



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

## SPECIAL EVENT

### Bangladesh gets first credit rating

**Standard & Poor's assigns BB- with a stable outlook**

Bangladesh got its first sovereign credit rating on 06.04.2010, which the government expects will help the country in international transaction and attract more foreign investment. The economic outlook is stable, US-based ratings agency Standard & Poor's (S&P) said in a statement after awarding Bangladesh a BB- for a long term. It is universally accepted rating and it will remove any misunderstanding about the economic performance of Bangladesh. Bangladesh Bank (BB) in 2006 assigned S&P and Moody's Investors Service, another US-based agency, to rate the country, which was also awarded a B for short term by S&P. With Bangladesh, S&P rated 124 sovereigns this year -- the country's position is below India but well over Pakistan and Sri Lanka in South Asia. Globally reputed S&P has a total of 17 ratings categories ranging from AAA to CCC+, and Bangladesh was placed in the 13th category. The position is more or less the same as some other emerging economies in Asia such as Philippines, Indonesia and Vietnam. Bangladesh is considered free from major macroeconomic imbalances. S&P conducted the ratings after consulting development partners, leading nongovernmental organizations, National Board of Revenue, Economic Relations Division, Finance Division, trade bodies and political parties, among others.

### Standard & Poor's Credit Rating Score and Country

SL No	Rating Score	Number of Countries
1	AAA	37
2	AA+	6
3	AA	4
4	AA-	4
5	A	5
6	A+	4
7	A-	6
8	BBB	4
9	BBB+	6
10	BBB-	15
11	BB	4
12	BB+	5
<b>13</b>	<b>BB-</b>	<b>12</b>
14	B	2
15	B+	5
16	B-	4
17	CCC+	1
<b>Total</b>		<b>124</b>

**Factors contributing to obtain this rating:**

GDP growth, high foreign exchange reserve and good current account balance contributed to such a good credit rating. The rating agency has evaluated GDP (gross domestic product) growth of the last 10 years to give the rating. Strong economic growth, robust remittance, support of external donors and prudent macro-economic policies, Policy continuity and generally sound macroeconomic management have supported relatively strong growth, with per capita GDP rising at an average of 4.2 per cent annually in the past decade. The Standard & Poor's in the report said resilient garment export sector and a high and rising remittance flow both play a crucial role in supporting increasingly strong external liquidity. "These sectors have evolved over the time as two key engines of economic growth. Garment exports and remittances combined account for about 80 per cent of current account receipts and 25 per cent of GDP," it said.

Bangladesh Bank governor Dr Atiur Rahman said resilient economy and strong performance of agriculture, industry and financial sector helped the country to get better credit rating. He also said, rapid economic growth, significant build-up of foreign exchange reserves, strong commitment for economic reforms and current account surplus are the other reasons that put the country in higher ranking.

**Constraints still exist in our economy:**

Standard & Poor's said Bangladesh's tax-to-GDP ratio, at 8.5 per cent, and total revenue to GDP of 11.8 per cent, are very low due to a combination of low tax compliance, administrative weaknesses, an agricultural sector that is largely free from taxation and, more broadly, the prevalence of tax exemptions and holidays. Public investment grew by just 2.9 per cent annually on average in the past decade, compared with nominal GDP growth of 13.2 per cent annually and hence, economic performance is increasingly constrained by the lack of adequate infrastructure.

**Advantages:**

01. There was no index in the past to weigh the country's economic risks, but after getting the rating the country will get lower interest rates in international borrowing, among other advantages .
02. The private sector will now get advantage in getting foreign loans and it will reduce import and export costs. .
03. The rating also enables the government to raise low-cost capital in the overseas financial markets and further diversify its funding sources .
04. Importers will be benefited as letter of credit confirmation and guarantee costs will be lower as the whole world now knows the economic condition of the country .
05. The rating will give a strong signal to foreign investors to make decision about investing in Bangladesh. .
06. This rating will spark foreign investment, especially in power sector .
07. The rating provides a strong vote of confidence in the future economic prospect, but it offers immediate benefit to the country foreign trade .
08. The rating will help the private sector float bonds in the international market or lend from international financial institutions at a lower cost .
09. The cost of country risk for unrated Bangladesh is about two to three per cent and it is expected that the rate will reduce by 0.5 to 1.0 percentage points within 60 to 90 days. .
10. Overall cost of cross-border borrowing will be significantly reduced after the announcement of the rating .
11. Bangladesh has the same rating as Indonesia and the foreign lenders charge one to 2 per cent country risk for the East Asian country .
12. Sovereign credit ratings give investors insight into the level of risk linked with making investment in a particular country, and political risks there .
13. S&P's rating indicates a favorable comparison with the rest of South Asia. .

