



## Happy New Year

**IFIC BANK LIMITED**  
**TRAINING & RESEARCH DIVISION**  
**HEAD OFFICE, DHAKA**

### **01. HSBC voted best cash management bank**

HSBC Bangladesh has been voted the Best Domestic Cash Management Bank in the Euromoney Cash Management Poll 2009. Also in the same poll, HSBC has been voted Best Cash Management Bank in Asia. Now in its 9th year, the poll recognizes the leading cash management banks in the industry. Cash managers, treasurers and financial officers worldwide were asked to indicate: which international banks they currently use most for their cash management services globally, regionally and domestically, and were also asked to rate the services provided by their lead cash management bank across various categories on a sliding scale, says a press release. In addition to winning the crown for the overall Best Cash Management Bank across the region, the Bank also scored high results domestically across 11 other markets and was voted number 1 in Australia, Brunei, Hong Kong, Indonesia, Japan, Macau, Malaysia, Mauritius, Singapore, Sri Lanka and Taiwan for in-country cash management services.

**The Independent 2009-12-03**

### **02. Citi wins 'Islamic Product House of the Year' award**

Citi has been awarded the 'Best Islamic Product House' in Asia Pacific for 2009 by the editors of Asia Risk magazine, Asia's leading risk management magazine, said a press release. 'While innovation is important, clients say it is Citi's focus on providing an end-to-end solution, backed by a consistent high level of customer support that truly sets the bank apart from its competitors,' said the editorial write up accompanying the award from Asia Risk. Citi first began Islamic finance activities in 1981. Citi's commitment to the development of the shariah-compliant industry is reflected by the bank's presence and operations in Kuala Lumpur, Dubai, Bahrain and Singapore. Citi's range of treasury solutions, offered in Asia through Citibank's Islamic window in Malaysia, comprise liquidity management products such as Commodity Murabahah, Islamic Repo and Islamic Current and Time Deposit accounts; Investment instruments like Islamic Securities, Islamic Structured Investments and Oasis Certificates (offered by Citigroup Global Markets Limited) and Risk Management, covering Islamic Hedging Undertaking.

**New Age: 2009-12-05**

### **03. BB to appoint 2 more banks as PDs**

The central bank is going to appoint two more commercial banks - AB Bank Limited and National Bank Limited - as primary dealers (PD) aiming to bring dynamism in the secondary securities market. The central bank took the latest move after issuing licences to four new PD banks and financial institutions in the last week of November. The four new PDs are Mercantile Bank Limited, Mutual Trust Bank Limited and non-banking institutions Lanka Bangla Finance Limited and IPDC which started their functions from December 1 this year. Currently, the number of PDs stands at 13. Of them, 10 are commercial banks and three non-banking financial institutions (NBFIs). In South Asia, Bangladesh holds the second position in terms of number of PDs. India tops the list with 17 PD banks and financial institutions while Sri Lanka has 11 and Pakistan 10. The central bank of Bangladesh has already amended the guidelines for PDs allowing commission and liquidity support to activate the secondary securities market.

**The Financial Express: 2009-12-05**

#### **04. Three state banks move up ranks**

Bangladesh Bank in its latest CAMELS rating has upgraded the position of three state-owned banks (SOBs), but Rupali Bank failed to achieve any improvement. However, all the four SOBs gave loans beyond their limits in three sectors, which the central bank said may create risk in their resource management. The CAMELS rating was conducted in June. Sonali, Janata and Agrani banks graduated to level-3, while Rupali is still at level-4. In the last two decades they were in level-4 or 5. The three banks were turned into public limited companies and their chief executive officers were appointed on competitive basis. According to the CAMELS rating, the three banks did not have any capital deficiency.

**The Daily Star: 2009-12-06**

#### **05. Six more US banks closed**

Regulators seized six more US banks, bringing the tally of failures to 130 this year as the bank industry continues to suffer under the weight of deteriorating loans. Small banks are expected to continue to fail at an elevated pace through next year. The Federal Deposit Insurance Corp, which protects bank accounts, has said the banking industry's recovery will lag behind the general economy. The FDIC said regulators closed three banks in Georgia, bringing the number of bank failures in that state this year to 24, and one each in Virginia, Illinois and Ohio. The biggest bank to close was AmTrust Bank of Cleveland, Ohio, which had assets of \$12 billion and deposits of \$8 billion. The New York Community Bank of Westbury, New York, assumed its deposits. The other five banks had assets of less than \$1 billion. Last year 25 banks failed, compared to just three in 2007. At the beginning of the crisis, institutions were being brought down by soured mortgage-backed securities and bad home loans.

**The Financial Express: 2009-12-06**

#### **06. BB starts monitoring CSR status in banks, FIs**

Bangladesh Bank has started monitoring how much the country's banks and financial institutions are carrying out their Corporate Social Responsibility (CSR). Bangladesh Bank has started monitoring the CSR status of the country's banks and financial institutions," Bangladesh Bank Governor Dr Atiur Rahman said. He was addressing a brainstorming session on 'Setting CSR priorities and their modalities for materialization' organised by Prime Bank Foundation at a city hotel. The central bank governor said the central bank has already sent an elaborate guideline to banks regarding their CSR. "We'll include the CSR in the annual report of Bangladesh Bank. This will not make any difference in its annual report while rating the country's banks. We're doing this voluntarily, but hope that in the future it'll be included in the ratings of banks," he said.

**The Bangladesh Today: 2009-12-07**

#### **07. Coverage, duration of loan rescheduling facility extended**

The central bank has extended both coverage and duration of the loan rescheduling facility for recession-hit export sectors without any down payment. Instead of five specific sectors, all export-oriented sectors will now be entitled to the facility until June 30 next year. "We've relaxed the rules to facilitate the country's export-oriented sectors," a senior official of the Bangladesh Bank (BB) told, adding that the banks can now reschedule loans on the basis of their relationship with clients. He also said the central bank has taken the latest move in line with the second stimulus package, announced by the finance minister on November 25 last. The central bank issued a circular in this connection and asked the chief executives and managing directors of all 48 scheduled banks to adhere to the relaxed rules relating to loan rescheduling. On April 19 this year, the BB relaxed rules allowing loan rescheduling without down payment by five affected export-oriented sectors, until September 30 this year. The sectors are frozen food, jute, leather, textile (including spinning) and readymade garment (RMG). On the other hand, different trade bodies including BGMEA and BKMEA earlier requested the BB governor to extend the deadline for loan rescheduling without any down payment until June 2010 from the September 30, 2009.

