

Appendix–1

Chronology of Major Policy Announcements: FY11

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1. Financial Sector Development

- July 2010
- Banks in Bangladesh are free to engage in repo transactions with Bangladesh Bank and with other banks and financial institutions which maintain a current account with Bangladesh Bank. It has been observed that some confusion still remain regarding the accounting treatment of repo transactions. Considering the inherent risk involved in repo operation and its implications in the financial statements, Bangladesh Bank (BB) has decided to introduce a uniform accounting procedure for repo operation as a prudential measure aimed at better risk management. From now on, banks are advised to comply with the some guidelines relating to repo operation in government securities, effective from 01 September 2010.
- July 2010
- A fund worth USD 95 million for refinancing SME by the banks and FIs has been formed with the financial support of ADB amounting USD 76 million under the project Small and Medium Enterprise Development Project (SMEDP). In this fund government has provided USD 19 million equivalent local currency. Banks and FIs will be provided refinance facility against this fund for extending SME loans to end borrowers outside Dhaka and Chittagong metropolitan area.
- August 2010
- Basel-II Accord would be implemented in the Financial Institutions from January 2012. In this regard an Action-plan/Roadmap has been prepared. Basel-II will be implemented with the following specific approaches as initial steps:
 - a) Standardised Approach for calculating Risk Weighted Assets (RWA) against Credit Risk supported by External Credit Assessment Institutions (ECAIs);
 - b) Standardised Rule Based Approach against Market Risk; and
 - c) Basic Indicator Approach for Operational Risk.
- August 2010
- It has been decided that the risk based regulatory capital adequacy framework in line with Basel-II has fully come into force from 1 January 2010 replacing the previous approach for calculating capital adequacy of banks. In order to enable the banks to have all existing instructions on the subject at one place, the revised guidelines on RBCA have been prepared, which has incorporated all instructions issued till 31 July 2010. Moreover, the overall situation regarding adoption of the RBCA has since been reviewed and considering the same, several new instructions and reporting formats have been included in the revised guidelines. Report on capital adequacy of banks in line with the revised guidelines should be submitted to the Department of Off-site Supervision on quarterly basis within the following month of the relevant quarter.

- August 2010 • With a view to ensuring supply of rice in the market the following decisions have been taken:
 - a) In case of revolving CC/OD loan against Pledge and Hypothecation to local mill owners for procurement of rice, the loan must be repaid/adjusted within 45 days from the date of disbursement of loan.
 - b) In case of revolving CC/OD loan against Pledge and Hypothecation to paddy and rice traders, the loan must be repaid/adjusted within 30 days from the date of disbursement of loan.

- August 2010 • Considering the importance of education to eradicate prevailing inequality, deprivation and poverty of the greater population of the country and to upgrade the living standards of underprivileged people, it seems to be necessary to extend educational facilities along with interest-free loan and other innovative programmes among meritorious poor students including the children of poor freedom fighters by giving financial assistance at vocational and secondary, higher secondary, graduation (Hons), post-graduation, higher studies (M. Phill, PhD) level. In view of this, banks are requested to widen the contemporary area of educational facilities among the children of poor freedom fighters in the form of stipend and financial assistance in conjunction with extending educational activities among the poor students of remote and underdeveloped area (*Char, Haor, Coastal area*) of the country under CSR activities.

- August 2010 • Minimum seven days prior notice from the depositor will be required to withdraw money from the SND account and the client will not be entitled any interest for the month if any amount without prior notice is withdrawn. Each withdrawal will require separate notice and no back dated notice will be attended.

- August 2010 • In case of fixed term loan interest will be charged on quarterly basis at the time of final adjustment. In case of continuous loan interest will be charged on quarterly basis, at the end of validity or at the time of final adjustment.

- September 2010 • Some amendments have been made in the terms/conditions (ICD circular no 1/2001 and 1/2002, ACSPD circular no: 1/2003 and circular letter no : 7/2008) regarding re-finance scheme for setup of rural industry for agro-processing products which are as follows :
 - 1. Banks/financial institutions will avail 100 percent refinance facility against disbursement of loan for setting rural area based agro-processing industry outside Divisional Headquarter and Narayangonj City. The re-financing facility will be applicable for working capital, medium and long-term loans under this scheme. Working capital, medium term loan and long term loan will be for one year, three years and five years respectively.

