

Chronology of Major Policy Announcements: April – June 2012

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| <p>BRPD Circular Letter No.04 17 April, 2012</p> <p>Interest/profit Rate on Fixed/Term Deposit</p> | <p>Referring to BRPD Circular Letter No.-02, dated 29 February, 2012 banks have been advised to send report on fixed/term deposit of Tk. 1 crore and above on bi-weekly basis.</p> |
| <p>BRPD Circular No.05 25 April, 2012</p> <p>Increase in Credit flow to Productive sector</p> | <p>With a view to achieve targeted economic growth through increasing credit flow to productive sector by reducing credit flow from consumer credit, it has been decided that growth of consumer credit must not exceed the average growth of total credit of the bank.</p> |
| <p>FE Circular No.04 25 April, 2012</p> <p>Term lending in Taka to foreign owned/ controlled companies</p> | <p>It has been clarified that non-authorized dealer bank branches and non-bank financial institutions may provide term loans in Taka for capacity expansion/BMRE of foreign owned/controlled industrial firms only in association with AD bank branches without prior Bangladesh Bank approval provided that (i) the term loan in Taka does not exceed, as percentage of total term borrowing the percentage of equity of the firm/company held by Bangladesh nationals and firms/companies not owned or controlled by foreigners, and (ii) total debt of the firm/company does not exceed the 50:50 debt equity ratio. The prevailing credit norms and regulatory provisions regarding lending including single party exposure limits etc. will have to be duly complied with.</p> |
| <p>DMD Circular No.03/2012 02 May, 2012</p> <p>Regarding sale of Savings Certificates under “National Savings Scheme”</p> | <p>The Government has recently increased the interest rate of various savings certificates with a view to encouraging national savings activities and providing fund aiming at development activities. Despite increase of interest rate, sale of savings certificate has not increased to expected level. Objections/Complaints have been received from different level of customers stating that bank branches discourage the buyers for purchase of savings certificate and do not cooperate generally despite enlistment for the sale of savings certificate.</p> <p>Hence, banks have been advised to co-operate investors for the sale of savings certificate as “office of issue/sell” of savings certificate under the direction of Section No.3 of Sanchayapatra Rules, 1977 (Amended 2002) as well as to allow the investors to participate properly in the development activities of the country.</p> |
| <p>ACFID Circular Letter No.03 17 May, 2012</p> | <p>Referring to Section 2.2.2 of ACSPD Circular No.06 dated 03 August, 2009, following decisions have been</p> |

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| <p>Re-determination of Interest Rate at beneficiaries/customers levels in case of providing Credit facilities through company/institution as Agent/Intermediary in Bio-gas sector under re-financing scheme for Solar Energy, Bio-gas and Effluent Treatment Plant (ETP) sector</p> | <p>taken in case of new credit disbursement using any company/institutions as Agent/Intermediary with a view to producing bio-gas and extending its use in the rural areas of the country through integrated cow rearing and establishing bio-gas plant.</p> <p>a) Interest rate can be charged at conventional bank rate (5% at present) + maximum 6% i.e. maximum 11% at beneficiary customer's level through reducing balance method.</p> <p>b) Any type of service charge will not be imposed on beneficiary customers.</p> |
| <p>DMD Circular No.04/2012 22 May, 2012</p> <p>Maintaining information on Savings Bond at Bank's Help Desk</p> | <p>Information on Wage Earner Development Bond, U.S. Dollar Investment Bond and U.S. Dollar Premium Bond has to be maintained at the Help Desk of the branches of all scheduled banks to inform the customers. In this regard, it has been advised to contact with Debt Management Department of Bangladesh Bank H.O. for any query.</p> |
| <p>BRPD Circular No.07 14 June, 2012</p> <p>Master Circular: Loan Classification and Provisioning</p> | <p>Some of the important instructions of this circular is described below:</p> <p>1. Categories of Loans and Advances :</p> <p>All loans and advances will be grouped into four categories for the purpose of classification, namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro- Credit.</p> <p>2. Basis for Loan Classification:</p> <p>a) Objective Criteria:</p> <p>(1) Past Due/Over Due:</p> <p>(i) Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.</p> <p>(ii) Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.</p> <p>(iii) In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue from the following day of the expiry date.</p> |

(iv) The Short-term Agricultural and Micro-Credit if not repaid within the fixed expiry date for repayment will be considered past due/overdue after six months of the expiry date.

(2) All unclassified loans other than Special Mention Account (SMA) will be treated as Standard.

(3) A Continuous loan, Demand loan or a Term Loan which will remain overdue for a period of 02 (two) months or more, will be put into the "Special Mention Account (SMA)".

(4) Loans in the "Special Mention Account" and "Sub-Standard" will not be treated as defaulted loan for the purpose of section 27KaKa(3) [read with section 5(GaGa)] of the Banking Companies Act, 1991.

(5) Any continuous and demand loan will be classified as:

'Sub-standard' if it is past due/overdue for **03** (three) months or beyond but less than **06** (six) months.

