

Administration

Appointment of New Directors in the Board

11.1 Dr. Mustafa Kamal Mujeri in place of Dr. Mohammad Ali Taslim and Prof. Sanat Kumar Saha in place of Dr. Muhammad Ismail Hossain were appointed as Directors of the Board with effect from 11 March 2010. Prof. Hannana Begum and Dr. Sadiq Ahmed were appointed as Directors of the Board with effect from 11 March 2010. Mr. Md. Shafiqur Rahaman Patwari was appointed as Director of the Board in place of Mr. M. Musharraf Hossain Bhuiyan with effect from 22 March 2010. Besides, Dr. Momtaz Uddin Ahmed was Director of the Board till 3 November 2009.

A total of eight meetings of the Board of Directors were held during FY10.

Executive Committee

11.2 Under section 12(1) of Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) the Executive Committee was constituted as follows:

Dr. Atiur Rahman	Chairman
Mr. Md. Nazrul Huda	Member
Prof. Hannana Begum	Member
Mr. Md. Shafiqur Rahman Patwari	Member
Mr. Abu Hena Mohd. Razee Hassan	Secretary

A total of six meetings of the Executive Committee were held during FY10.

Audit Committee of the Board

11.3 In line with the international practice for strengthening corporate governance, an Audit Committee comprising of four non-executive directors was formed on 12 August 2002 to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting and the audit process. The present composition of the Committee is as follows:

Dr. Mustafa Kamal Mujeri	Convener
Dr. Nasiruddin Ahmed	Member
Prof. Hannana Begum	Member
Mr. Md. Shafiqur Rahman Patwari	Member

A total of two meetings of the Audit Committee were held during FY10.

In accordance with the Internal Audit Department Charter approved by the Audit Committee of the Board of Directors of the Bangladesh Bank, the Internal Audit Department (IAD) in FY10 identified 42 auditable units (departments/offices/units/cells) and chalked up the audit plan for FY10. Audits were conducted twice a year in the 16 auditable units identified as high risk, and once a year in the other 26 auditable units identified as medium risk or low risk. The audit reports were placed before the Governor and the Audit Committee of the Board. Two meetings of the Board's Audit Committee were held in FY10. The guidance/directives/ recommendations received by the IAD from the Governor and the Audit Committee were conveyed to the relevant

auditable units for implementation. Progress reports on implementation of these guidance/directives/recommendations were placed before the meeting of the Audit Committee.

Some preliminary works have been in progress since 2006 in strengthening the risk management functions in BB in the framework of Enterprise wide Risk Management (ERM). The IAD played its role in facilitating and coordinating the preliminary work in identifying risks in different functional/operational areas. Direct engagement in risk management functions is not the role intended or appropriate for IAD; nevertheless, the IAD will play a role in assisting and coordinating the work of BB management in chalking up and implementing a roadmap for ERM in the BB.

New Appointment in Different Posts

11.4 A total of 46 officials were appointed during FY10, including 7 Assistant Director (Statistics), 20 Assistant Director (Research), 5 Assistant Director (Ex-cadre Library), 5 Assistant Director (Ex-cadre), 8 Assistant Maintenance Engineer and 1 Assistant System Analyst.

Assistant Director (Statistics)	7
Assistant Director (Research)	20
Assistant Director (Ex-cadre Library)	5
Assistant Director (Ex-cadre)	5
Assistant Maintenance Engineer	8
Assistant System Analyst	1
Total :	46

Retirement, Voluntary Retirement, Resignation, Death, Compulsory Retirement and Removal

11.5 The number of officials/ staffs of the Bank retired/ voluntary retirement / resignation / died / removal during FY10 was as under:

Retirement	227
Voluntary Retirement	1
Resignation	7
Death	11
Removal	5
Total :	251

Creation/Abolition of Posts

11.6 In FY10, 144 new posts of officers and 1 post of staff of the Bank were created, 42 posts were upgraded and 42 posts of officials at different level were abolished. As a result, the total number of posts (sanctioned strength) of the employees has been increased from 7191 to 7336 at the end of FY10.

Working Strength of Officials and Staff

11.7 During FY10, the number of officials of the Bank decreased from 4020 to 3914. The number of staff stood at 1157. At the end of FY10, the number of vacant posts was 2265.

Number of Officers on Deputation/Lien

11.8 During FY10, 45 officials of the Bank were on deputation in different institutions of the country. A total of 11 officials of the Bank were on lien during FY10, of which 3 officials were at home and 8 officials were abroad.