The Daily Star & The Financial Express: 07.04.2010

### 01. Ford strikes a chord with Bangladesh market

US automobile giant Ford grabbed a handsome slice of Bangladesh market after its re-launch here, competing with the Japanese brands that have dominated the market for the last 30 years. Ford re-launched into Bangladesh in June 2009 with AG Automobiles, aiming to have a firm foothold on the market by introducing a wide range of new 2010 Ford models, including Ranger Pickup, Everest SUV and Focus cars. Ford sold over 100 units of cars, mainly commercially-used double cabin pick-ups, in the first six months of its re-launch. Previously, Mam Automobile had been the official Ford distributor in Bangladesh since 1984 and the company sold another 300 Ford cars before AG started distribution last year. AG Automobiles plans to assemble pickups, jeeps, buses and truck chasis. AG Automobiles started its journey in 2004. In 2009, it officially inaugurated its showroom with Ford cars in Uttara. Daily Star: 03.03.2010

### 02. Ban on import of day-old chicks, eggs imposed again

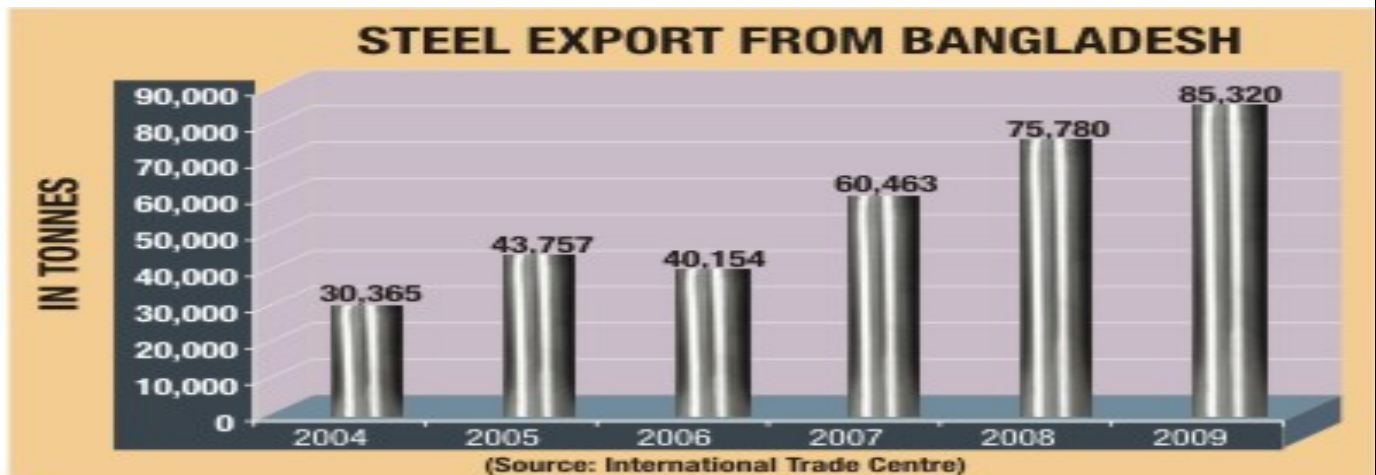
Fresh outbreak of bird flu in India

The government has imposed ban again on imports of day-old chicks and eggs in the wake of fresh outbreak of bird flu in the Indian state of Rajasthan in the last week of January 2010. The latest Import Policy Order 2009-2012 imposed the ban overriding an earlier order that had relaxed a 17-year ban on imports of the two items. The commerce ministry allowed imports of day-old chickens and eggs in December 2009, lifting the ban to stabilize the local poultry market. The ban was imposed in 1992 mainly to protect the local poultry industry. More than one lakh poultry farms are now producing 1.25 million eggs a day and 1.20 crore per week. Big local farmers supply about 1,000 tonnes of day-old chicks a day.