**The Financial Express: 2009-12-06**

## **08. Licenses for SME, agri bank branches**

Bangladesh Bank governor Atiur Rahman said that licences would be issued to commercial banks for opening branches to increase availability of funds for sectors like small and medium enterprise and agriculture from next year. The commercial banks will close their existing SME service centers after launching the SME branches, he said. The BB governor said the central bank has started considering various facts and factors aiming at increasing the fund availability for the women entrepreneurs. 'Women bankers will be involved with the SME monitoring unit of BB who will provide suggestions for the women entrepreneurs on various business aspects including access to fund,' he said. The central bank governor expressed his disappointment over the commercial banks as 70 per cent of their Taka 120 refinancing scheme is being kept idle.

**The Daily Star: 2009-12-08**

## **09. CAMEL ratings 'to put pressure on banks to improve performance'**

The central bank should publish CAMEL ratings regularly for creating extra moral pressure on banks to improve their performance, former adviser of caretaker government Akbar Ali Khan recommended. "CAMEL rating of banks by Bangladesh Bank should be published at regular intervals. This will put extra moral pressure on banks to improve their performance," Mr. Khan said while delivering ninth Nurul Matin Memorial Lecture on Ethics in Banking at Dhaka Sheraton Hotel. The central bank will examine the recommendation in line with the existing Bank Companies Act, BB Governor Atiur Rahman told. BIMB organised the lecture on 'Ethics in Banking' in which the country's eminent economists, bankers and policy makers were attended. AFM Nurul Matin, a renowned banker, was the deputy governor of the central bank of Bangladesh. The former advisor also recommended that each bank should lay a comprehensive code of conduct. An ethics office should be established in each bank to enforce the code of conduct, he added. About default loan, he said the pervasive default culture in Bangladesh financial sector undermines healthy ethical practices. Mr. Khan also recommended that the government should immediately enact an appropriate legislation to punish financial swindles and frauds and an effective agency should be established to enforce this law. Regarding Islamic banking, he said the Islamic banks should renew their efforts for realising their avowed goals of social justice and risk sharing. "Islamic banks should be true to the spirit of their great religion."

**The Daily Star: 2009-12-08**

## **10. HSBC transacts first ever Bangladesh Taka Onshore FX Option Trade**

Global financial Giant HSBC has recently transacted the first ever Bangladesh Taka (BDT) Onshore FX Option Trade in the country for two local and overseas business entities, the Bank authority revealed. The new method, the authority said, allows the importers and exporters involved in a foreign transaction to hedge their exposures more effectively in case of a future movement of the exchange rate. Until now, the only method of hedging BDT FX risk was to book an FX Forwards (FWD) contract. In such cases, banks usually hedged the spot risk of the FX Forwards sold to or brought from customers and carry the interest rate risk of the two currencies within their balance sheet. "However, in such cases, interest rate differential does not always reflect an accurate FWD rate due to the absence of BDT term interest rate market", said Tarique I Khan, Head of Global Markets of HSBC Bangladesh. HSBC authority said that the new method of FX Options would address such shortcomings of the Forward contract by providing them a sort of 'buying insurance' and more flexibility. "If US Dollar or Bangladeshi Taka moves beyond a certain adverse rate, customer is hedged at that rate and can exercise his right. Again, if the rate moves in the favour of underlying FX exposure, customer can only benefit up to a certain level", Tarique added.

**The Financial Express: 2009-12-03**

## **11. Forex ceiling goes up for travelers**

The central bank has raised the ceiling of foreign currency for Bangladesh nationals allowing them to spend more while traveling abroad. The Bangladesh Bank issued a circular in this regard. In case of traveling to the Saarc countries and Myanmar, the limit on taking foreign currency has been fixed at \$1,500. Earlier the ceiling was \$1,000 for traveling by air and \$500 by road. For other countries, a Bangladeshi traveler now can take \$5,000, which was \$3,000 earlier. BB officials said the move has been taken as the foreign exchange reserve has crossed a satisfactory \$10 billion mark.

**The Financial Express: 2009-12-10**

## **12. Sharia compliant banking withstands recession shocks**

Sharia compliant banking has not only withstood the devastation wrought by the tearing global economic meltdown, but has made significant stride during this turbulent period. For a while it was almost as if the global financial crisis had not happened, wrote an analyst in an exhaustive article on Sharia banking. Islamic banking witnessed a strong growth this year. The meltdown that brought giants like Citigroup, Bank of America, Merrill Lynch, JP Morgan Chase to their knees, the sharia compliant banking system stood its ground firmly. Islamic banking recorded a whopping 29 percent growth rate in its assets this year to \$822 billion. Twenty more branches of sharia compliant banks were opened this year. Sharia compliant banking has its strongest root in Malaysia. Indonesia, Pakistan and Bangladesh -- three largest populated Muslim countries have not been active promoters of Islamic banking. China which has about 80 million Muslim population " has started to wake up to the opportunities of Islamic finance. China has already given permission to one of its banks, Bank of Ningxia, to sharia compliant banking. General Electric- the US giant became the first foreign company to issue "Sukuk." Sukuk is comparable to common bond. Islamic finance at the moment represents only one percent of the global financial system, the Muslim world accounts for 7.6 of the gross domestic product. Growth in 57 Muslim nations is much higher than in the rest of the world, according to Statistical Economic and Social Research and Training Centre and Training Centres for Islamic Countries.