2. The invested amount of fixed asset (except land & building) will not be exceeded Taka 100.0 million instead of maximum Taka 50.0 million.
 3. The rate of interest will be bank rate (5 percent) + maximum 5 percent i.e. 10 percent for customer loan under the mentioned scheme.
 4. The amount which is re-financed by the banks and financial institutions under the scheme will be repayable by the following way:
 - Working capital loan: Loan will be repayable with interest for one year on the basis of two equal half-yearly instalments from the date of disbursement.
 - Medium term loan: Loan will be repayable with interest for three years on the basis of five equal half-yearly instalments with six months grace period from the date of disbursement.
 - Long term loan: Loan will be repayable with interest for five years on the basis of nine equal half-yearly instalments with six months grace period from the date of disbursement.
 - The following items are included in the list of agro-based industry under the fund (annexure "KA" of issued ACSPD circular no: 07/2008): a) Production of electricity and bio-gas from the paddy husk, poultry wastes and cow dung. b) Production of edible oil from the rice bran.
 5. The other conditions of all issued circulars related with the fund will remain unchanged and it will be considered that the above mentioned clauses at the executed participation agreement of PFI's with Bangladesh Bank have been revised.
- September 2010
- To strengthen the financial strength of women entrepreneurs of the country and to increase institutional credit flow to them, BB has taken various initiatives. Recently BB has reduced the lower limit of small entrepreneurs' loan to Taka 50,000 from Taka 2,00,000. However, it was observed that women entrepreneurs who need less than Taka 50,000 of bank credit are not attended by the bankers. To remove this impediment towards access to finance by the women entrepreneurs, BB instructed all banks and FIs to inform those women entrepreneurs who need less than Taka 50,000 individually to form group for the purpose of availing SME loan and banks and FIs may extend credit facility to that group. Moreover, group basis SME lending will be refinanced under the refinance scheme of BB and interest rate for such loan will be maximum 10 percent (bank rate+5 percent). Number of group member, loan amount and other credit norms may be determined as per banks own policy and banker-customer relationship.

- September 2010 • Decision has been taken to provide the agricultural credit facilities at a concessional interest rate of 4 percent for cultivation of salt in coastal areas of the country. Loan facility will be applicable to genuine salt cultivators per person for cultivating salt from 0.5 bigha to 2.5 acre of land individually or on a group basis. The concerned banks will fix the realistic maximum limit of credit for per acre salt cultivation taking into account the rent/lease of land, cost of polythene and embankment, etc. However, the farmers cultivating salt in their own land shall not be entitled to get the rent/lease amount. If any farmer is reported to have not used the loan properly, normal interest rate will be applicable instead of concessional rate of 4.0 percent. Banks will apply for interest loss compensation @ 6.0 percent against the recovered/adjusted loan accounts financed at the rate of 4.0 percent within one month after the end of the respective year to Bangladesh Bank.
- September 2010 • Banks have been instructed to open an account by depositing Taka 10 (ten) only at any state owned commercial and specialised bank against national ID card and registration card issued by the Ministry of Food and Disaster Management. There will be no bindings for maintaining minimum balance on the said account and banks shall not impose any charge/fees on these accounts.
- September 2010 • Financial Institutions have been instructed to submit sector-wise information on loan/lease- Trade and commerce, Industry, Agriculture, Housing etc. - to the Department of Financial Institutions and Markets of Bangladesh Bank on quarterly basis.
- September 2010 • Instruction has been given to all Bank Companies operating in Bangladesh to ensure compliance by their employees with the provision of Section 2(23) of the Stamp Act, 1899 about use of Revenue Stamp of Taka 5 for each receipt of above Taka 200 (two hundred) regarding any monetary transaction or otherwise as described in Entry-53 of the schedule-1 of the said Act.
- October 2010 • Banks shall pay the commission to the indentors after deducting Value Added Tax (VAT) @15 percent at the time of payment.
- October 2010 • After reviewing "monetary compensation of banks against agricultural loan disbursed at concessional interest" (ACSPD circular No. 03/2006), it has been decided that, grace period will be extended to 06 months instead of 03 months with specified time limit at the time of sanction. The concessional interest rate will not be applicable in case of full or partial unrealised loan at the end of specified time duration along with the grace period. Normal interest rate of banks will be applicable on overdue/expired outstanding amount from the date of loan disbursement."

- October 2010 • No additional service charge can be imposed on any type of loans including Export Credit since interest and service charge are included in the rate of interest on loans.
- October 2010 • National Credit Rating Ltd. (NCRL) and Emerging Credit Rating Ltd. (ECRL) have been recognised as eligible External Credit Assessment Institutions (ECAIs) in addition to existing two rating agencies (i.e. CRISL and CRAB). All the scheduled banks operating in Bangladesh may nominate any one or more rating agency (ies) for their own and counterparty credit rating for the purpose of calculating RWA against credit risk as per Risk Based Capital Adequacy (RBCA) guidelines.
- October 2010 • Banks will be required to maintain general provision @ 2 percent instead of existing 1 percent against unclassified loans to Brokerage Houses/Merchant Banks/Stock Dealers against share etc. Banks are also advised to submit this information through amended CL-1 format.
- October 2010 • Regarding direction of issuing MICR cheques from all bank-branches countrywide by phasing out the non-MICR ones, the statistical observation confirmed that banks were unable to phase out the non-MICR cheques. Considering the difficulties of the common people, the time for receiving non-MICR cheques has been extended. Last date for receiving non-MICR cheques for Chittagong and Sylhet regional clearing house is 30 November 2010 and for other clearing houses is 30 December 2010.
- November 2010 • Banks are advised to follow meticulously the instructions circulated earlier in case of facilitating their own separate subsidiary companies established for the purpose of merchant banking or share brokerage considering the companies to be in the same group.
- November 2010 • It is really hard to pay fees in the form of pay order/draft for the unemployed youths while applying for a bank job. In this context, banks which are collecting fees in case of recruitment in their service are therefore requested to follow the foreign banks and some private commercial banks who don't collect such fees.
- November 2010 • Banks are advised to continue their regular monitoring to ensure the proper utilisation of the loan/investment as stipulated in the loan application.
- December 2010 • Compulsion of CIB enquiry and CIB report by banks for maximum Taka 0.15 million short-term agricultural credit disbursements in case of crop production have been relaxed for faster and timely disbursement of agricultural credit to the farmers. It is mentionable that according to clause 5.08 of agricultural/rural credit policy & programme for FY11 under "Lead Bank" system, the condition of issuing NOC from the respective branch of a bank for a certain union by the

another branch of a bank in case of disbursement of agricultural loan within that union will remain in force so that the defaulters can't avail new credit facilities.