New Age: 03.03.2010

### 03. Steel exports shine:

Bangladesh emerges as challenger to global giants



Bangladesh has emerged as a competitor to major steel-making countries Japan, South Korea, Brazil, Russia and India with strongholds in African markets, thanks to the country's low production cost and high quality of the items. About 85,000 tonnes of steel products, mainly corrugated iron (CI) and galvanised plain (GP) sheets, were exported to the African countries last year. The advantage Bangladeshi manufacturers enjoyed is production costs, significantly lower than in Japan or India. Bangladesh can sell CI sheet at \$650 a tonne and GP sheet at \$700, while the Japanese rates are \$800 and \$950 and Indian rates \$750 and \$800 respectively. Now the number of steel item makers and exporters is six, while the export destinations are 24 African countries where China, Brazil, Russia, India have already firmed up their footholds.

Daily Star: 07.03.2010

#### **04. Shipbuilders get permission for association**

The commerce ministry gave permission to shipbuilders to form an association. The body will be named Association of Export Oriented Shipbuilding Industries of Bangladesh.

Daily Star: 08.03.2010

#### **05. BB moves on Basel II requirements**

The central bank has directed all scheduled banks to implement capital adequacy ratio (CAR) and minimum capital requirement (MCR) in three phases that started from the first of January 2010. The directive came in line with Basel II requirements. Bangladesh entered the Basel II regime, the latest version of risk-based capital standards set for banks worldwide, on January 1, 2010. The scheduled banks will maintain CAR not less than eight percent between January 01, 2010 and June 30, said a Bangladesh Bank circular issued on 10.03.2010. The CAR will have to increase at least to nine percent between July 2010 and June 2011 and 10 percent in July 2011 to onwards. The MCR must be eight percent of a bank's risk weighted asset by June 30, 2010, nine percent by June 2011 and 10 percent from July 2011 to onwards. The circular also said the amount of MCR may be fixed by the Bangladesh Bank from time to time.

Daily Star: 11.03.2010

#### **06. Cement makers up for expansion**

The expansion of the cement industry is underway, as the government is moving to materialize its huge plan of building big infrastructure projects such as Padma Bridge, elevated expressway and other road projects. The industry has been growing at 10-12 percent for the past several years, except for 2007 when demand for this construction material came down to its lowest.

According to market players, the industry is saturated with nearly 120 companies registered with an annual capacity of 21 million tonnes against demand for around 11-12 million tonnes as per the 2009 consumption pattern. Cement consumption was nine million tonnes in 2008 and eight million tonnes in 2007, down from 8.4 million tonnes in 2006 because of less demand from the construction sector. Cement consumption rose three times higher in just 10 years -- between 1999 and 2009. Per capita consumption was just 22 kilograms in 1999, which reached over 65 kilograms in 2009. Multinational Heidelberg Cement meets 13 percent of Bangladesh's demand from its two plants in Dhaka and Chittagong. Another multinational company Holcim (Bangladesh) has an 8 percent market share in Bangladesh and 17 percent in capital Dhaka. Daily Star: 12.03.2010

#### **07. Trade gap in first half of FY '10 eases**

Bangladesh's trade gap reduced by about \$133m in the first six months of the current financial year over the same period of the past financial year. The country, according to the Bangladesh Bank, has a trade gap of \$2773.7m between July and December in the 2009-10 financial year after it imported goods worth \$10047.6m against export worth \$7273.9m. The trade gap was close to \$3000m during the same period in the 2008-09 financial year as Bangladesh's export was worth \$7768.6m against import worth \$10685.2m, according to the latest Bangladesh Bank monthly review. The foreign exchange reserve stood at \$10097.8m at the end of January 2010 compared with \$7470.9m at the end of June 2009.

New Age: 14.03. 2010

#### **08. Sugar import rises 66pc in 2009**

Imports of sugar from the international market increased 66 per cent in 2009 due to 'drastic fall in smuggling' of sugar into the country; suggest the latest data of the Chittagong Port Authority.