Reorganising a Department of the Bank

11.9 In FY10, "Agricultural Credit & Special Programmes Department" has been reorganised. Two new departments named "Agricultural Credit Department" and "SME & Special Programmes Department" have been established in FY10. Besides, a new unit named "Strategic Planning Unit (SPU)" has also been established in FY10.

Welfare Activities and Approval of Scholarship

11.10 During FY10, an amount of Taka 2.12 million has been provided to the children of the officials of the staff as scholarship and Taka 0.07 million has been given as medical assistance from the Karmachary/Karmakarta Kallyan Tahbil. Besides, an amount of Taka 25.68 million has been allotted to Bangladesh Bank Schools, Mosques, Clubs, Day Care, Freedom Fighters' Welfare Units etc. to carry out their recreation and welfare activities.

Foreign Training and Study

11.11 During FY10, 468 officials of the Bank participated in different training courses/ seminars/ workshops abroad. Moreover, 30 officials were allowed to perform their higher studies abroad.

Domestic Training and Study

11.12 A total of 887 officials of the Bank participated in the training courses organised by different institutions (other than the BBTA) within the country during FY10. Moreover, 5 officials were allowed education leave to pursue their higher studies in the country.

Implementation of Performance Management System (PMS)

11.13 Bangladesh Bank successfully introduced Performance Management System (PMS) from appraisal year 2007-2008. For fine tuning of the newly introduced system, several number of intensive awareness programmes were held throughout the Bank including Branch Offices covering most of the supervisory officers to make them enable to appraise their appraisees objectively. During the awareness programme, the participants put some valuable suggestions and comments. In line with their recommendations/ suggestions more awareness/ facilitation programme will be held in future.

Training Courses, Workshops and Seminars Conducted by the Bangladesh Bank Training Academy (BBTA)

11.14 With a view to improving theoretical and practical knowledge as well as increasing the professional skill and efficiency of the officers of Bangladesh Bank, Scheduled Banks, Financial Institutions and other related organisations, the Bangladesh Bank Training Academy (BBTA) conducted a total of 144 training courses/ workshops/seminars during FY10, of which 105 training courses/workshops/seminars were held at the BBTA premises and 39 were held at

other outstation offices of Bangladesh Bank. A total of 5394 participants participated, of which 3964 from Bangladesh Bank and 1430 from scheduled banks, financial institutions and other organisations. Courses conducted by the BBTA during FY10 are shown in Table 11.1.

Table 11.1 Statement on different training courses, workshops and seminars organized by the Bangladesh Bank Training Academy during FY10

Sl. no	Subjects	Number of courses	No. of participants
1	2	3	4
1.	Foundation	1	81
	Foundation Course-2009 (Assistant Director)	1	81
2.	Special Training Courses		
a)	For officials of the Bangladesh Bank	75	1928
i)	Human Resource Planning, Career Planning Human Resource Management & Development	1	24
ii)	ICT Guidelines for Banks and FIs	2	53
iii)	Bangladesh Bank Accounts, Inter-Bank Transaction & Reconciliation	1	27
iv)	AML Act-2009 and the Techniques to Detect Suspicious Transactions	1	22
v)	Basic ICT Concepts, Issues & Office Applications for High Officials	3	74
vi)	Leadership, Team Building and Negotiation Skills	2	46
vii)	Central Banking & its role - Present and Future Challenges	1	27
viii)	Banking Supervision, Inspection Techniques & Inspection Report Writing	3	62
ix)	Public Procurement, Regulation Procedure, Preparation of Tender / Contract Document & Site Management	2	46
x)	Off-Site & On-Site Supervision in Monitoring & Evaluation of Banks And FIs	1	24
xi)	E-Commerce & E-Banking	1	18
xii)	Appraisal, Evaluation, Payment & Repayment of SME Loan & Housing Loan	1	20
xiii)	Safety, Security Management of KPI	1	22
xiv)	Managing and Appraising Employee Performance	1	18
xv)	Internet, Intranet and E-Views	1	19
xvi)	Prevention of Fraud, Forgeries and Malpractices in Banks	2	52
xvii)	Monitoring Foreign Exchange Transactions	2	53
xviii)	Micro Finance	1	18
xix)	Monetary and Financial Programming & Policies	1	20
xx)	Monetary & Fiscal Policy and their Interaction	1	19
xxi)	Monetary Policy Framework: Monetary versus Inflation Targeting	1	27
xxii)	New Financial Instruments & Derivatives	1	28
xxiii)	Prudential Regulations on Bank Supervision	1	30
xxiv)	Stress Management, Time Management, Impression Management & Change Management	3	67
xxv)	Core Risk Management and Basel II	4	99
xxvi)	Base II : Core Principles and Implementations in Bangladesh	3	81
xxvii)	Accounting for Bankers under IFRS	2	46
xxviii)	International Trade Financing including UCPDC-600 and related Standards	1	19
xxix)	Anti Money Laundering Present Development	1	22
xxx)	Islamic Banking Principles and Practices	1	21
xxxi)	Determination of CAMELS Rating in Bank Companies	1	17
xxxii)	Traning for Cash Officers	1	29
xxxiii)	Banking Acts, Laws & Regulations	1	26
xxxiv)	English Language & Communication Skill Department	1	16