**The Financial Express: 2009-12-09**

## **13. BB scraps BRC, vests authority to banks**

The Ministry of Finance (MoF) on 17.12.2009 abolished the Bankers' Recruitment Committee (BRC) and vested the authority to the respective bank boards with the ministry retaining overall control. An office order on recruitment of officers for the state-owned banks and financial institutions, issued from the MoF on the same day, has made the latest instruction effective with immediate effect. The BRC, headed by Bangladesh Bank (BB) Governor, was established in September, 2000 to recruit first and second class officers for 12 state-owned banks and financial institutions. According to the ministry order, the power to recruit bank officers has been vested to the respective bank boards. The board of directors of the bank will form a recruitment committee with the permission of MoF. Furthermore, the banks have to take permission from the MoF before starting the recruitment process. The representatives from BB and MoF have to be included in the recruitment committee of all banks and financial institutions, the order further said. Until now, the BB Governor headed the BRC while General Manager, Human Resources Department of the BB, was its Member-Secretary. The Managing Directors of respective banks or financial institutions were members with no representatives from the MoF. **The Financial Express: 18.12.2009**

## **14. Banks asked to submit quarterly report to BB**

The commercial banks must submit report on default loan of the non-banking financial institutions' (NBFIs) directors to the central bank on quarterly basis. The central bank issued a circular in this connection on 17.12.2009 and asked the chief executives of all 48 scheduled banks to submit such reports within the stipulated timeframe. Under the existing provisions, the NBFIs will have to issue a notice against loan defaulter director giving 60 days for updating such loan with the banks concerned. "The NBFIs are empowered to remove the director if he/she fails to regularise the loan portfolios during the notice period. Currently, 29 NBFIs are operating their businesses across the country

**The Financial Express: 18.12.2009**

### **15. ADB signs deals with 12 banks to boost export-import trade**

The Asian Development Bank (ADB) has signed deals with 12 local private commercial banks for expansion of its Trade Finance Facilitation Programme (TFFP) in Bangladesh. Under the agreement, the banks will be able to offer more trade financing support to their clients particularly exporters and importers through international banks. The banks are Bank Asia Ltd., BASIC Bank Ltd., Dhaka Bank Ltd., Dutch Bangla Bank Ltd., Eastern Bank Ltd., Export Import Bank of Bangladesh Ltd., National Bank Ltd., Premier Bank Ltd., Prime Bank Ltd., Southeast Bank Ltd., Standard Bank Ltd., and United Commercial Bank Ltd. The signing ceremony was held at a local hotel on 17.12.2009 morning. Chief executives and senior officials of the banks concerned were present on the occasion. "We've taken the TFFP aiming to increase trade volume regionally as well as globally," Steven Beck, head of Trade Finance Capital Markets and Financial Sectors Division and Private Sector Operations Department of the ADB, told. Under the programme, the triple-A rated ADB provides loans and guarantees through, and in conjunction with, local and international banks to back trade transactions. **The Financial Express: 18.12.2009**

### **16. Import duty on 18 Bhutanese products to be withdrawn**

The government is going to withdraw entire import duty from 18 major exportable products from Bhutan including some industrial raw materials, fresh fruits and spices to boost bilateral trade with the neighbouring country. South Asian department of foreign ministry has urged the NBR to take necessary steps to withdraw import duty from the import items following a commitment by Prime Minister Sheikh Hasina during her recent visit to the country. The PM has made the commitment to enhance bilateral trade with Bhutan during her visit on November 6-9. She has announced that Bangladesh will reduce tariff on 18 commodities imported from Bhutan from the existing rate of 15 per cent to zero. Bangladesh is enjoying duty-free access of her products to Bhutan. "We will issue an order in this connection after getting directive from the finance minister," said National Board of Revenue (NBR) Chairman Nasir Uddin Ahmed. Bangladesh imports products worth \$14 million annually from Bhutan while it exports products worth \$1.3 million. **The Financial Express: 20.12.2009**

### **17. Private sector credit flow up again in October**

Private sector credit flow again witnessed a rising trend in October after a month of declining growth, indicating that the country's overall business activities have started improving slowly. Private sector credit growth rose to 15.40 per cent in October from 13.65 per cent in September, against lower growth recorded in about last two years, according to the central bank statistics. The credit flow to private sector recorded a growth of 15.40 per cent to Tk 305.946 billion in October 2009 on a year-on-year basis compared to 24.82 per cent or Tk 395.149 billion of the previous year, the BB's data showed. Disbursement of agricultural credit during July-October 2009 stood at Tk 29.746 billion compared to Tk 25.076 billion in the same period of the previous year, the central bank said. "Recovery of agriculture credit during July-October 2009 also stood higher at Tk 32.489 billion compared to Tk 16.97 billion during July-October 2008," the central bank said in its 'Major Economic Indicators: Monthly Update' of November 2009.

**The Financial Express: 21.12.2009**

### **18. BB Governor for quick disbursement of loans**

Bangladesh Bank Governor Dr. Atiur Rahman asked the banking sector to give adequate loans to the farmers and also the Small and Medium Enterprises (SMEs) in the greater interest of national economy. While addressing a press briefing here, he said Bangladesh would not have to import food if the farmers are provided with adequate loan facilities. Senior bankers, chamber leaders, leading businessmen and NGO executives were present at the press briefing, where he said Bangladesh is one of the four countries, who have successfully faced the recent global recession. "Bangladesh will be one of the 11 countries of the world to score more success in the economy as it is a country of entrepreneurs," he said and asked the local bankers to reschedule loans without any down payment for the Aila-hit people. **The New Nation 2009-12-26**

## **19. Citibank awarded ISO Certification**

Citibank, NA Bangladesh has been recently awarded ISO certification by Moody International for providing whole-sale banking for Institutional Clients Group. Citi's Operations Procedure and Quality Management System were assessed and found compliant with the requirements of the certification, said a press release. "The certification is a testament to Citi's commitment to managing quality across the bank and should help us in gaining confidence of our clients on our service delivery standards." said Mamun Rashid, managing director & Citi country officer - Bangladesh. "ISO Certification is very rare in Banking Industry in Bangladesh and we feel proud to set that standard in this market. This achievement is recognition of the commitment of our team to ensure control and compliance and quality of the service', said Khawja Masum Billah, Country Head of Operations & Technology.

