Money and Credit

Stance of Monetary and Credit Policies

4.1 Bangladesh Bank continued to pursue a cautiously restrained monetary policy stance with the prime objective of keeping inflationary pressure under control while supporting the targeted real output growth during FY07. An upward bias in policy interest rate as well as re-introduction of BB bills in October 2006 helped in limiting inflation around the targeted level up to January 2007. Thereafter, annual average inflation rate showed uptrend mainly due to soaring prices of essential commodities in international market coupled with supply disruption in domestic front. However, cautious monetary policy stance along with additional measures taken by the Government continued to dampen the inflationary pressure. Despite pursuance of cautious policy stance, growth of broad money (M2) exceeded the target level. Private sector, however, was provided with ample room to grow at desired level. The viability of the external sector was maintained throughout FY07 by creating enabling situation through well-knit monetary policy stance. Increased flow of remittances, reasonable export growth and import growth at a sustainable level were behind the screen. Reflecting improvement in balance of payments, Taka appreciated (1.26 percent) against U.S. dollar which also aided in neutralizing the adversity of ample liquidity that emerged through foreign sector.

Table 4.1 Money and credit situation

(billion Taka)

	End June, 2006	End June, 2007	
	Actual	Programme	Actual
1. Net foreign assets	220.1	257.0	328.7
	(+17.9)	(16.8)	(+49.3)
2. Net domestic assets (a+b)	1586.1	1815.0	1785.8
	(+19.5)	(+14.41)	(+12.6)
a) Domestic credit (i+ii)	1732.8	1973.0	1983.5
	(+21.1)	(+13.9)	(+14.5)
i) Credit to public sector 1/	423.1	481.0	475.8
	(+30.6)	(+13.7)	(+12.5)
ii) Credit to private sector	1309.7	1492.0	1507.7
	(+18.3)	(+13.9)	(+15.1)
b) Other items (net)	-146.7	-158.0	-197.8
3. Narrow money (i+ii)	426.0	-	501.1
	(+20.5)		(+17.6)
i) Currency outside banks	228.6	-	266.4
	(+23.5)		(+16.5)
ii) Demand deposits 2/	197.4	-	234.6
	(+17.1)		(+18.8)
4.Time deposits	1380.2	-	1613.4
	(+18.9)		(+16.9)
5. Broad money (1+2) or (3+4)	1806.2	2072.0	2114.4
	(+19.3)	(+14.7)	(+17.1)

Figures in the parentheses indicate percentage changes.

1/ "Government lending fund" is treated as deposit in calculating claims on Government (net) and claims on other financial institutions (public) are excluded.

2/ Demand deposits of monetary authority are excluded.

4.2 In designing the monetary programme BB followed the decisions taken in the National co-ordination council, a council for co-ordination of fiscal, monetary and exchange rate policies headed by the Finance Minister. The monetary programme was drawn up with projection of 7.0 percent real GDP growth and 6.85-6.95 percent CPI inflation for FY07. Accordingly broad money (M2) growth was targeted at 14.7 percent. The monetary programme vis-à-vis actual outcome is presented in Table 4.1. An analysis of the Table shows that broad money (M2) growth during FY07 was 17.1 percent, which was lower than 19.3 percent growth in FY06 but higher than 14.7 percent growth targeted under the programme. The increase in broad money (M2) was mainly due to higher than envisaged growth in net foreign assets. The growth in net foreign assets stood at 49.3 percent as against projection of 16.8 percent during FY07 due mainly to increase in export earnings and workers' remittances despite appreciation in Taka-dollar exchange rates during FY07. This increase in net foreign assets was also higher than the actual growth of 17.9 percent in FY06. Credit to private sector grew at 15.1 percent notably higher than projected growth of 13.9 percent. Credit to the private sector increased by 18.3 percent in FY06. Credit to the public sector, however, increased by 12.5 percent as against the projected growth of 13.7 percent mainly due to downsizing of ADP. Overall, domestic credit growth was 14.5 percent, higher than the projection of 13.9 percent but lower than the actual growth of 21.1 percent during FY06.

4.3 Inflation (annual average CPI inflation base FY96=100) slightly exceeded the monetary projections and, amidst fluctuation also went up from 7.16 percent as of end June 2006 to 7.20 percent as of end June 2007. With a view to stabilizing inflationary expectations, appropriate policy initiatives were taken. Movements of M2 and its components over FY07 may be seen at Chart 4.1.

