

Box 1:

Chronology of Major Policy Announcements: April-September 2009

FEPD April 09, 2009	It has been decided that Non-Bank Financial Institutions (NBFIs) operating in Bangladesh licensed under the Financial Institutions Act, 1993, may obtain loan from abroad subject to prior approval of the Bangladesh Bank under some conditions. For obtaining such loan, the information regarding fees & expenses, effective interest rate, repayment period, required down payment etc should be mentioned in the application for BB approval. The draft copy of the loan agreement should also be accompanied by the application. Rather, effective rate of interest will have to be consistent with foreign loans availed of by residents with prior approval of Bangladesh Bank. Besides, repayment period (including grace period) will not be less than five years. Loan thus obtained (in FC) from abroad shall be used as security to obtain taka loan from any bank in Bangladesh Taka loan so obtained shall be used for lending to manufacturing industries and infrastructure sector (other than house building). Prior permission from Bangladesh Bank has to be obtained by NBFIs for obtaining Taka loan from entities controlled by non-residents like DEG, FMO.
ACSPD April 16, 2009	A circular has been issued giving the decision that from now on refinance facility for housing loan will be provided for RAJUK approved area adjacent to Dhaka city along with six city corporations and Tongi, Gazipur, Savar and Narayanganj municipality area.
BRPD April 19, 2009	Due to global financial crisis rescheduling without mandatory down payment of default loans has been allowed up to September 30, 2009 on the banker-customer relationship for the affected export oriented industries especially frozen food, leather and leather products, jute and jute goods, textiles (including spinning) and RMG industry.
BRPD April 19, 2009	The rate of interest on loan financing in the agriculture, term and working capital loan to large and medium scale industries, housing loan and trade financing has been lowered and fixed to a maximum at 13 percent in the backdrop of existing inflation rate and prevailing global economic condition.
ACSPD April 20, 2009	Poultry sector is at a great damage due to attack of Avian Influenza. To overcome this situation decisions have been taken to rehabilitate the affected poultry farmers as under: <ol style="list-style-type: none"> 1. Loan disbursed earlier which became overdue/classified can be re-scheduled on the basis of banker-customer relationship without any down payment. 2. As a sub-sector of agriculture, interest rate of agriculture will be applicable for credit disbursed in poultry sector instead of interest rate for commercial loan. 3. Banks will undertake necessary monitoring so that affected poultry farmers are not harassed.
DMD April 21, 2009	A directive has been issued that liquidity facility will be provided to primary dealers continuously for maximum two months against the securities (treasury bills and bonds) held by "successful bidding" as well as the securities devolved on them in auctions.
AMLD April 21, 2009	On 24 th February, 2009 Bangladesh Govt. promulgated new anti money laundering legislation (Money Laundering Prevention Act, 2009) substantially upgrading Money Laundering Prevention Act, 2002. This Act was given effect from 15 th April 2008, as there was Money Laundering Prevention Ordinance, 2008 from the date.