**The Financial Express: 2009-12-27**

## **20. No credit facilities for polluting units**

In an initiative to protect environment and combat climate change, the government has decided to restrict credit facilities for polluting industries. "No more credit facilities for the industries which will pollute environment," Bangladesh Bank Governor Dr Atiur Rahman yesterday said while he was speaking at a seminar on 'Climate change management' for the central bank officials at Bangladesh Bank Training Academy in the city. Dr Atiur said action would be taken against those banks which would provide credit facilities to the industries responsible for environment pollution. He said Bangladesh Bank has created a fund of Tk 200 crore to address the environmental issues and climate change. Every industry might have Tk 1 crore loan for setting up Effluent Treatment Plant (ETP) from the fund, he said. The central bank is ready to increase the size of the fund and give up to Tk 5 crore if the industrialists agree, he said urging the schedule banks to come up with more credit facilities for environment-friendly industries. Noted economist and members of Bangladesh Climate Change Trust Fund Dr Qazi Kholiquzzaman Ahmad also spoke at the seminar with Executive Director of the BBTA Debaki Kumar Saha in the chair.

**The Daily Star : 2009-12-28**

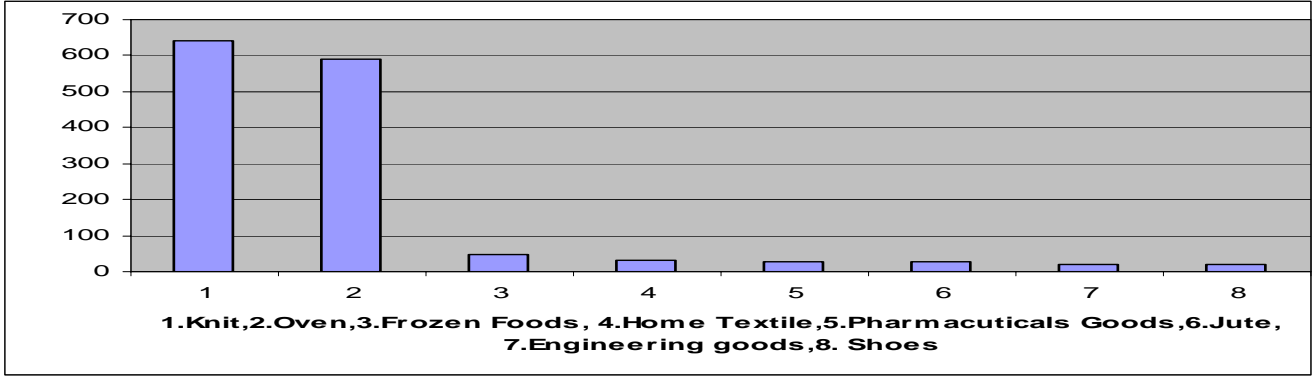
## **21. Online credit information from mid 2010**

The country's scheduled banks will be able to get credit reports of their clients online from the Credit Information Bureau (CIB) from mid 2010. Bangladesh Bank Governor Dr Atiur Rahman made this announcement Sunday at a workshop on "Economics of Integrating Access to Finance and Access to Information: Bangladesh Perspective", organized by BIBM in the city. BIBM researcher Dr Shah Md Ahsan Habib presented the keynote paper on the issue, highlighting the necessity of the access to financial information and suggesting some measures to provide people with basic banking services. Commenting on the paper, the governor also emphasized on improving the system for information dissemination and ensuring basic banking services to all. He referred to the recent activities of the central bank to digitalize its services and facilitate the banking sector electronic and online services.

The governor also cited the initiative of making mobile phones as a tool for bringing more people under institutional financial services. He observed that the banks, micro-finance institutions and mobile phone companies could build a tri-party relation to render better financial services especially to the rural people. He said a large number of people were still not getting the basic banking and financial services despite the significant development of banking sectors and extension of activities of the microfinance institutions. "Basic banking services including deposit, payment and credit services are recognized as entitlements of all citizens," Atiur said. The governor, however, said that central bank had taken effective initiatives to bring all eligible people under necessary banking and financial services. He also gave some recent data, describing the latest improvement in the financial activities including positive growth in export, remittance and reserve and hoped that the growth would continue next year.