Reserve Money Developments

4.4 As usual, the reserve money (RM) has been used as an operating target to modulate liquidity consistent with overall monetary projection. The weekly auctions of Bangladesh Bank Bills were used in influencing the level of RM, while repo and reverse repo auctions were used for smoothing the money market.

From the beginning of FY07, a modified arrangement of Government's bank borrowings was put in place under the supervision of a Cash and Debt Management Committee (CDMC) chaired by Secretary, Finance Division (Box 4.1). The new arrangement included a widened Ways and Means Advance Limit (Taka

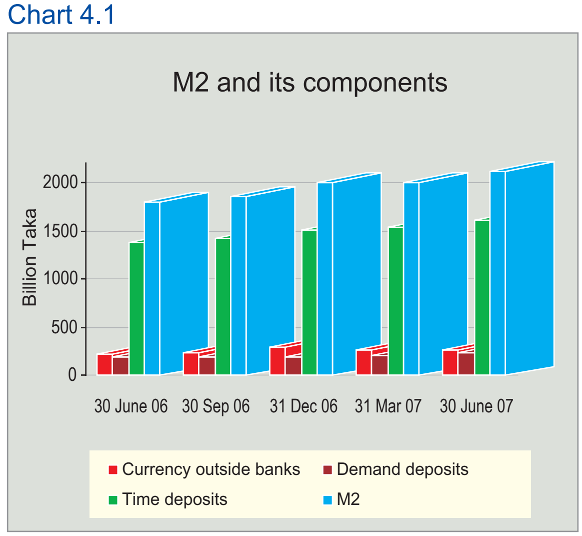
Table 4.2 Reserve money position

(billion Taka)

	End June, 2006	End June, 2007	
	Actual	Projection	Actual
1. Net international reserve [1/@]	156.7	174.0	245.7
	(+19.9)	(+11.0)	(+56.8)
Net international reserve[2/@]	153.1	169.0	231.9
	(+4.9)	(19.1)	(+51.5)
2. Net domestic assets[1/]	182.8	212.0	148.5
	(+27.6)	(+16.0)	(-18.8)
Net domestic assets[2/]	186.4	216.8	162.3
	(+42.5)	(+16.3)	(-12.9)
a) Domestic credit	296.0	284.0	299.4
	(+46.1)	(+4.1)	(+1.1)
i) Credit to the public sector [3/]	236.5	218.0	242.0
	(+62.9)	(+7.8)	(+2.3)
ii) Credit to deposit money banks	59.5	66.0	57.4
	(+3.5)	(+10.9)	(-3.5)
b) Other items (net)	-113.2	-72.0	-150.8
3. Reserve money (A+B) or (1+2)	339.5	386.0	394.2
	(+23.9)	(+13.7)	(+16.1)
A) Currency issued	248.9	288.0	287.9
	(+22.5)	(+15.7)	(+15.7)
B) Deposits of banks with the Bangladesh Bank [4/@]	90.6	99.0	106.3
	(+28.1)	(+9.3)	(+17.3)
4. Money multiplier (M2/RM)	5.32	5.37	5.36

Figures in the parentheses indicate percentage changes.
@ Excluding foreign currency clearing A/C balance.
1/ Calculated from monetary survey data.
2/ Calculated using programme exchange rate (end March, 2006 rates)
3/ "Government lending fund" is treated as deposit in calculating claims on Government (net) and claims on other financial institutions (public) are excluded.
4/ Excluding deposits of the other public sector.

Chart 4.1



Box 4.1

Development In Treasury Management

With regard to treasury management, various reform measures were taken in FY07 for the purpose of prudent management of cash and debt of the Government. Many important steps were taken in FY07 for the purpose of increasing efficiency and maintaining discipline in the management of cash and debt of the Government. These were as follows:

Structural change of record keeping system of Government transactions: The record keeping system of Government transactions was changed for ensuring transparency and accountability. For this purpose, Ministry / Division wise accounting system was introduced with effect from 1 July 2006.