- December 2010 • In case of Fixed Term Loan, interest will be calculated on the basis of the product of the day end balance but interest must be charged on quarterly basis. Banks are not allowed to charge penal interest. The loan accounts under the prudential guidelines for Consumer Financing and Small Enterprise Financing will be repaid according to Equal Monthly Instalment (EMI) method. No additional charges shall be collected along with the rate of interest/profit on loans other than the announced schedule of charges.
- December 2010 • Recently it has been observed that financial institutions are collecting fees/charges/commissions from customers while providing some services against loans/leases. In this context, some instructions have been issued to validate of the fees/charges/ commissions collected from customers while providing services by the financial institutions. Financial institutions should show their fees/charges/commissions for providing services against their loans/leases on a visual place at their head office and also in branch offices and upload the same on their websites. The schedule of announced fees/charges/commissions has to send regularly to DFIM of Bangladesh Bank on half-yearly basis at end June and end December within 31 July and 31 January subsequently by financial institutions.
- December 2010 • Schedule for the full implementation of the Bangladesh Automated Clearing House (BACH) are as follows-
 1. Time limit of high Value Clearing in all branches of the Dhaka Clearing Regions has been set on 5 January 2011.
 2. BACPS operation in Sylhet clearing region will be started from 20 January 2011 and in Chittagong region from 3 February 2011. The information of these clearing instruments will have to send to the BACPS data center located in Motijheel, Dhaka. Net settlement will be done by adjusting the Bank Accounts kept under the Motijheel Office, Bangladesh Bank, Dhaka.
 3. Bangladesh Electronic Fund Transfer Network (BEFTN) will start operation from 24 February 2011 only for the credit transactions.
- December 2010 • For the purpose of furnishing up-to-date information to Bangladesh Bank on CSR initiatives/activities as well as maintaining proper communication and liaison with all concerned, banks are required to have a separate focal/contact point. All scheduled banks are, therefore, advised to establish a separate 'CSR desk' as a focal/contact point.

- December 2010 • Regulation 21 of "Guidelines for Prudential Regulations for Consumer Financing (Regulations for Auto loans)" has been replaced as under: "The banks desirous of financing the purchase of used vehicles shall prepare uniform guidelines for determining value of the used vehicles. However, the bank will only finance the vehicles imported as described in the existing Import Policy Order."
- December 2010 • In case of bill collection, IPO collection and ESCROW account, fund may be withdrawn from SND account and transferred to other accounts after a certain interval (at least 7 days) without separate notice for each withdrawal. But that must be stipulated in the agreement between the aforesaid clients and the bank. The said SND accounts may be operated without cheque book. The rate of interest on SND accounts may be lower/higher than the rate of interest on savings account. Minimum balance requirement may be imposed for SND accounts but no minimum balance fee will be charged.
- December 2010 • It has been decided to include the Solar Panel in terms of providing new electric connection by considering public welfare. Decision has been taken to stimulate the establishment of Solar Panel by providing credit facilities which are as follows:
1. To establish Solar Panel at the buildings used for residential/commercial/ industrial and other purposes commercial banks will have to emphasise on credit programme with easy and quick access of loan at acceptable/tolerable interest rate (maximum 10 percent) and they will have to introduce their own scheme for the same. In this context, banks may take the refinancing facility under the existing refinance scheme of Bangladesh Bank.
 2. The debt-equity ratio will be determined on the basis of banker-customer relation by banks for solar panel establishment.
 3. Loan limit will be determined on the basis of electricity production capacity of solar panel.
 4. The time limit of loan repayment will be maximum 10 years on the basis of amount of loan and the capacity for electricity production via solar panel.
 5. Banks can use NGO/Company/Institution as their delivery agent/intermediary to select borrower, preparing the credit proposal, evaluation, sanction, loan disbursement, monitoring, recovery etc. for the purpose of delivering credit facility at the borrower level.
- December 2010 • With a view to ensuring supply of rice in the market the revolving CC/OD loan against Pledge and Hypothecation to local mill owners including all paddy/rice traders must be repaid/adjusted within 30 days from the date of disbursement of loan.