**The Bangladesh Today: 2009-12-28**

## 22. রফতানি আয়ের ১০ ভাগ আসে ৮ পণ্য থেকে



বহুমুখীকরণ না হওয়ায় বিশ্ববাজারে দেশীয় রফতানি পণ্যের গণ্ডি সীমিত হয়ে আসছে। রফতানিযোগ্য পণ্যের সংখ্যা বাড়ছে না। সীমিত কয়েকটি পণ্য থেকেই রফতানি আয়ের বেশিরভাগ আসছে। সুষ্ঠু পরিকল্পনার অভাবে একদিকে পণ্যের বহুমুখীকরণ হচ্ছে না, অন্যদিকে আন্তর্জাতিক বাজার ধরার প্রতিযোগিতায় পিছিয়ে পড়ছে বাংলাদেশ। ফলে দেড়শতাধিক রফতানি পণ্যের মধ্যে মাত্র ৮টি পণ্যের ওপর টিকে আছে দেশের পুরো রফতানি আয়। এখন পর্যন্ত মোট রফতানি আয়ের ৮টি পণ্যের অবদান হচ্ছে ৯০ শতাংশের বেশি। এগুলো বাদ দিলে বাকি সব পণ্যের অবদান ১ শতাংশের মতো। গত অর্ধবছরে রফতানি আয়ের প্রায় ৯১ দশমিক ১৬ শতাংশ এসেছিল ১১টি পণ্য থেকে। রফতানি উন্নয়ন ব্যুরোর (ইসিবি) থেকে প্রাপ্ত তথ্য-উপাত্ত বিশ্লেষণ করে এসব তথ্য পাওয়া গেছে। এই ৮টি পণ্য হচ্ছে\_ ওভেন পোশাক, নিট পোশাক, হিমায়িত খাদ্য, পাদুকা, পাটজাত পণ্য, রসায়ন পণ্য, প্রকৌশল পণ্য এবং হোম টেক্সটাইল। এর মধ্যে নিট পোশাক ও ওভেন পোশাকের রফতানি আয়ই হচ্ছে ৮০ শতাংশ। বাকি ১০ শতাংশ আসছে ৬টি পণ্য থেকে। এর মধ্যে সবচেয়ে বেশি রফতানি আয় হচ্ছে নিট পোশাক থেকে। ইপিবি'র পরিসংখ্যান অনুযায়ী, গত অর্ধবছরে বেশি রফতানি হয়েছে নিট পোশাক, যার পরিমাণ ৬৪২ কোটি ৯২ লাখ ৬০ হাজার ডলার। এর পরই আছে ওভেন পোশাক, যার পরিমাণ ৫৯১ কোটি ৮৫ লাখ ১০ হাজার ডলার। হিমায়িত খাদ্য ৪৫ কোটি ৪৫ লাখ ৩০ হাজার ডলার, হোম টেক্সটাইল ৩১ কোটি ৩৫ লাখ ১০ হাজার ডলার, রসায়ন পণ্য ২৭ কোটি ৯৫ লাখ ৫০ হাজার ডলার, পাটজাত পণ্য ২৬ কোটি ৯২ লাখ ৫০ হাজার ডলার, প্রকৌশল পণ্য ১৮ কোটি ৯৪ লাখ ৮০ হাজার ডলার এবং পাদুকা ১৮ কোটি ৬৯ লাখ ৩০ হাজার ডলার। বিশ্ব অর্থনৈতিক মন্দায় পাদুকা, পাটজাত পণ্য, হিমায়িত খাদ্য এসব খাতে রফতানি আয় কিছুটা কমেছে। তবে নিট ও ওভেন পোশাকে রফতানি আয় বেড়েছে।

Shamakal: 27.12.2009

## 23. রফতানিকারকদের ঋণ সুবিধা বাড়ল

মন্দার ধকল এখনও কাটিয়ে উঠতে পারেনি সারাবিশ্ব। বিশ্বব্যাপী রফতানি খাতে নেমেছে চরম বিপর্যয়। অনেক দেশের রফতানি আয় শূন্যের কোটায় নেমে এসেছে। অনেক দেশ আবার ঋণায়ুক্ত প্রবৃদ্ধির দিকে চলে গেছে। বাংলাদেশে ঠিক তেমনটি প্রভাব না পড়লেও রফতানি খাতকে ভালোভাবেই নাড়া নিয়েছে। রফতানির প্রবৃদ্ধি গত বছরের তুলনায় অনেক কমে এসেছে। এ পরিস্থিতি থেকে দেশের রফতানি খাতকে রক্ষা করা এবং রফতানি খাতের উন্নয়নে সরকার নানামুখী উদ্যোগ গ্রহণ করেছে। বিরাজমান বিশ্বমন্দা পরিস্থিতিতে রফতানি খাতের উন্নয়নে বাংলাদেশ ব্যাংক রফতানি উন্নয়ন তহবিলের (ইডিএফ) পরিমাণ ১৫ থেকে ৩০ কোটি ডলারে উন্নীত করেছে। যার মাধ্যমে রফতানিকারকরা স্বল্প সুদে বৈদেশিক মুদ্রায় ঋণ গ্রহণ করতে পারবেন। এক্ষেত্রে রফতানিকারকরা তাদের কাঁচামাল আমদানির জন্য ৩ থেকে সাড়ে ৩ শতাংশের মধ্যেই ইডিএফের ঋণ পাবেন। বাংলাদেশ ব্যাংক সম্প্রতি এক প্রজ্ঞাপন জারি করে বৈদেশিক মুদ্রা লেনদেনকারী সব অনুমোদিত ডিলার ব্যাংকে তা পাঠিয়ে দিয়েছে। এ তহবিলের আওতায় বাণিজ্যিক ব্যাংক থেকে গ্রাহক লন্ডন ইন্টার ব্যাংক অফার রেট (লাইবর) থেকে ২ দশমিক ৫০ শতাংশ সুদহারে বৈদেশিক মুদ্রায় ঋণ পাবেন। ৩১ ডিসেম্বর পর্যন্ত গ্রাহকরা লাইবর প্লাস ১ শতাংশ হারে ইডিএফ তহবিল থেকে ঋণ পাবেন। বর্তমানে বিদেশ থেকে ঋণ পেতে চাইলে এর চেয়েও দ্বিগুণ বেশি সুদে ঋণ নিতে হয়। বর্তমানে লাইবরের সুদহার হচ্ছে ১ শতাংশেরও নিচে। ২০১০ সালের ১ জানুয়ারি থেকে নতুন নীতিমালা কার্যকর হবে। এই তহবিল থেকে ব্যাংকগুলো ৬ মাসের জন্য লাইবর রেট রেখে ২ দশমিক ৫০ শতাংশ সুদে ঋণ দেবে রফতানিকারকদের। এ তহবিলের আকার বাড়ানোর পাশাপাশি তহবিল থেকে ঋণ নেওয়ার ক্ষমতাও বাড়ানো হয়েছে। এর ফলে রফতানিকারকরা এ তহবিল থেকে বাড়তি ঋণ নিতে পারবেন। বিশ্ব অর্থনৈতিক মন্দার প্রভাবে ক্ষতিগ্রস্ত দেশীয় রফতানিমুখী খাতকে প্রয়োজনীয় কাঁচামাল আমদানি করার জন্য বৈদেশিক মুদ্রায় ঋণ সুবিধা দিতে এ তহবিলের আকার বাড়ানো হয়েছে বলে জানিয়েছেন বাংলাদেশ ব্যাংকের গভর্নর ড. আতিউর রহমান। তিনি বলেন, এ পদক্ষেপের কারণে ব্যবসা-বাণিজ্যে ব্যয় কমে আসবে। পাশাপাশি আন্তর্জাতিক বাজারে আমাদের রফতানিকারকদের প্রতিযোগী সক্ষমতা বাড়বে। সব মিলিয়ে রফতানিকারকদের সুবিধা দিতে এ পদক্ষেপ নিয়েছে কেন্দ্রীয় ব্যাংক। Shamakal 27.12.2009