'Doubtful' if it is past due/overdue for **06** (six) months or beyond but less than **09** (nine) months

'Bad/Loss' if it is past due/overdue for **09** (nine) months or beyond.

(6) The Short-term Agricultural and Micro-Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Substandard' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement.

b) Qualitative Judgment:

If any uncertainty or doubt arises in respect of recovery of Loan the same will have to be classified on the basis of qualitative judgment be it classifiable or not on the basis of objective criteria.

c) Improvement in Classification:

A bank may request the concerned Department of Banking Inspection of Bangladesh Bank to review the classification of any loan for which there is a disagreement on classification that is not resolved during the on-site inspection. Bangladesh Bank will

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| | <p>respond to the bank within 15 days of receiving such request.</p> <p>3.Accounting of the Interest of Classified Loans:</p> <p>If any loan or advance is classified as 'Sub-standard' and 'Doubtful', interest accrued on such loan will be credited to Interest Suspense Account, instead of crediting the same to Income Account. In case of rescheduled loans the unrealized interest, if any, will be credited to Interest Suspense Account, instead of crediting the same to Income Account.</p> <p>4.Maintenance of Provision:</p> <p>a) General Provision: Banks will be required to maintain General Provision at the rate of 1%, 2%, 5% for different categories of loan.</p> <p>b) Specific Provision: Banks will maintain provision at the rate of 20%, 50% and 100% in respect of classified Continuous, Demand and Fixed Term Loans.</p> <p>c) Provision for Short-term Agricultural and Micro-Credits: Banks will maintain provision at the rate of 5% for all credits except 'Bad/Loss' and 100% for 'Bad/Loss'</p> <p>d) Base for Provision: The provision will be maintained at the above rate on the balance calculated as the greater of the following two amounts: a) the outstanding balance of the loan less the amount of Interest Suspense and the value of eligible collateral; and b) 20% of the outstanding balance of the loan.</p> <p>5. Banks are advised to submit detailed statements through CL-1 within 25 days from the reference date.</p> |
| <p>BRPD Circular No.08 14 June, 2012</p> <p>Master Circular on Loan Rescheduling</p> | <p>This circular has been issued to communicate BB's policy stance that rescheduling should be done only in limited circumstances and under restrictions. Some of the important instructions of this circular is described below:</p> <p><u>GUIDELINES FOR CONSIDERING APPLICATION FOR LOAN RESCHEDULING:</u></p> |

Banks shall comply with the instructions stipulated in this circular while considering application for loan rescheduling of non-performing loan.

a) The bank must have a policy approved by its Board of Directors in place that defines the circumstances and conditions under which a loan may be rescheduled, consistent with this circular. These conditions may be stricter than those contained in this circular and cannot be lenient in any case. The policy must include controls to avoid the routine rescheduling and repeat rescheduling of loans in those cases where borrowers are experiencing financial difficulty or there is doubt that the full amount of the loan will be recovered. In particular, the policy should place strict limits, or even prohibit, rescheduling of loans to business enterprises in unproductive sectors, or unprofitable business enterprises in productive sectors. If exceptions are made for certain sectors/business enterprises that do not meet the above guidelines, those sectors/business enterprises should be identified in the policy and a justification for rescheduling should be given.

b) When a borrower asks for rescheduling of loan, the bank shall meticulously examine the causes as to why the loan has become non-performing. If it is detected from such review that the borrower has diverted funds elsewhere or the borrower is a habitual loan defaulter, the bank shall not consider the application for loan rescheduling and shall take/continue all legal steps for recovery of the loans.

c) If a borrower while applying for rescheduling, pays the required down payment in cash at a time, the bank must address the application within 03 (three) months upon receipt. If the borrower gives any cheque, pay order or any other instrument against down payment, the bank must ensure encashment of such instrument before processing of the rescheduling case. Any previous payment from time to time shall not be treated as a down payment.

d) Banks while considering loan rescheduling, must consider overall repayment capability of the borrower taking into account the borrower's liability position with other banks and financial institutions.

e) Banks shall review the borrower's cash flow statement, audited balance sheet, income statement and other financial statements in order to ensure whether

the borrower would be able to repay the rescheduled installments/existing liability or not.

f) If required, bank officers shall conduct spot inspections of the borrower's company/business place to ensure that the concerned company/business enterprise would be able to generate a surplus to repay the liability of rescheduling. Banks shall preserve such reports in their branches for Bangladesh Bank's inspection.

g) If a bank is satisfied after due diligence as mentioned above that the borrower will be able to repay, the loan may be rescheduled. Otherwise, bank shall take all legal steps to realize the loan and make necessary provision.

h) Rescheduling of any loan must be justified in written statement by the bank's Credit Committee. The statement must give reasons why the rescheduling is beneficial to the long-run profitability and capital adequacy of the bank, including the factors that cause the Credit Committee to believe that the loan will ultimately be repaid in full. The statement must also explain the impact of this rescheduling on the bank's liquidity position and the needs of other customers.