Formation of Cash and Debt Management Committee (CDMC) and separation of Government Cash and Debt Management: A Cash and Debt Management Committee (CDMC), which was formed in the last fiscal year, started functioning during FY07. Deficit financing, which was made by auto monetization through ad hoc Treasury Bills was discontinued. Earlier, the system of automatic monetization through ad hoc Treasury Bills used to cater to both the Government's borrowing to finance budget deficit and its financing requirement to meet cash flow mismatches. In FY07, Government debt management was separated from cash management through enhancing Ways and Means Limit and arrangement of drawing facilities with Bangladesh Bank beyond this limit, and through identification of sources of financing budget deficit through specific debt instrument. Ways and Means Limit was raised from Taka 64 crore to Taka 1000 crore with effect from 1 July 2006 for the purpose of eliminating difference of intra-year cash. It was decided that the amount exceeding the Ways and Means limit would be treated as Current Overdraft bearing interest rate of Reverse-repo + 1% and the rate of interest for the amount within the Ways and Means Limit would equal to the interest rate of Reverse-repo. Outstanding amount of ad hoc Treasury Bills was transferred to OD-Blocked Account and repayment of outstanding amount was decided to be made according to an amortization schedule.

Paving the way for a completely market based primary auction system: A volume based system of auctions of Government Treasury Bills and Government Treasury Bonds was introduced in FY07 through publishing auction calendar for both Treasury Bills and Treasury Bonds stating auction date and amount to be auctioned. This system has ensured transparency in the auction of Government Securities and has also helped determine competitive price. The CDMC prepared the first pre-announced volume based Auction Calendar of FY07 with effect from September, 2006. It was decided that amount borrowed through auctions of Treasury Bills / Bonds and repayment of principal and interest of the same instruments would be credited and debited directly to and from Government account with effect from 1 July 2006.

Priority to Treasury Bonds as a means of deficit financing: The system of issuing 2-year and 5-year Treasury Bills was abolished to match the tenor of Treasury Bills with international convention with effect from 1 September 2006. Priority was given to Treasury Bonds as a means of deficit financing to ease the burden of shorter-term debt obligation of the Government. It was decided that 15-year and 20-year Treasury Bonds would be issued from FY08. Moreover, Treasury Bills was evened out for minimizing Refinance Risk arising from the issuance of shorter-term Bills.

Devolvement and Private Placement of Treasury Bills and Treasury Bonds: A system devolvement and private placement of Treasury Bills and Treasury Bonds with Bangladesh Bank was introduced in FY07 to mitigate the risk of inadequate response from the market.

Introduction of issuance of Treasury Bonds at Face Value: It was decided that the Treasury Bonds would be issued at Face Value through Yield based auctions from 1 July 2007 instead of fixed coupon bonds issued at a discount to lessen long-term Government debt liability arising from issuance of bonds.

Ensuring active participation of Primary Dealers in securities market: Steps were taken to ensure active participation of the Primary Dealers in the securities market for the development of a vibrant bond market through revision of existing guidelines for the Primary Dealers.

10.00 billion instead of Taka 0.65 billion) and auction of treasury bills and bonds according to volumes pre-announced in the borrowing calendar. This new arrangement segregated BB's role in government debt management from its monetary policy operations. Treasury bill and Government bond auctions now only perform the task of Government debt management. Bangladesh Bank has re-introduced 30-day and 91-day Bangladesh Bank Bills in October 2006 as its monetary policy instrument, side by side repo and reverse repo.

4.5 In line with the projected broad money growth, the monetary programme set a 13.7 percent growth for RM. Table 4.2 shows the actual RM growth during FY07. An analysis of the Table reveals that RM growth was much higher at 16.1 percent against the projected growth of 13.7 percent mainly due to higher growth in net international reserve (NIR[1/]). The growth in NIR[1] was substantially higher at 51.5 percent against the projected 19.1 percent during FY07 due mainly to purchasing of foreign exchange by Bangladesh Bank. Bangladesh Bank frequently used reverse repo to mop up excess liquidity emanated from foreign sector. Net domestic assets (NDA[1/]) of the Bangladesh Bank decreased by 12.9 percent in FY07 compared to the projected growth of 16.3 percent for the year because of larger than projected decline in other items (net).

An analysis of the behaviour of the liability side of the central bank balance sheet shows that an increase in both deposits of banks with the BB as well as currency issued resulted in an increase in the reserve money.