Sl. no	Subjects	Number of courses	No. of participants
1	2	3	4
xxxv)	Major Policy issues/ directives of Central Bank	2	45
xxxvi)	Financial Instruments & Derivatives	1	25
xxxvii)	Human Resource Management & Development	2	48
xxxviii)	Elementary Course on Economics	1	18
xxxix)	Present Capital Market scenario in Bangladesh	1	35
xl)	Orientation Course (Cash)	1	34
xli)	Currency Management Payment & Settlement System	1	27
xlii)	Environment Risk Management	1	25
xliii)	Forex Reserve Management	2	44
xliv)	Strategic Planning & Management	1	28
xlvi)	Management of Money Market and Capital Market	1	24
xlvii)	Manners and Etiquette	1	36
xlviii)	Global Economic Recession and Route to Recovery	1	125
xlix)	Risk Based Auditing Internal Audit	1	23
	SME Financing	2	62
	i) Advance Course on Economics	1	22
	ii) Agricultural Financing & Rural Development	1	20
	iii) E-Governance	2	41
	iv) Foreign Direct Investment (FDI) & Portfolio Investment in Bangladesh	1	54
	b) For the Officials of Commercial Banks	38	1419
	i) Cash Management by Scheduled Banks	1	31
	ii) Foreign Exchange Transaction & Reporting Techniques	8	308
	iii) Financing SME by Commercial Banks in Bangladesh	1	27
	iv) Detection, Disposal of Forged and Mutilated Notes	9	319
	v) Credit Risk Grading	2	49
	vi) Money and Banking Data Reporting (SME's included)	9	335
	vii) Role of Bankers Towards Smooth Credit Flow to Women Entrepreneurs	3	119
	viii) Prudential Regulations on Bank Supervision	1	85
	ix) BASEL-II New Capital Adequacy proposal	1	56
	x) Policy/ Directives of Bangladesh Bank	1	40
	xi) Prevention of Fraud, Forgeries and Malpractices in Banks	1	30
	xii) Corporate Governance in Banks and Central Bank	1	20
	3. Workshops/Seminars/Lecture Sessions	19	1736
	a) Executive Development Seminars		
	i) Climate Change: Its Impact and Responses	1	50
	ii) Macroeconomic Policy Challenges under the Current Recession Environment	1	50
	iii) Promoting Employment- Intensive Growth in Bangladesh Monetary and Financial Policy Implications	1	50
	b) Corporate Governance in Banks and Central Bank	1	20
	c) SME Financing in Developing Countries & Utilization of this Experience in Bangladesh	1	27
	d) Off-Shore Banking in Bangladesh	1	26
	e) CIB Reporting	8	923
	f) SME Financing for Women Entrepreneurs	2	168
	g) Income Tax, VAT and Taxation Rules	1	40
	h) Climate Change: Its Impact and Responses	1	350
	i) Strengthening and Modernisation of Central Bank	1	32
	4. Workshops/Seminars/ Lecture Sessions: (As Per Request)	11	230
	a) Lecture Session for Navy Officers	1	11
	b) Capital Adequacy & Transparency and Market Discipline	1	37
	c) Banking Monetary & Fiscal Issues	1	20
	d) ABAP Training ERP Application	1	11
	e) RDMS Design, Development & Administration Training and System Management and Add-On Training	1	9
	f) Training Program for the End User under ERP		
	i) HR Module	2	56
	ii) MM Module	2	37
	iii) FICO Module	2	49
	Grand Total	144	5394

Central Bank Strengthening Project (IDA Credit No. 3792 BD)