- December 2010 • To make some instructions of revised guidelines on Risk Based Capital Adequacy (RBCA) for banks, (BRPD Circular No. 24/2010) more specific and transparent, number of directives have been rephrased and revised.
- January 2011 • Small, marginal and tenant harvesters will get loan at concessional 4 percent interest rate as per credit norms to be followed in case of lending to sea salt harvesters in coastal belt. The modality for banks also laid out in case of apply for six percent interest subsidy that BB will pay out on behalf of the government.
- January 2011 • Detailed guidelines for banks for assessing the environmental risks of projects applying for credit facilities has been informed to banks.
- February 2011 • Permissible maximum period for pledge/hypothecation loans to rice millers and traders was increased to 45 days from the earlier 30 days (vide BRPD Circular Letter No. 03 dated 14 February 2011).
- February 2011 • With a view to easing upward pressure on prices of essential edibles, banks were asked to adhere strictly to an earlier instruction (May 2010) to charge interest rate not higher than 12 percent on loans for import of edible oil, gram, pulses, chickpeas, onions, spices, fruits and sugar.
- February 2011 • Stress testing guidelines issued to banks earlier in April 2010 were revised (DOS Circular No. 01 dated 23 February 2011) with instruction to conduct and report the tests to BB on a quarterly basis.
- February 2011 • Banks were asked to follow guidelines in adopting environmentally responsible practices both in their lending to industrial and other productive enterprises and in their own internal processes. BB will track and rate green banking initiatives of banks on an ongoing basis; with incentives to better performers by way of added scores in CAMELS rating, in permitting new branches etc.
- March 2011 • Lending interest rate caps introduced during the global financial crisis and economic slowdown were done away with except for the 13 percent cap on agricultural loans and industrial term loans, 7 percent cap on export loans and 12 percent cap on import financing of rice, wheat, edible oil (crude and refined), pulse, gram, onions, dates and sugar.
- March 2011 • Prevailing practice of submitting bids in primary auctions of treasury bills and bonds by all banks has been modified. It has been decided that in Q4 FY11, only Primary Dealers (PDs) in government securities will be allowed to participate in these auctions; others will have to submit bids through PDs. The modified practice may continue beyond Q4 FY11 subject to satisfactory performance.

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- March 2011
- Banks have been directed to meet through their branches the coin requirements of general public; maintaining separate coin delivery counters in branches; obtaining coin supply from BB with at least 0.1 percent of their cash withdrawals in coins of Taka 1, 2 and 5 denominations.
- March 2011
- The e-commerce facilities opened up earlier have been extended further by allowing online/internet transfers up to Taka 0.05 million in a day from a customer's account in a bank to account of another customer in the same bank subject to compliance with Money Laundering Prevention Act and instructions there under.
- March 2011
- Banks were directed to submit monthly forward looking liquidity profiles drawn up in format annexed to DOS Circular Letter No. 02 dated 29 March 2011.
- April 2011
- The live operations of Bangladesh Automated Cheque Processing Systems (BACPS) have been started in Dhaka, Sylhet, Chittagong, Rajshahi and Barisal on 7 October 2010, 20 January 2011, 3 February 2011, 7 April 2011 and 25 April 2011 respectively. Under the system, Government Cheques will be cleared manually and Non-Magnetic Ink Character Recognition (MICR) Foreign Remittance Draft will be handled by the paying banks. Instruments received in Rajshahi and Barisal regions will have to be sent to Data Center in Dhaka for clearing. Reconciliation of amount of these instruments will be done through the net-settlement of the accounts of the banks kept at Motijheel Office. Banks of these regions were thereby advised to take necessary preparatory steps for participating in the BACPS.
- April 2011
- Bangladesh Electronic Funds Transfer Network (BEFTN) has been started its live operation from 28 February 2011 which is an easy, cheap, fast and secure platform for transferring funds to clients of the banks. Banks were advised to use the Electronic Funds Transfer Network (EFTN) for disbursing dividends to the shareholders.
- April 2011
- Environmental risk is a facilitating element of credit risk arising from environmental issues which may bring uncertainty or possibility of loss in the context of a financing transaction. Environmental risks lead to an increase in non-performing loans (NPLs) for Banks/Financial Institutions (FIs). Banks/FIs in Bangladesh need to protect their financing from the risks arising out of the deteriorating environmental scenario and climate change. To streamline solutions for managing the environmental risks in the financial sector, guidelines on Environmental Risk Management (ERM) has been prepared. The guidelines will be revised as and when required and at least once in every three years. The structure of the guidelines provide the minimum that needs to be in place and is intended to make available a common platform from which individual institute can launch its own environmental risk assessment framework. A soft copy of ERM guidelines has been made available in the BB website.