## **24. China says billions missing from public funds**

Over 34.4 billion dollars went missing from public funds in China in the first 11 months of 2009, state media said, with national auditors highlighting embezzlement, waste and fraud. Over 230 people, including 67 government officials, have been handed over to disciplinary or judicial authorities for their roles in the missing funds, the China Daily said, citing the National Audit Office. The audit covered 99,000 companies, government agencies and public institutions across the nation, Liu Jiayi, China's top auditor, told a national auditing conference. Of the 234.7 billion yuan (34.4 billion dollars) found missing in the audit, 16.3 billion yuan had already been recovered, it said. Premier Wen Jiabao told auditors at the conference to step up efforts to tackle corruption, according to the report. China's state auditor has the power to review government accounts, but its lack of law enforcement powers means that many irregularities do not result in prosecutions. **The Daily Star, December 30, 2009**

## **25. Bangladesh overtakes India in apparel export**

Bangladesh has overtaken India in apparel exports this year as for the first nine months, its exports stood at \$2.66 billion, ahead of India's \$2.27 billion. In 2008, both the countries were at the same level [\$10.9 billion] with each having three per cent of global apparel exports, the premier economic English daily 'Business Standard' in a front-paged story on Monday reported. It said India's export volume is down 80 per cent this year for two reasons: one, the global economic downturn and increasing competition from Bangladesh, Vietnam and Sri Lanka. During the downturn, buyers looked for cheaper deals and Indian exporters were unable to compete on costs due to rising raw material and power costs. The second reason: many domestic are setting up units and offices in Bangladesh to avail the benefits of duty-free access. Prominent among those who have set up units in that country are House of Pearl Fashion [two units] and Raymond [one unit]. 'Bangladesh has a cost edge of 9-29 per cent across various products. The country has duty-free access to European markets and labour is cheap. It is more profitable to export from Bangladesh, than from India.' the Business Standard quoted Sudhir Dhingra, managing director of Orient Craft Exports, as saying. Deepak Seth, chairman of the House of Pearl Fashions, said the company's units in Bangladesh had been operating 'efficiently and profitably'. The company would double its capacities for T-shirts and woven tops/bottoms in Dhaka in the next financial year. Seth said labour costs in Bangladesh were 50 per cent of that in India and there was no duty on imports to EU, Australia and Canada. **The New Age 30.12.09**

## **26. New calculation method of daily forex position of banks**

The central bank has introduced a new calculation method of daily foreign exchange position for the commercial banks considering the regional as well as global calculation practices. "We've introduced the new calculation system of daily foreign exchange position for the banks in line with Basel-II framework," a senior official of the Bangladesh Bank (BB) told. Under the new calculation system, total of over bought among the foreign exchanges and total of over sold among the currencies which ever is higher shall be treated as exchange position of the day for the banks concerned. Currently, the banks are fixing their daily exchange positions by netting of the over bought and over sold among the foreign currencies. "The new calculation system will finally come into effect from February 1, 2010," the BB official said, adding that the banks will be allowed to report on daily exchange position maintaining both new and existing calculation formulas from January 10-31. The central bank issued a circular in this connection Wednesday and asked the commercial banks to follow the new calculation system of daily exchange position properly. In South Asia India, Pakistan and Sri Lanka have already adopted the daily foreign exchange position calculation method in line with the Basel-II accord. "Banks shall maintain their overall exposures in foreign currencies (overall net exchange position) within the open position limit at the end of the day," the BB said. The open position limit is required to be approved by the central bank on the basis of total capital and some other qualitative judgments. In September this year, the BB has increased the net open position (NOP) limits of commercial banks for holding foreign exchange in order to keep the inter-bank forex market stable.

**The Daily Star, December 31, 2009**

## 27. BB buys back Tk 10.75b govt securities in first-half

Government securities worth Tk 10.75 billion has been purchased under buying back arrangement in the first-half of this fiscal year to manage the government's surplus funds properly, officials said. Under the arrangement, the central bank has bought treasury bills worth Tk 4.0 billion and bonds worth Tk 6.75 billion from primary dealer (PD) banks and financial institutions from December 24 to December 30. On December 24 this year, the Bangladesh Bank (BB) started buying back of the government securities to reduce the government's debt service liabilities. "We've taken the move to reduce the government's surplus fund position and to facilitate the performances of PDs in the secondary securities market through increasing liquidity support," a BB senior official said. The central bank of Bangladesh earlier selected 13 PDs - 10 commercial banks and three Non-bank Financial Institutions (NBFIs) - to handle government securities in the secondary market. **The Financial Express: 2010-01-01**

## 28. Living cost up by 6pc

Cost of living in the country has increased by 6.19 per cent during the year 2009. The information was disclosed in the annual report of Consumers Association of Bangladesh (CAB) that conducted a market survey, said a press release. The survey excluded expenditure on education, treatment and communication. The average increase of price of rice was 21.07 per cent, sugar 30 per cent, lentil 24.30 per cent, soybean oil 14.66 per cent per litre and 27.77 per cent per five litres, palm oil 16.66 per cent, potato 50 per cent, onion 69 per cent, garlic 139.13 per cent, turmeric 50.94 per cent, dry chili 16.66 per cent and salt 11.11 per cent during the March to December 2009 period. In 2009 the average increase of price of egg was 25.42 per cent, vegetables 18.27 per cent, meat 13.09 per cent, fish 5.14 per cent, tea 5.68 per cent, soap 7.91 per cent, fruits 24.66 per cent, betel leaf and betel nut 5.81 per cent, fuel 7.79 per cent, local clothes 11.69 per cent, gas 13.39 per cent, water 9.82 per cent per thousand litres, gold 8.82 per cent and house rent 14.85 per cent. **The Financial Express: 2010-01-01**

