

Appendix–1

Chronology of Major Policy Announcements: FY15

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A. Policy Announcements on Banking and Financial Sector Development

- August 2014 • With a view to enhancing the coverage of Bangladesh Bank's (BB's) refinance scheme for renewable energy and green products, three more products have been added to the existing 44 green products which are (1) surface water purification plant through solar pump with maximum limit of Taka 30 million; (2) green industry with maximum limit of Taka 200 million; and (3) ensuring work environment as well as safety of RMG factory with maximum limit of Taka 10 million.
- September 2014 • All the scheduled banks and non-bank financial institutions (NBFIs) have been advised to establish e-tendering system within December 2015 for reducing the usage of paper and enhancing transparency, accountability, efficiency and promoting the process of procurement/tendering system.
- November 2014 • Deposit insurance trust fund has been allowed to invest in the inter-bank repo alongside the Government treasury bonds.
- November 2014 • All scheduled banks have been advised to take necessary steps to discontinue all activities related to the issuance of Taka 10 & Taka 50 prize bonds from 31 January 2015.
- November 2014 • With a view to encouraging participation of the banks in disbursing agricultural and micro-credits, all scheduled banks have been instructed to make provisions for all unclassified credits (irregular and regular) at 2.5 percent, classified as 'sub-standard' and 'doubtful' at 5 percent; and classified as 'bad/loss' at 100 percent.
- December 2014 • The upper limit of interest rate of agricultural and rural credit has been re-determined at 11 percent instead of 13 percent considering the downward trend of interest rate on deposits and advances.
- December 2014 • The provisions [of section ACID of the BRPD circular letter no. 18 dated 27 October 2013] on the appointment of CEO of banks and financial institutions have been amended replaced as follows:
- 'Any decision of Bangladesh Bank regarding appointment of CEO will be treated as final and such appointed CEO cannot be dismissed, released or removed from his office without prior approval from BB. However, (a) if any CEO desires to terminate the contract before expiry of his/her tenure or resign from his/her office voluntarily, the CEO shall serve at least one-month notice to

the chairman of the board stating the actual reason for such resignation, and, at the same time a copy of such notice will have to be forwarded to Bangladesh Bank; (b) in case the board of the bank desires to terminate the contract before expiry or asks the CEO to tender resignation from his/her post, the board shall serve at least one-month notice stating the reasons for such action and at the same time a copy of such notice will have to be forwarded for obtaining approval from BB; (c) when the position of a CEO falls vacant due to resignation, expiry of contract, or any other reasons, the bank shall immediately appoint a 'CEO In-charge' (for maximum 3 months) among the officials next to the CEO and notify the same to Bangladesh Bank with details'.

- December 2014 • 3 and 6 months Islami bonds are being issued through open bidding from 1 January 2015 based on profit sharing ratio (PSR).
- January 2015 • BB has declared the road map for implementation of the revised regulatory capital framework for banks in line with Basel-III in Bangladesh starting from 2015. According to the revised road map, banks have to maintain the minimum standard 'Liquidity Coverage Ratio (LCR)' and 'Net Stable Funding Ratio (NSFR)' from January 2015. The minimum standard for LCR will have to be greater than or equal to 100 and for NSFR it shall be greater than 100.
- January 2015 • Because of price hike of construction materials for housing and real estate sector, the guideline for prudential regulations for consumer financing has been amended. According to the new guideline, the maximum per party limit in respect of housing finance by the banks has been fixed at Taka 12 (twelve) million and maximum debt-equity ratio has been fixed at 70:30 for the housing finance facility.
- January 2015 • Banks have been advised to mitigate risks of outsourcing by taking steps to drawing up comprehensive and clear outsourcing policies, analysing the financial and infrastructure resources of the service providers, negotiating for appropriate outsourcing contracts, ensuring required contingency planning by the outsourcing firm, and establishing effective risk management programmes.
- January 2015 • Bank borrowers in general have been experiencing some difficulties in running business smoothly in recent past resulting in default with respect to debt servicing in particular due to the prevalent economic scenario emanating from various external and domestic factors which were beyond their control. This phenomenon augmented a situation whereby present policy was needed to be liberalised specially with respect to large borrowers having multiple bank exposures. Hence, considering the significant importance of the affected large borrowers from the socio-economic and employment generation perspective and for supporting their recovery efforts, the Board of Directors of Bangladesh Bank has given due cognizance of the situation and recommended necessary policy support for the said borrowers. Accordingly, some set of instructions

have been issued in line with international best practices for restructuring of such affected large loans.