- April 2011
- To provide the freedom fighter's allowance through bank account, it has been decided that freedom fighter's can open bank account by depositing taka 10 (ten) only at any state owned commercial and specialised bank against national ID card and Payment Receipt Book for freedom fighter's allowance. There is no compulsion for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts.
- April 2011
- All local scheduled banks have been advised to submit the minutes of the meetings of their Board/Executive Committee/Audit Committee to the Department of Off-site Supervision compulsorily within 7 days of the meeting held instead of within 10 days of the following month.
- May 2011
- Banks/FIs have been informed about (i) registration fee for CIB online services, imposition and realisation of service charge for CIB reports generated through CIB online system ii) penalties imposed on banks and FIs failed to contribute monthly batch contribution in time and for disclosure of credit information contained in CIB reports and iii) exaction of money as penalties for the above issues from banks/FIs concerned.
- May 2011
- Private and foreign banks will have to fix target for annual agricultural credit programme which would be not less than 2.5 percent of their total loan and advances.
- May 2011
- All scheduled banks which extended loan to their own subsidiary/ subsidiaries exceeding Single Borrower Exposure Limit as fixed earlier have been instructed to bring down the loan to the prescribed limit within 31 December 2011.
- May 2011
- Investment at the HTM securities (as per value) has been determined at 50 percent of Statutory Liquidity Requirement (SLR) in place of 25 percent with effect from May 2011 which required to reserve for the respective month.
- May 2011
- Concessional interest rate has been increased to 4 percent from 2 percent for agricultural credit to be used for cultivation of pulses, oil seeds, spices and maize with effect from 1 July 2011. Besides, state-owned commercial & specialised banks, private banks can also provide such loan within their annual agricultural credit programmes with interest subsidy at 6 percent given by BB.
- June 2011
- For the proper compliance of the respective provisions of the Money Laundering Prevention Act, 2009, some instructions have been given for the NPO and NGO which are as follows:

1. Each NPO/NGO shall formulate Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) policy approved by their Board of Directors and nominate a senior level officer to communicate with Bangladesh Bank to facilitate the AML/CFT procedures.
2. They are also advised to preserve some documents like information relating to the NPO/NGO's goals, objectives and functions, complete identification information of those who control or direct the activities of the organisation, the audited annual financial statement, the record of the meeting and the training conducted on AML/CFT issues, the functions of the foreign branches.
3. They are advised to collect, correct and complete information of identification with supporting documents of the customers. They shall also preserve the identification information/documents of the customers and records of transactions for at least 5 (five) years from the date of closure of the relationship with the customer.
4. The senior management of each NPO/NGO shall ensure that all funds are spent in a manner that is consistent with the stated goals, objectives and activities of the NPO/NGO.
5. Each NPO/NGO shall report immediately to the Bangladesh Bank if any incident of transaction identified/appears suspicious to them.

June 2011

- The new definitions of cottage, micro, small and medium industry/enterprise are determined as follows:

In manufacturing sector, according to the new definitions, an enterprise having fixed assets of Taka 100 million to Taka 300 million including replacement costs and excluding land and building; or having 100 to 250 workers employed, will be treated as medium industry/enterprise. In case of services and business enterprises, the value of fixed assets including replacement costs and excluding land and building would be between Taka 10 million to Taka 150 million; or workers' range will be 50 to 100 employees.

In manufacturing sector, an enterprise having fixed assets of Taka 5 million to Taka 100 million including replacement costs and excluding land and building; or having 25 to 99 workers employed, will be treated as small industries. In case of services and business enterprises, the value of fixed assets including replacement costs and excluding land and building would be between Taka 0.5 million to Taka 10 million; or workers' range will be 10 to 25 employees.

An enterprise will be considered as micro enterprise in manufacturing sector if its fixed assets including replacement cost and excluding land and building is in the range from Taka 0.5 million to Taka 5 million or workers' volume stands between 10 and 24; or less. Service or business micro industries will have

fixed assets including replacement cost and excluding land and building valued less than Taka 0.5 million or the number of workers is less than 10.

Cottage industry means an enterprise predominantly run by members of family and having fixed assets including replacement cost and excluding land and building of less than Taka 0.5 million and total workforce of less than 10 including members of the family.

If an enterprise falls into a category according to one criteria (i.e. asset value or work force) and falls into an upper category considering the other criteria; then the particular enterprise will be treated into the upper category.

If a woman is the proprietor of a proprietary firm or holds 51 percent stock in a partnership firm or in a firm registered under the Register of Joint Stock Companies, then she will be treated as 'women entrepreneur.

- June 2011
- Beneficiaries under Social Security Programme can open bank account by depositing taka 10 (ten) only at any state owned commercial and specialised bank against national ID card and Payment Receipt Book containing Pension Payment Order (PPO) for the beneficiaries. There is no compulsion for maintaining minimum balance on the said accounts and banks shall not impose any charges/fees on these accounts.
- June 2011
- The number of members of Audit Committee under a bank's Board of Directors has been fixed at maximum 5 (five) instead of 3 (three).
- June 2011
- It has been decided that in order to maintain uniformity in interest rate statements banks shall announce the mid-rate of the limit (if any) on lending for different sectors. They may charge interest of 1.5 percent more or less than the announced mid-rate. Banks are allowed to differentiate interest rate up to a maximum of 3 percent considering comparative risk elements involved among borrowers in the same lending category. Banks shall declare and disclose their own maximum rate of interest in case of export sector or other sectors where the maximum interest rate has been fixed or will be fixed by Bangladesh Bank. As per existing instructions, banks must submit returns on rate of interest on deposit and lending to Bangladesh Bank within 7 days of the respective month. Besides, banks shall report to Bangladesh Bank instantly means the same day for any change in rate of interest. Banks shall display the complete schedule of rate of interest in suitable visible places in their branches and head offices for the information of their customers and upload the same in their respective websites.
- June 2011
- SME/Agriculture branches which are going to establish/open will be environment friendly where there will be the availability of using natural light, renewable energy, power and energy saving bulbs, other equipments, efficient

use of water and refined water. These branches will be required to ensure in the application that the solar system is in place in the branch for obtaining license for the branches having permission in principle.