## 29. Bangladesh Bank Circular during December, 2009

| <u>Circular Number</u>       | <u>Date</u> | <u>Subject</u>   |
|------------------------------|-------------|--|
| DFIM Circular No. 11:        | 23/12/09    | Preparation of Financial statement   |
| DFIM Circular No. 10:        | 21/12/09    | Rescheduling policy  |
| ACSPD Circular No. 08:       | 03/12/09    | Revised Policy Regarding Disbursement of Credit @ 2% Interest Rate For Pulse, Oil Seeds, Spices and Maize                                  |
| FEPD Circular No. 25:        | 22/12/09    | Master Circular on Export Development Fund (EDF)   |
| FEPD Circular No. 24:        | 02/12/09    | Release of foreign exchange against travel quota entitlement   |
| BRPD Circular No. 20:        | 29/12/09    | Guidelines on 'Risk Based Capital Adequacy (RBCA) for Banks' (Revised regulatory capital framework in line with Basel II)                  |
| BRPD Circular No. 19:        | 22/12/09    | Master Circular on Schedule of Charges   |
| BRPD Circular No. 18:        | 21/12/09    | Rescheduling of loans for the industries affected during the period of Caretaker Government  |
| BRPD Circular Letter No. 09: | 10/12/09    | Policy for Rescheduling of Loans   |
| BRPD Circular No. 17:        | 06/12/09    | Simplification of loan rescheduling policy for export-oriented industrial sectors to cope-up with the prevailing global economic situation |
| DOS Circular Letter No. 23:  | 21/12/09    | Submission of Monthly Statement of Demand & Time Liabilities (DB-4) and Maintenance of SLR (DB-5 and others) by the Banks                  |

Bangladesh Bank Website: December, 2009

### 30. Information on Economy

|  | Amount         | Previous month's Position |
|--|----------------|---------------------------|
|  | Million US\$   | Million US\$              |
| <b>1. Foreign Trade:</b>                             |                |                           |
| <b>a. Exports (2008-09)</b>                          | <b>15565.2</b> | -                         |
| b. Exports (September -2009)                         | 1060.2         | 1367.8                    |
| <b>c. Imports (2008-09)</b>                          | <b>22507.1</b> | -                         |
| d. Imports (September -2009)                         | 1813.5         | 1582.1                    |
| <b>2. Workers' Remittance (September-2009)</b>       | <b>895.30</b>  | <b>935.15</b>             |
| <b>3. Inflation: point to point (September-2009)</b> | <b>4.60</b>    | <b>4.69</b>               |

Export= f O B Value, Import = C & F Value

Economic Trends: November: 2009

### 31. Banking Sector and Economic Information

|  | Amount (TK in Cr.) | Amount (TK in Cr.) |
|--|--------------------|--------------------|
|  | September - 2009   | August - 2009      |
| <b>1. Bank Deposit</b> (excluding inter bank)                            | 288025.3           | 282800.5           |
| <b>2. Bank Credit</b> (excluding inter bank)                             | 287210.00          | 281662.1           |
| <b>3. Money Supply</b>   |                    |                    |
| a) Currency Outside Banks  | 40894.7            | 37258.5            |
| b) Demand Deposit  | 30359.9            | 28614.1            |
| c) Deposit with BB other than DMBs                                       | 135.3              | 113.1              |
| <b>d) Narrow Money (a+b+c)</b>   | <b>71389.9</b>     | <b>65985.7</b>     |
| e) Time Deposit  | 240666.9           | 237620.8           |
| <b>f) Broad money (d+e)</b>  | <b>312056.8</b>    | <b>303606.5</b>    |
| <b>4. Excess Reserve (Liquidity)</b>                                     | <b>15136.4</b>     | <b>12386.6</b>     |
| <b>5. Weighted average rate of Deposits of Schedule Banks(Quarterly)</b> | <b>7.01</b>        | <b>7.01</b>        |
| <b>6. Weighted average rate of Advances of Schedule Banks(Quarterly)</b> | <b>11.87</b>       | <b>11.87</b>       |
| <b>7. Ratio of DMBs Credit to Deposits (%)</b>                           | <b>99.72</b>       | <b>99.60</b>       |
| <b>8. DMBs Total Assets/Liabilities</b>                                  | <b>737760.5</b>    | <b>725562.6</b>    |
| <b>9. F.E. Reserve (million \$US )</b>                                   | <b>9362.6</b>      | <b>9155.7</b>      |
| <b>10. Cash Base of the Economy</b>                                      | <b>74498.8</b>     | <b>67471.6</b>     |

- **Narrow Money (M1)** = Currency outside Banks+ Demand Deposits + Deposit with Bangladesh Bank
- **Broad Money (M2)** = M1 + Time Deposit
- **DMBs** = Deposit Money Banks
- **Cash Base of the Economy** = Currency in Circulation+ Balances with Bangladesh Bank

Monthly Economic Trends: November: 2009

### **32. Academic Activities in December: 2009**

- (I) **Workshop on Foreign Exchange Risk Management:** IFIC Bank Limited conducted a day long Workshop on “Foreign Exchange Risk Management” on December 03, 2009 at its Academy. Mr. S.K Sur Chodhury, GM, Bangladesh Bank, Head Office, Dhaka was the main speaker in the workshop. Detailed of Foreign Exchange Risk Management was discussed in the workshop. Ms. Zaitun Sayef, SEVP & Head of Training & Research Division was present on workshop. A total number of 38 Branch officials of the bank attended the Workshop. It may be mentioned here that this was the 39<sup>th</sup> program of IFIC Bank Academy in the year 2009.
- (II) **Foundation Course for Probationary Officers (10<sup>th</sup> Batch) on Credit & Foreign Exchange (CRM):** IFIC Bank Limited conducted a Three weeks long Foundation Course for Probationary Officers (10<sup>th</sup> Batch) on Credit & Foreign Exchange (CRM) from December 06-24, 2009 at its Academy. Mr. Mosharraf Hossain, Managing Director of the Bank was present as chief guest at the Valedictory session and delivered his concluding speech before the participants, earlier Mr. Wakar Hassan EVP & Head of CRM of our Bank was present at inauguration session and delivered his inaugural speech to the participants. A total number of 71 probationary officers from different branches & division of the bank attended the course. It may be mentioned here that this was the 40<sup>th</sup> program of IFIC Bank Academy in the year 2009
- ❖ A special lecture on **Game Theory’s** relevance in banking by Dr. Fahad Khalil, Professor of Economics, University of Washington, Seattle, U.S.A was arranged for Foundation Course of Probationary Officers.