4.6 Because of lower growth in reserve money compared to broad money, money multiplier increased to 5.36 in FY07 as compared to the actual number of 5.32 in FY06. This resulted from the fall in reserve-deposit ratio. Currency-deposit ratio, on the other hand, increased slightly. Movement of M2 and its components, and domestic credit and its components in FY07 may be seen at

[1/] Calculated using programme exchange rate.

Chart 4.2

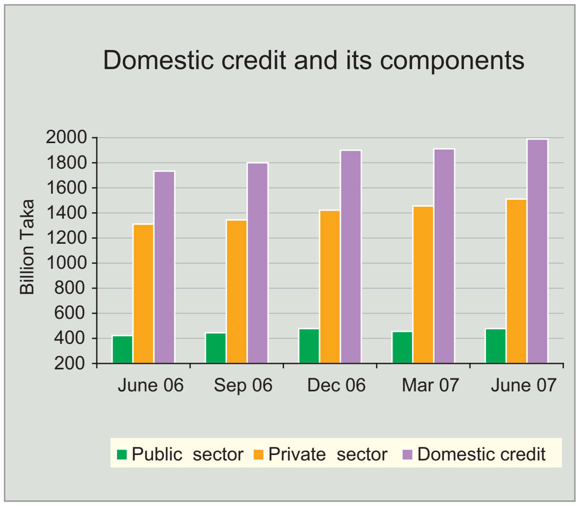


Chart 4.3

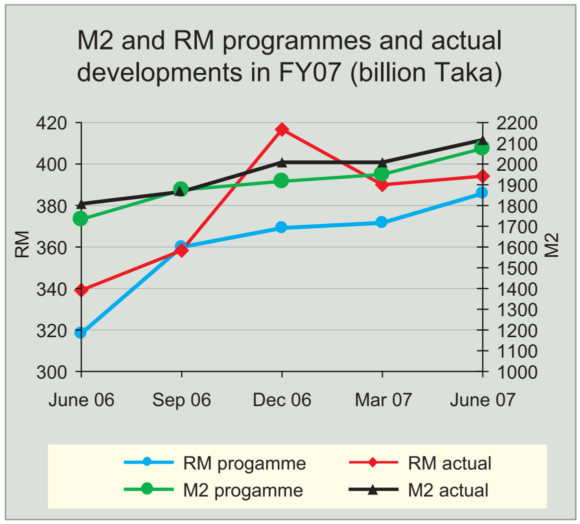
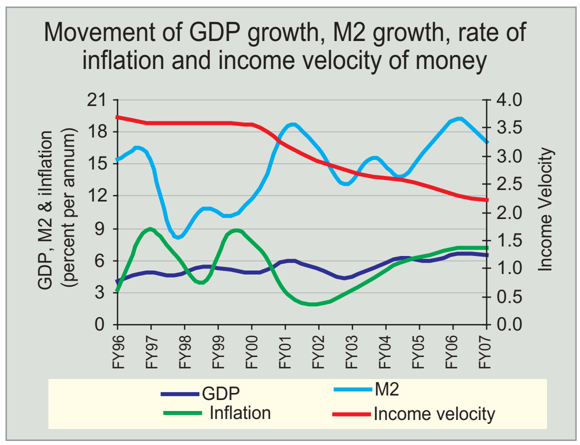


Chart 4.4



Charts 4.1 and 4.2 respectively. Actual development of M2 and RM against their respective programme path is shown in Chart 4.3.

Income Velocity of Money

4.7 The income velocity of money declined from 2.30 of FY06 to 2.21 in FY07 (Table 4.3). The rate of decline in FY07 was 3.9 percent, as against 6.1 percent and 4.7 percent decline in FY06 and FY05 respectively. Income velocity of money was on a declining trend over the past several years indicating increased monetization and financial deepening in the economy. Movement of GDP growth, M2 growth, inflation and income velocity of money during FY96-FY07 are shown in Chart 4.4.

Bank Credit

4.8 Outstanding bank credit (excluding foreign bills and inter bank items) during FY07 rose by Taka 211.63 billion or 14.7 percent to Taka 1651.19 billion as against an increase of 20.2 percent in FY06. The rise in the bank credit during FY07 was driven by both the increase in advances and import and inland bills. Advances increased by Taka 190.06 billion or 14.7 percent, as against an increase of 16.3 percent during FY06. Bills purchased and discounted increased by Taka 21.57 billion or 15.1 percent in FY07 due mainly to higher import price of crude petroleum and petroleum products. The quarterly position of bank credit and its components may be seen at Table 4.4.