- February 2015
- BB directed to establish a "Women Entrepreneur Development Unit" in all scheduled banks and financial institutions for allowing all sorts of services to the women entrepreneurs, providing loans to small and cottage women entrepreneurs in manufacturing and service sectors on priority basis and performing development activities along with fostering inclusion of the cluster of women entrepreneurs to loan activities precisely and more effectively. The proposed unit has been advised to monitor the branch level activities of women entrepreneur dedicated desk/help desk. Appointment of women officials in "Women Entrepreneur Development Unit" has been given priority. All scheduled banks and financial institutions have been advised to form the said unit in their respective banks/institutions within 15 days of the issuance of the circular and to inform BB accordingly.
- February 2015
- Considering the great importance of the agricultural sector to the growth and stability of Bangladesh economy and to implement the government's farmer-friendly policy to boosting up agricultural production and recovering the agricultural credit the following decisions have been taken for rescheduling such loans:
 - (1) In case of rescheduling short term agricultural credit, the condition of required down payment can be relaxed on the basis of banker-customer relationship. In special cases, such credits can be rescheduled without down payment.
 - (2) New short-term agricultural credit can be disbursed after rescheduling. In this case, new credit facility can be given without depositing any amount of money.
 - (3) If any certificate case is already filed during the trial period, credit can be rescheduled after withdrawing or settling the certificate cases through mutual agreement (solenama) with the customer.
- February 2015
- Banks have been informed that 'Local Chief Executive Officer' post of any foreign bank working in Bangladesh is not allowed to remain vacant for more than three months. Besides, in case of appointing foreign nationals to the post of 'Local Chief Executive Officer', the foreign banks will have to take approval from BB by providing his/her necessary information along with the work permit of Board of Investment, Bangladesh.
- March 2015
- All scheduled banks have been instructed to apply maximum possible profit/interest rate to their existing different savings accounts for all sorts of Taka 10, Taka 50 and Taka 100 accounts including bank accounts for farmers, school students and child labourers.

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- March 2015
- Considering the overall market status, it has been decided to bring systematic changes in maintaining provision against investment in mutual fund units. In the changed guidelines, banks are ordered for maintaining provision against investment in mutual fund units.
- March 2015
- A uniform account opening form and Know Your Customer (KYC) form have been prepared for all financial institutions working in Bangladesh.
- March 2015
- A guideline has been issued for contractual appointment of advisor and consultant in financial institutions. Key features of the guideline for appointing advisor include (1) experience and eligibility; (2) responsibilities; (3) approval from BB; (4) policy for salary and allowances; (5) tenure; and (6) recruitment of former employee. On the other hand, key features of the guideline for appointing consultant include (1) responsibilities; (2) approval from BB; (3) tenure; (4) policy for salary and allowances; and (5) recruitment of former employee.
- March 2015
- In order to strengthening monetary condition and gaining confidence of the depositors, financial institutions have been advised to follow and specify the following criteria for appointing an honest, skilled, experienced and appropriate chief executive in their respective institution: (1) character credentials; (2) experience and eligibility; (3) transparency and financial credentials; (4) age limit; (5) tenure; (6) re-appointment; (7) policy for salary and allowance; (8) incentive bonus; (9) honorarium for attending general meetings; (10) approval from BB; (11) cancellation of appointment; and (12) demission/exemption/removal and resignation.
- April 2015
- Bangladesh Bank has taken initiative to introduce real time gross settlement system (BB-RTGS) in the country. All the schedule banks have been advised to take necessary preparation(s) to perform live transaction over BB-RTGS system from 8 October 2015. It will use MX (ISO 20022) message format for data exchange between central bank's system and participating bank's system through existing virtual private network (VPN). The SWIFT network may be included as a redundant communication channel in the next phase.
- April 2015
- External auditors are appointed by NBFIs on annual basis for auditing all of their activities. In order to ensure transparency and accountability of their activities, NBFIs have been advised to comply with the following instructions:
 - (1) Approval of BB must be taken before appointing external auditors in the annual general meeting;
 - (2) NBFIs must comply the instructions of the "guidelines on appointing external auditors in financial institutions" before appointing external auditors;

- (3) NBFIs must provide a copy of the given guidelines to the external auditors along with the appointment letter;
- (4) NBFIs will present the comments and recommendations of the auditors' report before the board of directors and take necessary actions accordingly.
- (5) A declaration of NBFIs specifying that any owner/partner of the concerned audit firm is not related to ownership/business with that NBFIs, must be attached with the proposal sent to BB for approval. This declaration must be signed by the CEO of the concerned NBFIs.
- (6) The audit report prepared by the external auditor must be scrutinised to ensure its compliance with the 'Financial Institutions Act, 1993', the 'Company Act, 1994' and other instructions given by BB. The NBFIs have been advised to inform BB immediately if any deviation is observed in this regard.

- May 2015
- NBFIs have been instructed to comply with guideline regarding the maintenance of provision against unrealised losses arising from investment in mutual fund units.
- May 2015
- BB has adopted the guideline titled 'NPSB Switch Operating Rules & User Manual: Dispute Management Rules' to ensure the development, safety, efficiency and regulation of the country's payment system. Hence, all scheduled banks connected to the National Payment Switch Bangladesh (NPSB) have been advised to follow the procedure depicted in the said guideline while managing disputes related to NPSB.
- May 2015
- Recently it has been observed that the bank employees particularly the female staff are being forced to stay at bank at the end of working day after banking office hours. Besides, several allegations are being raised by the bank officials regarding resignation, unlawful termination, dismissal from service, harassment in getting post retirement financial benefits and others. As a result, different types of complications are arising which are impeding proper human resources management. Therefore, after reviewing the general norms regarding the issues, it has been decided that banks are not allowed to force their employees particularly the female staff to stay at bank at the end of working day after banking office hours, i.e., 6.00 pm. The banks will have to ensure proper security and pay compensation to any female staff if she has to stay at bank after office hours due to special official responsibilities.