	<p>On 24th February 2009, for the first time, Bangladesh Govt. also promulgated anti terrorism legislation (Anti Terrorism Act, 2009) which included financing of terrorism as an offence. This Act. was given effect from 11th June 2008, as there was Anti Terrorism Ordinance, 2008 from the date.</p> <p>Money Laundering Prevention Act, 2009 was circulated by A.M.L. Circular No. 21 and Anti Terrorism Act., 2009 was circulated by A.M.L. Circular No. 22. Both circulars were issued on the same date.</p>
DFIM April 22, 2009	<p>Trade and commerce and economic activities in the country have badly been affected as the consequences of negative impact of global economic meltdown on international trade. As a result, loans provided by the FIs to export industries specially frozen food, leather and leather products, jute and jute products, garments and textiles are apprehended to become classified and overdue.</p> <p>In this circumstance, default loans of the affected clients of the above mentioned export industries could be re-scheduled up to 30 September 2009 on the basis of banker-customer relationship without required down payment.</p>
PSD April 27, 2009	With a view to promoting, regulating and ensuring a secure and efficient payment and settlement systems in Bangladesh in terms of Article 7A (e) of the Bangladesh Bank Order, 1972 the Board of Directors of the Bangladesh Bank approved Bangladesh Payment and Settlement Systems Regulations, 2009 in its 305 th meeting held on 09 April 2009.
BRPD April 29, 2009	Mapping of External Credit Assessment Institutions (ECAIS) rating with Bangladesh Bank Rating Grade has been constructed and circulated to the banks for their compliance. Banks may use the ratings of the two rating agencies (i.e. CRISL and CRAB) recognized by the BB and corresponding risk weight as mentioned in the guideline for calculating Risk Weighted Assets under Standardized Approach of Risk Based Capital Adequacy for banks.
BRPD May 05,10 2009	With a view to ensuring adequate supply of essential commodities and keeping the price of these commodities within a reasonable limit in the ensuing month of Ramadan, the rate of interest on import financing of edible oil (crude and refined), chick-peas, lentils, beans, onions, spices, dates, fruits and sugar have been fixed at a maximum of 12 percent. Moreover, in case of import of the mentioned commodities, banks are also advised to fix reasonable charges/fees/commissions.
DFIM May 07, 2009	<p>In order to bring transparency in providing credit to the directors of financial institutions some directives have been issued as follows:</p> <ol style="list-style-type: none"> 1. Credit facility or guarantee or mortgage provided in favor of directors of the financial institutions shall be sanctioned by the board of directors and approved by the general meeting of the financial institutions and shall be mentioned specifically in the balance sheet of the financial institutions. But, total credit facilities provided in favor of the director shall not be more than 50 percent of paid up capital of share of the company held in the name of the director. 2. If total amount of credit facilities provided in the name of the director of the financial institutions is already more than 50 percent of share of the company held in the name of the director then that excess amount must be repaid within the approved period. The amount of credit above 50 percent cannot be renewed or tenure cannot be extended.
FEPD May	Under the stimulus package formulated for facing the impact of global economic recession, rates of export subsidies/cash incentives have been revised for the following products shipped

07, 2009	during 01April 2009 to 30 June 2009 as under:		
	Products	Rates before enhancement	Revised rates after enhancement
	Jute products	7.5%	10%
	Leather products	15%	17.5%
	Frozen shrimps and other fishes	10%	12.5%
FEPD May 19, 2009	It has been decided that authentication of Proceed Realization Certificates (PRC) by Bangladesh Bank shall no longer be required for submission of the same against direct exports and deemed exports to different government authorities. Under the new policy, authorized dealer banks are now allowed to issue PRCs by their own without prior authentication by Bangladesh Bank. However, Bangladesh Bank has prescribed separate proforma to issue PRCs against direct exports and deemed exports.		
FEPD May 21, 2009	It has been decided that subsidy against export of 'betel-nut' and 'inner part of mehagini fruit' would remain suspended until further direction.		
BRPD June 01, 2009	Considering existing rate of inflation and prevailing global economic condition it has been decided that banks will charge interest maximum at the rate 13 percent for financing the Non-Bank Financial Institutions (NBFIs).		
PSD June 01, 2009	The functional specification for the Bangladesh Electronic Funds Transfer Network (BEFTN), the second component of the Automated Clearing House has been forwarded to the banks for necessary action. Considering the request from State Owned Banks (SOBs) for an extension of time for implementation of the cheque processing system, the implementation timelines have been revised with a target to go live in and around Dhaka by early November 2009. It has also been advised that member banks will update their preparations to be in line with the progress of Bangladesh Automated Clearing House (BACH).		
FEPD June 01, 2009	Yearly minimum transaction target for money changers outside Dhaka and Chittagong metropolitan area has been re-fixed at US\$3.5 lakh by reducing from existing US\$5.0 lakh.		
ACSPD June 02, 2009	Decision has been taken to postpone recovery of agricultural loan for the next 1 (one) year with a view to mitigate losses of farmers of the southern region of the country affected by devastating cyclone "Aila". Banks will take proper monitoring arrangement so that farmers will not be harassed in any way.		
DOS June 02, 2009	<p>Recently, south-western coastal region of the country has seriously been affected by the attack of cyclone "Aila". From the point view of social responsibility it is a necessity for the banks and financial institutions to conduct assistance program in the area considering the need for huge financial support for rehabilitating the human-resources.</p> <p>It has been expressed that, those banks will be considered as more compliant of Corporate Social Responsibility (CSR) who are pioneers in taking measures for rehabilitating agriculture, fishing, livestock, and protecting environment for the well-being of the people, besides providing relief to the people affected in different natural calamities. In these circumstances, banks are requested to take prompt necessary rehabilitation program under corporate social responsibility in the Aila affected area.</p>		
ACSPD June	Shrimp sector in the southern region of the country has heavily been damaged by the devastating cyclone "Aila". With a view to lessening losses of the affected farmers and rehabilitating them		