- June 2011 • The system of submission of bids in the primary auction of Government Treasury Bills and Bonds only by Primary Dealers (PDs) has been extended for the quarter July-September 2011. Individuals and institutions other than the primary dealers shall take part in the auction as usual through the Primary Dealers.
- June 2011 • For the determination of yield of Treasury Bills in auctions and also for the calculation of interest of Repo, Reverse Repo and Liquidity Support to Primary Dealers the total number of days in a year will be considered as 365 from 1 July 2011.

2. Monetary Sector Development

- August 2010 • The rate of REPO and reverse REPO has been re-determined from 4.5 percent and 2.5 percent to 5.5 percent and 3.5 percent respectively, effective from 19 August 2010.
- December 2010 • It has been decided that the rate of Cash Reserve Requirement will be on average of 6.0 percent bi-weekly basis instead of 5.5 percent of the total demand and time liabilities of scheduled banks and minimum 5.5 percent on daily basis instead of 5.0 percent with effect from 15 December 2010.
- December 2010 • It has been decided that all scheduled banks in Bangladesh will maintain Statutory Liquidity Reserve (SLR) including Cash Reserve Requirement (CRR) with Bangladesh Bank not less than 19.00 percent of their total demand and time liabilities, and the amount of SLR for Islami shariah based banks and the Islami banking branches/windows of all conventional banks will not be less than 11.5 percent of their total demand and time liabilities effective from 15 December 2010.
- March 2011 • BB's Repo and Reverse Repo interest rates were hiked by 50 basis points to 6.0 and 4.0 percent respectively, with effect from 13 March 2011.
- June 2011 • As a monetary policy instrument of the Bangladesh Bank, the prevailing interest rates of repo and reverse repo have been re-fixed at 6.25 percent and 4.25 percent by increasing 25 basis points from 6.0 percent and 4.0 percent respectively, effective from 27 April 2011. Interest rates of repo and reverse repo have been further re-fixed at 6.75 percent and 4.75 percent from 6.25 and 4.25 percent respectively with effect from 15 June 2011.

3. External Sector Development

- July 2010 • Directives regarding implementation of steps adopted in second stimulus package declared by the Government for the development of export sector have been amended as follows:

- (a) The manufacturer-exporter exporting textile/textile goods amounting up 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 having availed of cash incentive at a rate of 5 percent will be eligible for additional 5 percent cash incentive in the same financial year (2009-2010).
 - (b) The eligible 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 as per the list given by BGMEA/BKMEA.
- August 2010
- In case of export of jute products produced by Jute Mills, decision has been taken to give export subsidy against advance payment through TT along with same facility provided against export bill negotiation/collections provided the following conditions are fulfilled:
 - The condition of advance payment through TT will have to be mentioned clearly on the export LC/ contract. The actual value, quantity of exports and the trustworthiness of the foreign buyer should be supported as per annexed certificate issued by the Bangladesh Jute Mills Association.
 - In case of export through export LC/contract conditioned with the repatriation of advance payment through TT, AD branch will declare after confirming about the genuineness of the value, amount and the details of the TT message.
 - The said facility will be applicable only for export to countries other than Pakistan, India, Hong Kong and Singapore.
 - The facility will be applicable for the shipped products.
 - Other instructions followed earlier regarding export subsidy on jute products export will remain unchanged.
- September 2010
- Referring to paragraph 29(i), chapter 13 of Guidelines for Foreign Exchange Transactions (GFET-2009), Vol-I regarding utilisation of balances held in Exporter's Retention Quota (ERQ) accounts for bonafide business purposes, such as business visits abroad, participation in export fairs and seminars, establishment and maintenance of offices abroad, import of raw materials, machineries and spares, etc. without reference to Bangladesh Bank. It is clarified that ADs on request by the IT/Software exporting firms can remit international alliance/software registration fee, domain registration/hosting fee, server maintenance fee, account verification/remittance test fee, etc. from the ERQ account of the applicant without prior approval of Bangladesh Bank.

It has now been decided to allow the ADs to remit up to USD 10,000 on behalf of IT/Software firms in a calendar year for the above mentioned purposes subject to the compliance of certain conditions mentioned in the para-2 of the circular. Consequently referring to paragraph 23 (b), chapter 8 of GFET 2009 regarding export of software, data entry/processing without Exp procedure, it is clarified that ADs are allowed to work as 'Acquiring Banks' for realisation of internet/web generated payment favouring BASIS member IT/software firms registered and operating in Bangladesh subject to compliance with certain terms and conditions. In both cases AD shall have to comply with the applicable regulations, AML/CFT, Payment and Settlement Systems and other relevant laws/regulations in force and report the transactions with monthly returns to Bangladesh Bank in the relevant schedules/statements.