Further, banks advised to stop arbitrary dismissal of their employees and to maintain professionalism while recruiting employees. The recruited employees must be provided proper training to make them fit. In this regards, banks will have to amend their service rules regarding resignation, termination or

dismissal, post retirement financial benefits in line with the International Labour Organisation Conventions, Bangladesh Labour Law, 2006 and the directives given by Bangladesh Bank from time to time.

B. Policy Announcements on External Sector Development

- July 2014 • The limit of bullet repayment, against external import financing for eligible deferred payment imports for terms not exceeding six months, has been enhanced from USD 0.5 million to USD 1.0 million.
- July 2014 • The Government has decided to provide export subsidy/cash incentive for listed 14 major categories of export items for the FY15.
- July 2014 • The maximum time limit for delivery of non-resident Bangladeshi (NRB) remittances to the beneficiaries has been revised to two working days instead of 72 hours.
- July 2014 • In case of bulk import of raw materials against inland back to back L/C, maximum single borrower exposure limit for the members of the Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association (BGAPMEA) has been enhanced from USD 1.0 million to USD 2.0 million under the facility of export development fund (EDF) loan.
- September 2014 • In case of bulk import of raw materials against inland back to back L/C, maximum single borrower exposure limit for the members of the Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) has been enhanced from USD 0.5 million to USD 1.0 million under the facility of EDF loan.
- September 2014 • In case of bulk import of raw cotton and other fibers against inland back to back L/C, maximum single borrower exposure limit has been enhanced from USD 10.0 million to USD 15.0 million under the facility of EDF loan.
- October 2014 • The importers of petroleum bi-products have to take license from Bangladesh Energy Regulatory Commission under Bangladesh Energy Regulatory Commission Act, 2003. In this context, all authorised dealer (AD) banks have been advised to properly abide by the directions stated in Import Policy Order, 2012-2015 and Bangladesh Energy Regulatory Commission Act, 2003 in case of L/C opening for import of petroleum bi-products.
- October 2014 • It has been decided that all institutions engaged in RMG export along with those established outside EPZ & taking excise bond/duty draw-back incentives will be entitled to avail 0.25 percent cash incentive upon their export value on free on board (FoB) basis.
- January 2015 • Shipping lines/air lines/licensed freight forwarders have been allowed to open and maintain foreign currency accounts. It has been clarified that foreign

currency deposited in foreign currency accounts of shipping lines/airlines against freight charges on free on board (FoB) exports from licensed freight forwarders may be used for outward remittances on account of surplus earnings. In this regard balances held in foreign currency accounts shall first be used for outward remittances before use of local currency fund. However, AD banks shall get themselves ensured of the encashment of adequate foreign currency by the shipping lines/airlines to meet local expenses in case of shortfall in local currency funds and submit the encashment certificates with the statements.

Outward remittance supported by encashment certificates against free on board (FoB) exports shall not be allowed with effect from April 2015.

- February 2015
- The sale of Bangladeshi goods or raw materials to the enterprises in export processing zone (EPZ) against payment in foreign currency is treated as exports from Bangladesh and normal foreign exchange regulations concerning declaration of exports on EXP forms and repatriation of proceeds is applicable to these exports to the EPZ enterprises. This export to EPZ areas is considered as import by EPZ enterprises. In order to bring ease in reporting for permissible imports by enterprises of EPZ areas from non-EPZs, it has been decided that ADs of EPZ enterprises may report import transactions to Bangladesh Bank. This procedure of mentioning EXP numbers will also be applicable for transactions between EPZ enterprises and intra EPZ enterprises.
- May 2015
- It has been decided to relax and enhance the upper limit of L/C up to USD 10000 from USD 7500 for import of coal through land without using SWIFT.
- May 2015
- The existing guidelines permit exporters to retain specified parts of their export earnings in foreign exchange for utilisation without prior Bangladesh Bank's approval for bonafide business expenses abroad including maintenance of offices abroad, import of raw materials, machineries and spares, etc. It has been decided to further expand this facility by enhancing the exporters retention quotas (ERQs) as under:
 - (a) ERQ for exports of high domestic value added merchandise shall stand enhanced to 60 percent from existing 50 percent.
 - (b) ERQ for merchandise exports of high import contents (like apparels using woven fabric) shall stand enhanced to 15 percent from existing 10 percent.
 - (c) ERQ for export of services shall stand enhanced to 60 percent from existing 50 percent of repatriated export receipts.