25 November 2009 on exported goods. The export subsidy will be on net fob value after repatriation of the value of exported goods in payable foreign currency for each case. In the context of crust leather and ship export, settlement against the application on the basis of the Proceed Realisation Certificate (PRC), the instructions to be followed by authorised dealers are described in the following paragraphs:
 - a) The export subsidy will be provided in favour of producer-exporters at a rate of 5% against the export of both ship and crust leather which is made in the own factory.
 - b) Only producer-exporters can submit their application for export subsidy on the specified form. But export subsidy will be paid only after the export value repatriation in foreign currency.
 - c) Only repatriated export earnings against the export under the L/ Cs which is established by banks or repatriate export earnings by forwarded documentary collection of L/C through bank after export value repatriation will be considered as eligible export earnings for export subsidy.
 - d) Necessary documents supporting export such as: bill of lading/airway bill, commercial invoice, packing list, bill of export etc. have to be submitted.
 - e) The fact of attachment of all documents, certificates that are mentioned in the annexure of the application form submitted by the recipient of export subsidy must be ensured at the level of investigation.
- April 2010 • It has been decided that, ADs shall submit daily exchange position as per a revised format with effect from 2 May 2010. However, submission of daily exchange position under the existing formats (as per FE Circular number: 07/2005) will be continued till 30 June 2010 and the said format shall stand replaced by the new format from 4 July 2010.
- April 2010 • To ensure proper price for potato cultivators and to increase export, the rate of cash incentives on export of potato has been increased from 10% to 20% for the export during the period from 01 April 2010 to 30 June 2010. But the cash incentives for FY11 against potato export will remain same at 10%.
- May 2010 • Amending the directive of para 4(ka) of FE Circular-22/2009, the responsibility of issuing certificate in favour of all member-nonmember producer-exporters has been given to “Bangladesh Pet-flakes Manufacturers and Exporters Association” which will be effective from 1 July 2010. Other instructions of FE Circular-22 & 27/ 2009 issued earlier will remain unchanged.

- June 2010 • From now onwards, certificate as per form-GHA can be issued by Bangladesh Finished Leather, Leather Goods and Footwear Exporters Association (BFLLEFA) and Bangladesh Tanners Association (BTA) in favour of their member exporters that is to be submitted with the application for subsidy against crust leather export. Other instructions of FE Circular-05/2010 issued earlier will remain unchanged.
- June 2010 • From now onwards, certificate form-GHA can be issued only by the Export Promotion Bureau (EPB) in favour of ship exporters that is to be submitted with the application for subsidy against ship export. Other instructions of FE Circular-06/2010 issued earlier will remain unchanged.
- June 2010 • For the development of the export sector, it has been decided to give the following facilities against export of textile/textile goods under second stimulus packages:
1. Increased stimulus facilities will be given against export of textile/textile goods to countries other than USA, Canada and EU. Same facilities will be given against direct export of yarn produced in member factories of Bangladesh Textile Mills Association (BTMA) to any market. The stimulus facilities will be applicable for export during the period from 1 July 2009 to 30 June 2012. The instructions to be followed in this regard are as follows:
 - (a) Increased stimulus facilities will be offered at 5% against export of FY10, at 4% against export of FY11 and at 2% against export of FY12.
 - (b) Increased stimulus facilities will be offered in compliance with the instructions contained in FE Circular No. 09 dated 5 March 2001 and subsequent FE Circulars/Circular Letters. In accordance with the instructions of this circular, the application for cash incentive needs to be submitted within 180 days of realisation of export proceeds. However, application for current FY10 will be acceptable within 60 (sixty) days of issuance of this circular provided the time limit of 180 days has already passed.
 - (c) Each application for increased stimulus facilities needs to be audited by audit firms approved by Bangladesh Bank before disbursement. However, the instructions of FE Circular No. 15 dated 8 September 2009 will be applicable regarding disbursement of cash incentive/export subsidy before conducting audit.
 2. Small and medium industries of textile sector will be given additional cash incentive as special facilities under second stimulus package. The instructions to be followed in this regard are as follows:

- (a) The manufacturer-exporter of exporting textile/textile goods amounting to USD 3.50 million in FY09 and is not under the ownership of a large industry will be defined as small and medium industry. The small and medium industries availing of cash incentive at a rate of 5% as per instructions of FE circular No. 09 dated 05 March 2001 and subsequent FE circulars/circular letters against export of FY10 or their applications of cash incentive are under consideration will be eligible for additional 5% cash incentive in the same FY10.
- (b) The beneficiaries of additional cash incentive for FY10 may apply as per application form attached with FE circular No. 09/2001 accumulating all information of applications submitted earlier. The application will have to be supported by the certificate of BGMEA/BKMEA regarding their status as small and medium industries and not under the ownership of large industries and statement (enclosing relevant documents) of exports during FY09. The facilities will be given to those belonging to small and medium industries as per the list given by BGMEA/BKMEA.
- (c) Authorised dealer banks shall have to be ensured about the application submitted for additional cash incentive on verification of information of applications submitted earlier.
- (d) Authorised dealer banks shall apply to Accounts and Budgeting Department of BB for necessary fund through their head offices/ principal offices. In this context, authorised dealer banks shall have to be ensured that the applicants are small and medium industries in consideration of export performance in FY09 and shall ascertain additional cash incentive after being satisfied about the application on verification of the information and certificates issued by audit firms against the applications submitted earlier.
- (e) All instructions of concerned FE circulars/circular letters regarding disbursement of cash incentive for export oriented local textile sector will remain unchanged.
- (f) In addition to additional cash incentive, small and medium industries of textile sector having no captive generator will get 10% as contribution against electricity bills paid in FY09, which will continue till 30 June 2010. To avail this facility, application enclosing attested photocopies of electricity bills paid will have to be submitted to the Accounts and Budgeting Department of Bangladesh Bank, Head Office through the concerned bank. In this context, the applicants will declare that they have no captive generators which will be certified by BGMEA/BKMEA.