02, 2009	<p>following decisions have been taken.</p> <ol style="list-style-type: none"> 1. Previous loan can be re-scheduled by relaxing terms and conditions of down payment for default loan of affected farmers. 2. High officials of the concerned banks will ensure proper credit disbursement in the affected area by inspection at the field level. 3. Banks will take proper monitoring arrangement so that affected farmers will get the credit without any delay and will not be harassed in any way.
FEPD June 15, 2009	To promote tourism industry and to facilitate foreign tourists in Bangladesh, guidelines have been formulated for local tour operators in Bangladesh regarding foreign exchange transactions associated with selling of 'package tour'. Under the new guidelines, tour operators can open and maintain foreign currency account to receive foreign exchange from local tourists against selling outbound package tour abroad as well as from foreign tourists for arranging inbound tour in Bangladesh.
FRTMD June 30, 2009	With a view to keeping the existing pace of evolving and expanding trend of the export oriented industries in the country ceiling for the single borrower credit has been increased to US\$2.0 million from US\$1.5 million in case of import of raw materials for the production of existing export goods on site basis under Export Development Fund (EDF). This decision will come into effect from July 01, 2009.
ACSPD 14 July, 2009	Agricultural / Rural Credit Guidelines and Programme for the Fiscal Year (2009-10) has been announced. The target for disbursement of agricultural / rural credit has been fixed at Tk.11,500 crore for FY 2009-10 and the amount is the highest so far. This credit allocation will not be limited for food grains and crops only rather adequate allocation has been made for fisheries and livestock, agri-supporting sectors as well as for income generating and poverty reduction activities in rural areas.
ACSPD 14 July, 2009	A directive has been given to the banks for giving fresh agri-loan facilities for rehabilitation of agriculture sector in cyclone 'Aila' affected areas. Agricultural credit realization has been postponed for one year for the affected farmers by the cyclone 'Aila'. Side by side banks will strengthen their monitoring so that affected farmers could get credit at the fastest time and without any hazard.
EEF 16 July, 2009	A circular has been issued giving the declaration that as a sub-agent of Bangladesh Bank all activities of EEF has been shifted to Investment Corporation of Bangladesh as per agreement made between Bangladesh Bank and ICB on 1st June,2009. According to the agreement policy formulation, fund management and performance monitoring of EEF will be done by EEF unit of Bangladesh Bank.
BRPD 20 July, 2009	A guideline titled 'Risk Factors Relating to Islamic Mode of Investment' to identify the risks involved in investment of Islamic Shariah based banking under Guidelines on " Risk Based Capital Adequacy (RBCA) for Banks" has been issued. According to this guidelines Risk Weighted Assets (RWA) have to be defined after imposing risk weight according to RBCA for Banks. Concerned scheduled banks have been advised to submit RBCA statement to the DOS from 30th June, 2009 on quarterly basis as per specified pro-forma.
FEPD 29July,2009	In terms of Section 18A of the Foreign Exchange Regulation Act, 1947, permission of Bangladesh Bank is required for any person (which includes individuals, firms, business organizations or concerns incorporated or not) to accept an appointment to act as an agent in trading and commercial transactions or as a technical or management adviser of any person