- September 2010 • Referring to paragraph 29(i), chapter 13 Guidelines for Foreign Exchange Transactions (GFET-2009) Vol.1 regarding utilisation of balance held in Exporters Retention Quota (ERQ) accounts for bonafide business purposes, such as business visits abroad, participation in export fairs and seminars, establishment and maintenance of offices abroad, import of raw materials, machineries and spares, etc. without reference to Bangladesh Bank. It is clarified that ADs on request by the IT/Software exporting firms can remit international alliance/software registration fee, domain registration /hosting fee, server maintenance fee, account verification/ remittance test fee etc. from the ERQ account of the applicant without prior approval of Bangladesh Bank. It has now been decided to allow the ADs to remit up to USD10,000 on behalf of IT/Software firms in a calendar year for the above mentioned in the Para 2 of the circular. Consequently (referring to paragraph 23(b), chapter 8 of GFET 2009) regarding export of software, data entry/processing without EXP procedure it is clarified that ADs are allowed to work as 'Acquiring Banks' for realisation of internet/web generated payment favouring BASIS member IT/Software firms registered and operating in Bangladesh subject to compliance with certain terms and conditions. In both cases AD shall have to comply with the applicable regulations i.e. AML/CFT Payment and Settlement Systems and other relevant laws/regulations in force and report the transactions with monthly return to Bangladesh Bank in the relevant schedules/statements.
- September 2010 • Guidelines for Foreign Exchange Transactions (GEFT), 2009 (Volume-2) was issued and to be followed by the authorised dealer banks, money changers or other related constituents incorporating all related circulars of returns and statements (to be submitted to BB) issued up to 31 July 2010. It has been instructed that all authorised dealer banks, money changers or other related constituents shall submit the return according to new version of GEFT (Vol-2) from January 2011.

- September 2010 • To encourage export trade of the country, it has been declared to continue export subsidy/cash incentives by the government like previous years on net fob value of the selected commodities shipped during 1 July 2010 to 30 June 2011 at the following rates 1) alternative cash incentives @ 5 percent instead of Tariff Bond and Duty Draw-back at export oriented domestic textile sector; 2) cash incentives @ 15 percent to 20 percent on handmade products that made of hogla, straw and coir of sugarcane; 3) subsidy @ 20 percent for agro-product (vegetables and fruits) and agro-processing products; 4) cash incentives @ 10 percent for potato; 5) cash incentives @ 15 percent for bicycle; 6) cash incentives @ 15 percent for crushed bone; 7) subsidy @ 15 percent for hatching egg and day old chicks of poultry industry; 8) subsidy @ 10 percent for light engineering; 9) subsidy @20 percent for liquid glucose from Iswardi EPZ; 10) subsidy @ 20 percent for 100 percent halal meat; 11) cash incentives @ 10 percent for frozen shrimp and others fishes; 12) cash incentives @ 15 percent for leather products; 13) subsidy @ 5 percent against ship building; 14) subsidy @ 4 percent against finished leather; 15) subsidy @ 3 percent against Crust Leather; 16) subsidy @ 10 percent against Pet bottle-flex; 17) cash incentives @ 10 percent for Jute product. The relevant conditions/facilities regarding the fulfilment of export subsidy/incentives will remain unchanged.
- October 2010 • With a view to facilitating export trade of the country, it has been decided to enhance the size of Export Development Fund (EDF) from existing USD 300 million to USD 400 million.
- November 2010 • In order to provide the EDF facility under the second stimulus package, "New Market Exploration Assistance" will be given against export of readymade garments/textile products to any market other than USA, Canada, and EU as well as in case of direct export of yarn, to any market, if the yarn is produced in member mills of Bangladesh Textile Mills Association (BTMA). This facility will be applicable for products shipped during the period of 1 July 2009 to 30 June 2012. In every case, 'New Market Exploration Assistance' will have to be calculated based on the net FOB value after repatriation of the export value in foreign currency.
- November 2010 • As per government decision, the small and medium textile industries which have exported up to USD 3.50 million during FY09 and availed extra cash incentive facility @ 5 percent during FY10, will also continue during FY11 under the following conditions:
- Availing no bonded warehouse/duty drawback facility will remain in force.
 - Beneficiaries must use local yarn/cloth.
 - These small and medium textile industries will not be sister concerns of a large industry.

- Cash incentives will be provided on the basis of domestic value addition instead of FOB value (calculated as per the form enclosed with FE circular No. 09/2001).
 - The small and medium textile industries which have availed the loan-rescheduling facility, will also get the said facility.
Furthermore, BTMA, along with BGMEA and BKMEA is also authorised to issue certificate in favour of the concerned small and medium textile industries exporting less than USD 3.50 million in FY09.
- November 2010 • It has been decided that the condition of not availing bonded warehouse/duty drawback facility simultaneously will not be applicable in case of receiving export subsidy against export of ship.
- November 2010 • All concerned banks as well as individuals and organisations permitted under Section 18A of Foreign Exchange Regulation (FER) act-1947 to act as Local Agents of Foreign Principals are now exempted from submission of statements of Commissions /Fees/Service charges etc. as earned by them from their Foreign Principals and repatriation thereof as per instructions contained in Guidelines for Foreign Exchange Transactions (GFET)-2009. The concerned Authorised Dealer Banks themselves will ensure that the Local agents permitted under Section 18A of FER act-1947 through their bank properly repatriated the commissions as they earned according to agreement made with them while seeking permission from Bangladesh Bank. Later on, while forwarding the prayer of renewal of permission or inclusion of new Principals to Bangladesh Bank, the concerned authorised dealer bank will furnish all related information of commissions/fees/service charges etc. as earned and repatriated thereof on the basis of the agreements between local agents and their foreign principals. It may be mentioned here that only those local agents that receive inward remittances for activities on behalf of their foreign Principals will enjoy waiver of submission of such statements to the Return Section of Foreign Exchange Investment Department. But local agents involve in both inflow and outflow of remittances through their activities will continue to submit the statements of commissions and repatriation thereof and statements of outward remittances as usual to the Foreign Exchange Operation Department. Besides, all authorised dealers will properly preserve all related documents and information of commissions /fees /service charges etc. as earned and repatriated thereof by the local agents for physical verification by Bangladesh Bank Inspection Team. All concerned banks as well as branches and liaison offices of foreign entities permitted under Section 18B of FER Act-1947 are exempted from submission of statements of inward remittances (received from their Head office) and office expenses to the returns section of Foreign Exchange Operation Department. Henceforth, the