#### **Team Members**

**Ms. Zaitun Sayef, SEVP,  
Mr. A. K. Mojibur Rahman, FAVP  
Mr. Omar Sharif, AVP  
Mr. Md. Syfujjaman, OG-I**

**Readers please: What do you mean by Automated Clearing House system?**

**Match our answer with yours: Knowledge Update: 128**

#### **Answer:**

01. Meeting Import payment commitment and external debt obligations; like repayment of foreign debt & interest.
02. Support for monetary policy and exchange rate management including the capacity to intervene in support of the national currency.
03. Limit external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or when access to borrowing is curtailed.

# **REVISITING BASICS**

## **The Way Forward For the Banking System of Bangladesh**

### **The Context**

The management of the banking system has emerged as a top priority issue on the policy agenda of many countries in the wake of the global financial crisis that rapidly engulfed many countries. The crisis originated in the housing and credit bubble in the United States. During several years preceding the first signs of crisis in August 2007, the United States saw the emergence of what Paul Volcker, the former Chairman of the Federal Reserve System called “bright new financial system”. Under this so-called new system, the banks securitized their future receipts against loans to investors and consumers. These securitized assets were then pooled, divided into risk tranches and sold to other institutions. The process was repeated several times giving rise to a complicated set of debt products which came to be known as collateralized debt obligations (CDOs) and credit default swaps (CSOs). The phenomenal growth of debt products was fuelled by bubble in asset prices under loose monetary policy regimes which provided wide access to borrowing at low interest rates. This enabled consumers to live beyond their means and investors to buy assets with borrowed funds. Banks avoided capital and other regulatory requirements by treating securitized assets as off-balance sheet items.

Eventually many borrowers failed to meet their obligations, leading to fall in asset values (both houses and other securitized financial assets) and credit squeeze. The credit squeeze translated into reduced demand for consumption and lower investment with devastating impact on the real economy. The United States, most European countries as well some heavily export dependent Asian economies will have negative growth in 2009. Practically all countries of the world will suffer deceleration in growth rates, even if positive.

### **Bangladesh Scenario**

The banking system of Bangladesh is not significantly integrated with the international financial markets. This lack of integration has ensured that our banking system is not exposed to toxic assets and therefore remains immune to the global financial crisis per se. Nevertheless, the impact on the real economy poses some threats. These threats emanate from the following sources:

- (i) At the macro level, growth rate in 2009-10 is likely to be slower than in the preceding fiscal year.
- (ii) Export growth in the first quarter of the current fiscal year turned substantially negative.
- (iii) Even the exports of ready made garments sector which showed tremendous resilience against global

recession experienced negative growth of about 5 per cent in the first quarter of the current fiscal year. This sector accounts for over three-fourths of our total exports and a large part of our industrial output.

(iv) Parallely, the growth of imports has also turned negative encompassing all categories – raw materials, intermediate goods, capital goods as well as consumption goods.

(v) The remittances have so far held up strongly. However, unfavourable developments in the major destinations of our migrant labour e.g. Dubai, Saudi Arabia and Malaysia cast doubt over medium – term sustainability.

### **The implications for the banking system**

The above scenario is likely to have considerable negative implications for the income of the banking sector because of the following reasons.

(i) The slow-down of growth of GDP and industrial production and negative growth of exports and imports would imply reduced demand for credit. Our banks are largely dependent on interest income. The reduced demand for credit is likely to have an adverse impact on interest income. That there has been a significant decline in demand for credit is evidenced by the huge accumulation of excess liquidity which, according to the latest available data, amounted to Tk. 40,000 crores.

(ii) The shrinkage in foreign trade and potentially remittances is likely to reduce fee-based income of the banks.

(iii) The slow-down of industrial production would cause a reduction in demand for term loan adversely affecting traditional asset base.

(iv) It is understood that because of slow implementation of both revenue and development budget, the Government also did not borrow from the banking system in the first quarter of the, current fiscal year. This implies that bank's income from lending to the Government has also become constrained. In fact, the Government reportedly repaid previous loans.

### **Mitigating actions**

In order to minimize the potentially negative impact, the banking system has to adopt a number of measures. These are briefly noted below:

(i) The banks should make determined efforts to increase income. They can do so by diversifying their asset base. In this context, they should consider expansion of loan to the un-banked or under banked sectors such as agriculture, small and medium industries and small scale domestic traders.

(ii) With a view to diversifying asset base as suggested above, the banks must depart from the traditional practice of collateral-based lending. They should aggressively seek out new borrowers with high income

potentials and viable project proposals.

(iii) Banks should also consider offering new products such as swaps, options and derivative products. However, they must make sure that they do not assume unsustainable risk from such operations. The Central Bank needs to issue guidelines in this regard.

(iv) All out efforts should be made to recover non-performing loans (NPL). It is understood that the state-owned banks have been able to reduce their NPL to total loan ratio, but mostly by rescheduling rather than cash recovery. On the other hand, NPL ratios of the privately owned banks have recently gone up.

(v) In order to increase profitability, the banks need to focus on the volume of business and total profit, not per unit profit. This implies that they should reduce the prevailing high spread between deposit and lending rate, particularly by reducing the lending rate. Some progress has been achieved in this respect, but not enough. Moreover, the banks have considerably reduced deposit rates. This poses the risk that depositors will shift into non-bank assets such as stocks, real estate etc. The price increases of these assets suggest some movement in this direction.

(vi) The banks should also look at their e

xpenditure side to improve income-expenditure ratios. In particular, salaries and perks of employees and directors and ostentatious expenses on branch decorations should be reduced.

(vii) Finally, banks should strengthen their risk management and early warning systems so that they are not caught off-guard by developments in the real economy.

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**BD news 24.Com**