Bank Deposits

4.9 Bank deposits (excluding inter-bank items) increased by Taka 279.67 billion or 16.5 percent to Taka 1969.57 billion during FY07 against 18.5 percent increase in FY06. The rise in total bank deposits was shared by increase in both demand deposits and time deposits. Time deposits increased by Taka 233.14 billion or 16.9 percent and stood at Taka 1613.36 billion in FY07 against growth of 18.9 percent during FY06. Demand deposits increased by Taka 37.23 billion or 18.9 percent in FY07 to Taka 234.63 billion against 17.2 percent increase in FY06. Government deposits increased by Taka 9.3 billion or 8.3 percent to Taka 121.58 billion in FY07, against 15.8 percent increase of FY06. Quarterly position of bank deposits in FY07 may be seen at Table 4.5.

Table 4.3 Income velocity of money

Year	GDP at current market prices (billion Taka)	Broad money (M2) (billion Taka, end June position)	Income velocity of money (GDP/M2)
FY04	3329.7	1297.7	2.57 (-2.7)
FY05	3707.1	1515.9	2.45 (-4.7)
FY06	4157.3	1806.2	2.30 (-6.1)
FY07	4675.0^P	2114.4	2.21 (-3.9)

Figures in the parentheses indicate annual percentage changes.
P= Provisional.

Table 4.4 Bank credit* - FY07 quarterly positions

(billion Taka)

Outstanding as of	Advances	Bills	Total
30 June 06	1296.48 (90.1)	143.08 (9.9)	1439.56
30 Sep 06	1336.88 (90.5)	140.04 (9.5)	1476.92
31 Dec 06	1407.61 (90.4)	149.45 (9.6)	1557.06
31 Mar 07	1434.39 (90.8)	145.90 (9.2)	1580.29
30 June 07	1486.54 (90.0)	164.65 (10.0)	1651.19

Figure in parentheses indicate percentage shares.
* Excluding foreign bills and inter bank credit.

Table 4.5 Bank deposits*- FY07 quarterly positions

(billion Taka)

Balances as of	Demand deposits	Time deposits	Govt. deposits	Total deposits
30 June 06	197.40	1380.22	112.28	1689.90
30 Sep 06	194.70	1427.47	107.98	1730.15
31 Dec 06	201.09	1509.69	114.43	1825.21
31 Mar 07	209.16	1536.75	116.15	1862.06
30 June 07	234.63	1613.36	121.58	1969.57

*Excluding inter bank deposits.

Credit/Deposit Ratio

4.10 The credit/deposit ratio of the scheduled banks, excluding the specialized banks, declined to 0.85 in May 2007 as compared to end June 2006.

Scheduled Banks' Borrowing from the BB

4.11 Scheduled banks' borrowings from the Bangladesh Bank declined by Taka 13.11 billion or 18.6 percent to Taka 57.35 billion at the end of June 2007, against 25.8 percent increase during FY06 due to cautious monetary policy stance of BB.

Balances of Scheduled Banks with the BB and their Cash in Tills

4.12 Balances of scheduled banks with the BB increased by Taka 15.02 billion or 10.9 percent to Taka 152.67 billion at the end June 2007, against the increase of Taka 43.92 billion to Taka 137.65 billion at the end June 2006. Cash in tills of scheduled banks increased to Taka 21.44 billion as of end June 2007 against Taka 20.32 billion as of end June 2006.

Cash Reserve Requirement (CRR)

4.13 The Cash Reserve Requirement (CRR) for the scheduled banks with the Bangladesh Bank remained same at 5.0 percent of their total demand and time liabilities since 1 October 2005. It may be noted that banks are required to maintain CRR daily at the rate of 5.0 percent on average on bi-weekly basis provided that the CRR would not be less than 4.0 percent in any day with effect from 1 October 2005.

Statutory Liquidity Ratio (SLR)

4.14 The Statutory Liquidity Ratio (SLR) for the scheduled banks, except banks operating under the Islamic Shariah and the specialized banks remained same at 18.0 percent of their demand and time liabilities, excluding inter bank items since 1 October 2005. The SLR for the Islamic banks remained unchanged at 10.0 percent. The specialized banks continued to remain exempt from maintaining the SLR.