11.15 Bangladesh Bank is implementing the Central Bank Strengthening Project (CBSP) with financial assistance from the International Development Association (IDA). The main objective of the project is to transform Bangladesh Bank into a modern and dynamic central bank capable of playing appropriate regulatory and supervisory role in the monetary and banking sector. Previously the total cost of the project was Taka 305.04 million (USD 43.46 million). As per 2nd revised TPP the total cost of the project is Taka 3892.02 million, of which IDA will provide Taka 3060.04 million and the rest Taka 832.00 million will be borne by the Bangladesh Bank. The project started in late 2003 and is expected to be completed by 2011. The main components of the project are: (a) Strengthening the Legal Framework; (b) Reorganisation and Modernisation (Functional Reorganisation, Automation, Human Resources Development, BBTA Modernisation, Office layout); (c) Capacity Building (Strengthening the Research Department, Strengthening Prudential Regulations and Supervision, Strengthening Accounting and Auditing).

A component-wise brief description of the developments made so far is as follows-

a. Strengthening the Legal Framework

In order to strengthen the legal framework of the banking sector, a law firm was hired under the CBSP which reviewed the existing laws (BBO, BCA & FIA) and submitted its recommendations for necessary amendments to these Acts. The Bangladesh Bank authority has already reviewed the consistency of draft BBO, BCA & FIA prepared by the Legal Counsels and translated the same into Bengali. In order to build in-house legal capacity, the Law Department was restructured and officials of the Law Department along with the BB

officials having academic background in Law were trained under this component. In addition, a separate Law Library has been set up in that Department.

b.Reorganisation and Modernisation

Functional reorganisation

In order to make the activities of the BB more dynamic, functional reorganisation of the Bank has been accomplished through abolishing and merging a number of departments of the Bank. Besides, functions of some departments have been reorganised. Formulation of Departmental Objectives and Key Performance Indicators was done ensuring that they are perfectly aligned with the overall mission and vision of the Bank. With a view to implementing of the Enterprise Resources Planning and Banking Application Solutions successfully, Standard Operating Procedures of several related departments have been prepared. Modernisations of the BBTA, modern office layout, IT lab, and video conferencing have been incorporated in the project in order to support the reform initiatives.

Automation

With a view to introducing automation of the overall functions of Bangladesh Bank, a number of initiatives have been taken under the project, such as establishment of LAN/WAN among different offices and departments implementation of ERP, Banking Package, Data Warehouse etc. Hardware like PCs, printers and other equipments have already been procured. Basic computer training has also been imparted to 2200 officials. LAN/WAN infrastructure is in place and connectivity has been established between head office and branch offices.

Bangladesh Bank signed a contract with Indra Sistemas S.A on 30 September 2009 to implement Enterprise Data warehouse which will be a large repository of historical and current transactional data of the financial sector. Indra has begun to implement the Project from 08 November 2009. A Data Center has been constructed under the package and customisation of the software in two different modules namely Economic and Monetary Analysis and Prudential Supervision are going on as per the finalised business required document. The package is expected to be completed by December 2010.

Implementation of ERP system is in progress. The Bangladesh Bank is implementing three modules of ERP, namely Finance Module (FICO), Human Resources (HR) Module and Material Management Module (MM). Training of the Bangladesh Bank officials as end users and Training for Trainer (TOT) have been completed on these modules. ERP will go live with parallel run from August 2010. Regarding the Data Warehouse, preparation of data center is complete. Now data modeling and mapping are going on. A contract has been signed with the Tata Consultancy Services Ltd. (TCS) for Banking Package (IT-5) and vendor has started their work for its implementation. An Implementation team made up of BB Officials from concerned departments has been formed to help the implementation of the package.

In order to develop a vibrant secondary market for the Government Securities, the operation of both the primary and secondary markets of these securities needs to be automated. Since automation of such securities operation will require both payment & securities settlement under the existing banking package, the Bangladesh

Box-11.1**Bangladesh Bank Strategic Plan for 2010-2014**

The Strategic Plan 2010-2014 of BB is the outcome of the third executive retreat of Bangladesh Bank titled as 'Strategic Planning and Management Strengthening Workshop' held at Jamuna Resort on 13-14 November 2009. Aligned with the revised vision and mission statements of BB - total 17 Strategies, 54 Objectives and 157 Action Plans (Key Performance Areas) have been identified to address the development and change initiatives we need to undertake. In addition, 5 core values were agreed upon to instill the morale and ethics in the BB workforce. The Strategic Plan 2010-2014 document has been published and its formal Launching Ceremony was held on 30 May 2010. Since strategic planning is a continuous process for organisational change and development, a Strategic Planning Unit (SPU) has been created to act as facilitator of the strategic implementation.