	resident outside Bangladesh or of a person resident in Bangladesh but not citizen of Bangladesh. For the purpose of the said section, it has been clarified by Bangladesh Bank that the definition of agent will be the same as in Sections 182 and 186 respectively of Chapter X of the Contract Act, 1872.
FEPD 30 July, 2009	Bangladesh Bank has issued Guidelines for Foreign Exchange Transactions, 2009 (Vol-1) [the successor of the earlier edition 1996] compiling the core contents of FE Circulars and Circular Letters issued up to 31-05-2009 in accordance with authority given to Bangladesh Bank under Section 20(3) of the Foreign Exchange Regulation Act, 1947 (Act No. VII of 1947) for compliance by the Authorised Dealers and other concerns.
ACSPD 03 August, 2009	A scheme titled 'Solar Energy, Bio-gas and Effluent Treatment Plant (ETP) Refinance Scheme' has been created by BB primarily by Tk. 200 crore revolving fund in order to facilitate banks to provide loan to Solar Energy, Bio-gas and Effluent Treatment Plant sector with a view to encouraging use of solar energy and alternative environment friendly fuel and to mitigate deficiency of electricity and gas and for the interest of protecting public health and keeping natural balance.
FEPD 03 August, 2009	<p>With a view to liberalizing the regulations for foreign exchange transactions, decision has been taken that Authorised Dealers may now release foreign exchange on account of registration/participation fee of the Govt, officials, employees of banks and financial institutions, faculties of banking training institutions, officials of the private sector companies (incorporated in Bangladesh), firms, institutions and NGOs for attending training/seminar/workshop abroad without prior approval of Bangladesh Bank.</p> <p>Regulations for releasing foreign exchange for study abroad by Bangladesh students have been relaxed further. In addition to the existing entitlements/facilities for releasing foreign exchange for study abroad, ADs may now release foreign exchange without prior approval of Bangladesh Bank for (i) students who had left Bangladesh for studying abroad without buying any foreign exchange at the time of departure from Bangladesh (ii) students studying abroad for meeting the expenses of subsequent years/semesters/higher courses (iii) students studying abroad intending to change the institution or course.</p> <p>Decision has been taken that surplus local earnings of the authorised local agent of foreign railway company may be remitted to principal abroad through Authorised Dealer banks subject to post facto reporting to Bangladesh Bank.</p> <p>Banks in Bangladesh sometimes have to face litigation abroad. Permission has been accorded to remit foreign exchange abroad in respect of legal expenses in such cases. However, for the first time, remittance can be made with prior permission of Bangladesh Bank. Subsequent remittances for the same case may be made without prior approval of Bangladesh Bank.</p>
FEPD 04 August, 2009	The ceiling of amount of Bangladesh Taka (Bangladesh Bank notes and Bangladesh coins) for carrying by incoming/outgoing passengers (at the time of entering into Bangladesh or departure from Bangladesh, as the case may be) has been enhanced to not exceeding Taka 2000 (two thousand) from Taka 500 (five hundred).
FEPD 25 August, 2009	In the context of decision taken by the Government regarding barring export of aromatic and fine rice, export subsidy facility on the same item has been accordingly withdrawn.
FEPD 25 August,	To facilitate the exporters for meeting emergency import payments Authorized Dealers have been allowed to effect advance payment not exceeding USD 10,000 (USD Ten Thousand) or its

2009	equivalent from the Exporters Retention Quota (ERQ) accounts against bonafide business purposes subject to observance of the relevant contract/proforma invoice and compliance of some other stipulated terms and condition for such payment .
FEPD 25 August, 2009	To encourage export trade of the country it has been declared to continue cash incentive/export subsidy by the government like preceding years on net fob value of the selected commodities shipped during 1 July 2009 to 30 June 2010 at the following rates (i) local textiles @ 5%; (ii) frozen shrimp and other fishes @ 12.50%; (iii) leather products @ 17.50%; (iv) Product made of Hoogla, Straw, Coir of Sugar Cane @ 15% to 20%; (v) agro (vegetables/fruits) and agro processing products @ 20%; (vi) potato @ 10%; (vii) bi-cycle @ 15%; (viii) crushed bone @ 15%; (ix) jute products @ 10.00%; (x) hatching eggs and day old chicks of poultry industries @ 15%; (xi) light engineering products @ 10%; (xii) liquid glucose from Irshardi EPZ @ 20% ; and (xiii) 100% halal meat @ 20%.
FEPD 08 September, 2009	Decision has been taken that after preliminary scrutiny 70% of cash incentive/export subsidy as claimed by the exporter may be released immediately by the ADs concerned before completion of audit formalities on such claims. Reimbursement claims of the banks against such disbursements shall be met by Bangladesh Bank within the next working day. The remaining 30% shall be payable after completion of audit.
FEPD September 30, 2009	To include in the 'Balance of Payment Accounts' the foreign exchange transactions of resident entities undertaken through their foreign currency accounts maintained with ADs new summary statements S-9 & S-13 respectively are to be submitted to Bangladesh Bank by ADs with their monthly returns. Transactions in the foreign currency accounts of Bangladesh nationals working abroad are to be reported in the summary statement FCS-7 as usual.
FEPD September 30, 2009	It has been decided that all money changers licenced by Bangladesh Bank shall have to furnish return of all foreign exchange transactions undertaken by them in prescribed statements/schedules to Bangladesh Bank on monthly basis.