TIME LIMIT AND DOWN PAYMENT FOR RESCHEDULING:

The rescheduling shall be for a minimum reasonable period of time. Time limit and required down payment for rescheduling of different categories of loans has been described in detail in this circular.

CLASSIFICATION AND INTEREST SUSPENSE OF RESCHEDULED LOANS:

Rescheduled loans shall be classified by the bank, with appropriate provisions established, according to the policy incorporated in the Master Circular: Loan Classification and Provisioning (BRPD Circular No. 07/2012). These classifications will be reviewed by Bangladesh Bank inspectors. However, regardless of the classification category into which the loan is placed by the bank, a rescheduled loan will not be considered a "defaulted loan," and the borrower will not be considered a "defaulted borrower"

NEW LOAN FACILITY AFTER RESCHEDULING:

The borrower whose credit facility has been rescheduled may avail a new loan facility or enhance existing credit facility subject to fulfillment of some conditions.

The borrower must pay at least 15% of the “Outstanding Balance” (outstanding amount after excluding the down payment on rescheduling).

Exporters may be granted further credit facility (after being identified as not-a-willful defaulter), if required, subject to settling at least 7.5% of the “Outstanding Balance”.

They will be allowed to take the regular facility from other Banks subject to the submission of a NOC from the rescheduling bank or financial institution.

Prior approval of Bangladesh Bank shall have to be obtained if the loan is related to the director of any bank.

SPECIAL CONDITIONS FOR LOAN RESCHEDULING

a) If a loan account of an export-oriented garments industry or knit garments factory becomes adversely classified due to stock lot, the loan may be rescheduled without the required down payment.

b) If a loan account of fertilizer importers becomes adversely classified due to delay in government subsidy receipts and payment of subsidy bill, the loan may be rescheduled without the required down payment.

c) For rescheduling as above no prior approval of Bangladesh Bank will be required; unless there is a requirement from Bangladesh Bank in the context of large loan or related to the director of the bank.

RESTRICTION ON EXTENDING THE TERM TO MATURITY OF A TERM LOAN:

The term to maturity of a term loan may be extended subject to the following conditions and restrictions:

a) The loan must be performing (Unclassified:

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| | <p>Standard or SMA)</p> <p>b) The decision should be made at the level where the loan was originally sanctioned</p> <p>c) The maturity date may be extended by a period of time not exceeding 25% of the current remaining time to maturity</p> |
| <p>FE Circular Letter No. FEPD(FEMP)/01/2012-10 17 June, 2012</p> <p>Regarding Bangladesh Bank's Rules of Opening and Operating Foreign Currency Accounts</p> | <p>Bangladesh Bank has published a booklet titled ' Bangladesh Bank's rules for opening and maintaining of FC accounts" since many people have expressed their interest to know the above rules in easy language. Rules for opening and maintaining of Private FC Accounts, Non-Resident Foreign Currency Deposit (NFCD) Account, and Resident Foreign Currency Deposit (RFCD) Accounts have been expressed in the booklet which is also available at the website of Bangladesh Bank (www.bb.org.bd). Besides, Bangladesh Bank has asked all the authorized dealer banks to make the copies of the booklet available in adequate number to all of their branches in home and abroad and exchange houses abroad for persons who are interested to open such accounts.</p> |
| <p>DFIM Circular Letter No.06 17 June, 2012</p> <p>Policy relating to responsibility and accountability of Board of Directors, Chairman, CEO/MD of Financial Institutions</p> | <p>Sub-section no. 3 of section 1 (gha) of DFIM circular no.06/2012 amended as follows: Any large loan/lease/investment proposal must be approved by the Board of Directors of Financial Institutions.</p> |
| <p>BRPD Circular No.09 18 June, 2012</p> <p>Master Circular: Loan Classification and Provisioning</p> | <p>Referring to BRPD Circular No. 07 dated June 14, 2012 it has been clarified that the revised instruction on loan classification and provisioning will be effective from July 01, 2012 instead of June 14, 2012.</p> <p>Banks will have to report loan classifications and make required provisions in terms of the revised instructions from the 3rd (end September) quarter of calendar year 2012. Shortfall if any in provisioning as of September 30, 2012 according to new classification will have to be met in full by end December, 2012.</p> |
| <p>DOS Circular Letter No.07 24 June, 2012</p> <p>Submitting Information/Statement</p> | <p>Referring to DOS Circular No.01 dated 16 January, 2012, RITs with Enterprise Data Warehouse (EDW) related Information/Statement can be submitted through Web Portal as well as through existing manual system</p> |

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| relating to Department of Off-site Supervision in Rationalized Input Template through Web Portal | simultaneously till 31 December, 2012. |
| FE Circular Letter No.FEPD(EDG)/174/2012-13 26 June, 2012 Ease of Banking Transaction | In terms of the Protocol (agreed minutes) of 3rd meeting of Bangladesh-Turkey Joint Commission, Bangladesh Bank has asked all the AD banks to take necessary initiative to establish direct banking relationship with the bank of Turkey to ease banking transaction between Bangladesh and Turkey. |