Seventeen strategies have been identified to address required development and changes to transform BB into a forward looking and modern central bank. Some objectives were also identified along with action plans and Key performance areas to implement those strategies.

Strategies listed for adoption

1. Revisit the current monetary policy framework to ensure continuing effectiveness of monetary policies;
2. Strengthen regulatory and supervisory framework to enhance financial sector resilience and stability;
3. Further deepen financial markets in Bangladesh;
4. Financial inclusion and broadening of access;
5. Develop more efficient currency management and payment systems
6. Strengthen reserve management capabilities
7. Enhance regulatory and supervisory framework against money laundering
8. Introduce separate and comprehensive guideline and supervision for Islamic banking
9. Develop more effective management of government domestic debt
10. Streamline and transform data reporting, processing and dissemination through full fledged ICT framework;
11. Full automation of credit information bureau (CIB);
12. Enhance the legal empowerment of BB in different functional areas;
13. Attract, retain and develop people ensuring sound organisational development;
14. Strengthen risk-based internal audit to add value to the risk management process in Bangladesh Bank;
15. Promote CSR activities and preparedness for climate change in Bangladesh with conducive policy support;
16. Develop effective channels for communicating central banks policies and initiatives to stakeholders to enhance effectiveness of implementation;
17. Create a 'Strategic Planning Unit' as a process owner of BB strategic plan.

Bank has decided to automate the primary and secondary market operation along with a central depository for Government Securities as an extension of the existing contract of banking package. The World Bank has also agreed to fund this project from unspent project fund of CBSP. The TCS has already started to identify the business requirement of BB.

Bangladesh Bank is also planning to establish National Payment Switch (NPS) with the estimated cost savings of existing packages of CBSP. The National Payment Switch will be a new inclusion in the project. This project will be funded from the unspent money of the CBSP. National Payment Switch (NPS) is a central clearing and settlement facility for card ATM, POS, internet and mobile based transactions. The commercial banks having an ATM/POS/e-Payment Switch or being connected to any other shared switch network will be able to send inter-bank or inter switch payment instructions to the national payment switch for clearing purpose. The vision of Bangladesh Bank in establishing the NPS is to provide the Bangladesh financial services industry access to a state of the art technological platform that will create a common platform for all the commercial banks for electronic payment.

Human Resources Development

With a view to developing the efficiency of the human resources of the BB, a modern Performance Management System (PMS), Recognition and Award policy, Training Need Assessment (TNA) and a new Training Policy and Procedure have already been formulated and are now being followed.

Local and Foreign training programmes are being implemented under this package. Till June 2010, a total of 547 BB officials

have been placed for different local training programmes conducted by the Bureau of Economic Research, Institute of Business Administration (IBA) of Dhaka University, the British Council etc. A total of 540 officials of the BB have been sent for overseas training in different programmes till June 2010. A MOU was signed on 22 February 2010 between the BB and Asian Institute of Technology (AIT) for conducting high quality customised executive development courses in the areas of central banking, information technology, development management, training of trainers, one year long EMBA programmes, in line with the objectives of the BB by AIT.

c. Capacity Building

Strengthening the Research Department

A Policy Analysis Unit (PAU) was established in the Research Department to enhance the quality of research work of the BB. The PAU has been publishing Monetary Policy Statement & Financial Sector Review on a bi-annual basis and has published several Monetary Policy Notes and a number of Working Papers on different economic and financial issues. Initially, the costs of PAU was borne from the CBSP, this unit is now running under the BB's regular budget. The CBSP has initiated the hiring process of eminent research economist on contractual assignments to guide a group of researchers from the BB to perform research on selected topics.

Strengthening Prudential Regulations and Supervisions

In order to strengthen the supervisory activities of the BB, policies on licensing, good governance, accounting policies (disclosure), loan classification and provisioning, capital adequacy, liquidity risk management and

credit risk management have been formulated and adopted. With a view to supervising the financial institutions, a comprehensive inspection manual has been prepared which is now followed by the concerned departments.

Strengthening Accounting and Auditing Standards

The BB has adopted International Accounting Standards (IAS) as its accounting framework

and International Standards on Auditing (ISA) for auditing standard in FY03. In order to support the strengthening initiative, the BB has utilised the services of Financial Management Consultant (a local Audit Firm with international affiliation). The firm offered various training courses for the official of Accounts & Budgeting Department and Internal Audit Department of the BB. Besides, the firm also prepared a Financial Management Manual and an Internal Audit Manual, which are now followed by BB.