Table 4.6 Weighted average interest rates of scheduled banks

Items	As of end June (in %)				
	FY03	FY04	FY05	FY06	FY07
Deposit rate	6.3	5.7	5.6	6.7	6.9
Advance rate	12.8	11.0	10.9	12.1	12.8
Spread	6.5	5.3	5.3	5.4	5.9

Bank Rate

4.15 The bank rate remained unchanged at 5.0 percent in FY07. This rate has been in effect since 6 November 2003.

Interest Rates on Deposits and Advances

4.16 Table 4.6 contains weighted average interest rates of scheduled banks on deposits and advances along with the spread during FY03 to FY07. It is evident from the Table that weighted average interest rates on deposits and advances were declining during FY03-FY05. Deposit and lending rates thereafter, moved upward and reached at 6.9 percent and 12.8 percent respectively in FY07, reflecting the tightened monetary policy stance of BB. The spread between advance and deposit rates declined in FY04 then it remained same at 5.3 percent in FY05. The spread again picked up in FY06 until it reached to 5.7 percent in FY07.

Operation of the Export Development Fund (EDF)

4.17 Lending in foreign currency from the Export Development Fund (EDF) for financing import of raw materials, accessories, spare parts and packing materials used in export production increased in FY07. Total disbursement from EDF during FY07 stood at USD 175.22 million as against USD 172.22 million in FY06. The major share of this credit was used for export of readymade garments.

Changes in Monetary and Credit Regulations

The major policy measures taken in monetary and credit fronts in FY07 were as follows:

- ❑ Guidelines have been issued for disbursement and recovery of agricultural credit at 2 percent interest rate and for compensation of financial loss of banks for credit disbursed at concessionary interest for crops like pulses, oil seeds, spices and maize. As per the guidelines, credit norms for the above mentioned crops as formulated by Directorate of Agricultural Extension under Ministry of Agriculture and the Bangladesh Bank will be applicable for determination of maximum and minimum credit ceiling on the basis of production cost per acre, credit disbursement season etc. The guidelines also provide that, after examining claims for reimbursement of compensation by banks, Ministry of Finance will finalize reimbursement amount and will make repayment arrangement accordingly via Bangladesh Bank. These guidelines have been in effect since 1 July 2005.

- Branch Expansion Policy of banks has been reviewed and decided that private banks would submit to Bangladesh Bank Annual Branch Expansion Plan of a particular calendar year within the month of November of preceding year instead of 60 days after the commencement of calendar year as stipulated in the BRPD circular No. 07 dated 18 March 2003.

- All scheduled banks are advised again to ensure strict compliance of policies issued by Bangladesh Bank for rescheduling of defaulted/classified loans. It has been observed that, by submission of writ petition in the Honorable High Court and obtaining stay order on showing their names as loan defaulter with the Credit Information Bureau (CIB) of Bangladesh Bank, defaulters of different banks and financial institutions are availing further loans and other facilities. In these circumstances, banks have been advised to take legal steps to get stay order vacated by engaging senior and efficient lawyers as well as by taking other legal steps so that loan defaulters cannot avail further loans and other facilities by using stay order of the Honorable High Court. The concerned Bank authorities have been confined to be liable for any kind of negligence/laxity in this regard.

- With a view to ensuring balanced and organized industrial development in the country through more institutional credit facility at easy terms and conditions, a decision has been taken to allocate minimum 10 percent of total fund of Small and Medium Enterprises (SMEs) provided by Bangladesh Bank, to women entrepreneurs of Small and Medium Industries. Credit as term loan or working capital loans for single borrower from Taka 1.00 lakh to Taka 50.00 lakh, disbursed by banks/financial institutions will be provided with a maximum of 100 percent refinance facility at bank rate, by Bangladesh Bank. Fund allocated for women entrepreneur will be used at revolving way for refinance.

- Financial institutions are directed to follow some guidelines with a view to bring discipline in loans/lease rescheduling:

  1. Appeal for first rescheduling of loan will be considered after repayment of minimum 15 percent of overdue or 10 percent of total outstanding loan, whichever is lower, in cash.

  2. Appeal for second rescheduling will be considered after repayment of minimum 30 percent of overdue or 20 percent of total outstanding loan, whichever is lower, in cash.