concerned authorised dealers themselves will ensure this at their end. Later on, while forwarding the prayer of renewal of permission of branches and liaison offices of foreign entities to Bangladesh Bank, the concerned authorised dealer will furnish all related information of inward remittances (received from their Head office) and expenses incurred during day to day operation of their local branch offices. Besides this, all authorised dealers will preserve all related documents and information of inward remittances (received from their Head office) and office expenses of branches and liaison offices of foreign entities properly for physical verification by Bangladesh Bank Inspection Team.

- November 2010 • In case of release of foreign exchange travel quota entitlement for resident Bangladeshi nationals proceeding abroad against one way ticket for valid job or migrating abroad, it has now been decided that ADs may in such cases release the entire unused annual travel quota in foreign exchange to resident Bangladeshi nationals proceeding abroad.
- December 2010 • The instruction of opening internal back to back L/Cs against the mother L/C in order to get bonded warehouse facility has been given in clause-37 under chapter-7 of GFET-2009. The permission of opening site/ugance L/Cs against export contract has been given in clause 23(19) of Import Policy Order, 2009-2012. From the view point of foreign exchange regulation, there is no disagreement that this type of site/ugance import L/Cs by nature is equivalent to back to back L/Cs, but the question of applicability of bond facility is the concern of NBR.
- December 2010 • Ceiling price for potato has been fixed at USD 280 per ton in case of providing cash incentive against potato export. However, this will not be considered as the minimum export price (MEP) and while considering cash incentive, real export value or the ceiling price - whichever is lower, will be applicable.
- December 2010 • It has been decided to provide cash incentive to member mills of BTTLMEA along with those of BGMEA, BKMEA, and BTMA. In this regard, BTTLMEA along with BGMEA, BKMEA, and BTMA is also authorised to issue certificate in favour of the concerned small and medium textile industries exporting less than USD 3.50 million in FY09.
- December 2010 • Decision has been taken to provide special facility to the exporters of small and medium readymade garments/textile products (SME) in order to cope up with the global financial crises. This special facility will be effective for goods shipped from 1 July 2010 to 30 June 2011 under the following conditions:
 - Small and medium textile industries that have exported textile goods up-to USD 3.50 million during FY09 and have the certificate from BGMEA/ BKMEA/BTMA/BTTLMEA will be eligible for the said facility.

- These small and medium readymade garments/textile industries will not be sister concerns of a large industry.

- The condition of using local yarn/cloth or non availing of duty drawback/bonded warehouse facility simultaneously, will not be applicable here.

Small and medium readymade garments/textile industries who have availed the loan rescheduling facility, are also eligible for the facility.

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| May 2011 | <ul style="list-style-type: none"> ● It has been decided to provide export subsidy/cash incentive in case of export of leather and leather goods against advance proceeds received through TT. |
| May 2011 | <ul style="list-style-type: none"> ● It has been decided that ADs are free to credit the proceeds of the inward remittances against Business Process Outsourcing (BPO) services to the accounts of individual service provider subjects to certain terms and conditions. |
| June 2011 | <ul style="list-style-type: none"> ● In order to augment fish export, and promote fish cultivation and fish processing industry, it has been decided to increase the present ceiling of FOB price by 25 percent in case of providing cash incentive against export of frozen shrimps and other fishes. |
| June 2011 | <ul style="list-style-type: none"> ● Decision has been taken to provide export subsidy/cash incentive against the export of handloom products. Ceiling price of different categories of handloom products have been declared in this regard. |
| June 2011 | <ul style="list-style-type: none"> ● Bangladesh Bank has published new edition of Code Lists for Reporting of External Sector Transactions by the Authorised Dealers (2011 Edition). Authorised Dealers (ADs) are advised to report the transactions carried out from July 2011 onward in accordance with the new edition of the Code Lists. The soft copy of the Code Lists is available in Bangladesh Bank web site. ADs may collect the copy of the book on payment of Taka 125 (Taka one hundred twenty five) together with a written application addressed to the General Manager, Foreign Exchange Policy Department, Bangladesh Bank, Head Office, Dhaka. |