  3. Appeal for rescheduling more than twice will be considered after repayment of minimum 50 percent of overdue or 30 percent of total outstanding, whichever is lower, in cash.

If irrational loans/leases rescheduling are done repeatedly, then those will be classified on the basis of their quality. Prior approval of Bangladesh Bank is not required for rescheduling under these guidelines but prior approval of Board of Directors is required. A statement on rescheduled loans/lease in every month should be sent to the Department Financial Institutions & markets of Bangladesh Bank by 10th of the following month.

- Some guidelines have been issued for compliance of financial institutions in writing off loans/leases:

  1. Loans/lease which have been classified as bad/loss and 100 percent provision against which have been preserved will be considered as eligible for write off.

  2. Approval of Board of Directors is required for writing off.

  3. All efforts for recovery of write off loans/lease shall remain in force. If legal steps did not taken earlier for loans/lease selected for write off, case must be filed in court before write off.

  4. Any institution other than financial institution may be engaged to expedite case against written off loans/lease or to recover it.

  5. In spite of writing off loans/lease, concerned borrower will be treated as defaulter. It will be required to report write off loans/lease in CIB of Bangladesh Bank like other loans/lease.

  6. Approval of Bangladesh Bank will be required in case of write off loans/lease received by directors of financial Institutions or institutions those are related to the directors. A statement on written off loans/lease in every month should be submitted in the Department of Financial Institutions & markets of Bangladesh Bank by 10th of the following month.

- The issue of Credit Rating of the banks has been reviewed further and with a view to safeguarding the interest of the prospective investors, depositors and creditors and also the bank management as a whole for their overall performances in each relevant areas including core risks of the bank, it has been decided to make it mandatory from January 2007 for all banks to have themselves credit rated by a credit rating agency. Banks have been advised to take necessary measures from now on so that they can have their credit ratings in all relevant areas as well as the bank management. Banks have been instructed to complete their credit rating by 30 June 2007. The credit rating will be an ongoing process i.e. credit rating should be updated on a continuous basis from year to year, within six months from the date of closing of each financial year.

  The rating report completed in all respects be submitted to Bangladesh Bank and made public within a period of one month of the notification of rating by the credit rating agency. Banks will disclose their credit rating prominently in their published annual & half yearly financial statements.

  Non-compliance to these instructions shall render the banks and official(s) concerned liable to action under the relevant provisions of the Banking Companies Act, 1991.

- In case of determining capital adequacy Supplementary Capital (Tier-2) has been reviewed and it has been decided to replace "General provision (1 percent of Unclassified loans)" by "General provision maintained against Unclassified loans" and for the expansions of large loans of the banks in case of credit facilities provided against AAA rated multilateral development banks (MDBs) guarantee, the policy related to large loan shall not be applicable. Moreover, in case of determining capital adequacy, claims on AAA rated multilateral development banks (MDBs) has been brought under the risk weighted assets.

- While financing to large institutions or group of companies and extending credit facilities by more than one bank without consortium arrangements, banks are advised to take into cognizance the inter-bank consultation and arrangement, verification of audited financial statements, borrowers rating by a credit rating agency and the issues such as: capital size, business volume, ownership structure etc. to ensure proper monitoring/control over credit exposure.

- The Government will be issuing two new treasury bonds of 15-year and 20-year terms known as Bangladesh Government Treasury Bonds (BGTBs), from the beginning of the next fiscal year aiming to create a competitive as well as vibrant bond market. Under the new provisions, the auction of all Government bonds will be held as per yield-based multiple prices system, known as at par system, instead of the existing discount method to bring dynamism in the bond market.

- The Bangladesh Bank has amended the guidelines for primary dealers (PDs) allowing commission and liquidity support to activate the country's secondary bonds market through strengthening function of PDs. Each of the bank and non-bank PDs will underwrite a minimum of 12 percent and 4 percent of the auction amount respectively for FY08. PDs will be paid underwriting commission at a rate as determined by the Government from time to time. PDs will be eligible for availing of collateralized liquidity support from BB in the form of repurchase agreements (repos) for an amount not exceeding the amount of treasury bills and Bangladesh Government Treasury Bonds (BGTBs) devolved on the PDs or primary auctions after adjustment of the devolved amount for the shortfall in statutory liquidity requirement (SLR) and minimum stock of Taka 24 crore prescribed for a PD Bank and Taka 8 crore for the non-bank PD.