A total of 14, 44,203 tones of sugar, mostly raw sugar, were unloaded at the Chittagong Port in 2009 as against 8, 67,495 tones the previous year, according to the CPA data. Sugar import through the country's main seaport was recorded at 6, 60,262 tones in 2007 and 6, 57,673 tones in 2006. Five refiners — City, United, S Alam, Deshbandhu and Igloo – together have an annual capacity of producing 25 lakh tonnes of sugar. The state-owned sugar mills annually produce around one lakh tonnes of sugar.

New Age: 14.03. 2010

## 09. Bangladesh Bank, AB Bank sign solar energy deal

AB Bank Ltd signed an agreement with the Bangladesh Bank for joining the 'solar energy, bio-gas, and effluent treatment plant refinance scheme' at the central bank's head office in Dhaka recently. AB Bank president and managing director Kaiser A Chowdhury and BB executive director Md Abul Quasem signed the agreement.

New Age:14.03.2010

## 10. Top apparel buyers open offices in Dhaka

Most global retail brands have opened their offices in Dhaka in recent times for direct sourcing of Bangladesh's quality clothing items at reasonable prices. After China, the world's largest supplier of apparels, Bangladesh emerges as a lucrative place for the renowned retailers like US giant Wal-Mart, JC Penny, Zara, Tesco, IKEA, Marks and Spencer, H and M, Uniqlo and Li & Fung. These firms have already established their branches in the Bangladesh capital with an aim for business expansion, as they now take much more interest in Bangladesh's readymade garments than they are keen on such items from China, India and Pakistan. Previously, major foreign buyers used to source Bangladesh's RMG either from Delhi or Hong Kong or from Islamabad or through the local buying houses representing them. According to a major supplier, major brands like Puma, G-Star Raw and Espirit are likely to have their branches in Dhaka soon, although they still source ready-to-wear products from other countries.

Daily Star: 16.03.2010

## 11. আর্থিক প্রতিষ্ঠানগুলোর গৃহঋণ বিতরণ বাড়ছে

### শীর্ষে রয়েছে ডিবিএইচ

সরকারি-বেসরকারি ব্যাংক ছাড়াও সম্প্রতি বছরগুলোয় আর্থিক প্রতিষ্ঠানগুলো উল্লেখযোগ্য হারে গৃহঋণ ঋণ প্রদান করছে। ক্ল্যাট ক্রয়, নিজ জমি বাড়ি নির্মাণ ও সংস্কারের জন্য এই ঋণ প্রদান করা হচ্ছে। এর ফলে সার্বিকভাবে গৃহঋণ খাতে ঋণপ্রবাহ বাড়ছে। ২০০৬-০৭ অর্থবছরে বেসরকারি আর্থিক প্রতিষ্ঠানগুলো গৃহঋণ প্রদানের প্রবৃদ্ধি ছিল ৩৯ শতাংশ। তবে পরের দুই বছর আবাসন খাতে কিছুটা ভাটা পড়ায় ঋণপ্রবাহের গতিও কমে যায়। ২০০৭-০৮ ও ২০০৮-০৯ অর্থবছরে গৃহঋণ খাতে আর্থিক প্রতিষ্ঠানগুলোর ঋণ প্রদানের প্রবৃদ্ধি হার ছিল যথাক্রমে ১৭ দশমিক ৬০ শতাংশ ও ২১ শতাংশ। জানা গেছে, বেসরকারি আর্থিক প্রতিষ্ঠানগুলোর মধ্যে ডেল্টা ব্র্যাক হাউজিং ফাইন্যান্স করপোরেশন (ডিবিএইচ), আইডিএলসি ফাইন্যান্স ও ন্যাশনাল হাউজিং ফাইন্যান্স অ্যান্ড ইনভেস্টমেন্টস লিমিটেড সবচেয়ে বেশি ঋণ প্রদান করছে। বাংলাদেশ ব্যাংকের পরিসংখ্যান অনুযায়ী, ২০০৯ সালের ৩০ জুন পর্যন্ত ডিবিএইচের গৃহঋণ প্রদানের পরিমাণ দাঁড়িয়েছে এক হাজার ২২০ কোটি টাকা, যা বেসরকারি বিশেষায়িত গৃহঋণ অর্থায়নকারী প্রতিষ্ঠানগুলো কর্তৃক মোট অর্থায়নের ৭০ শতাংশ। একই সময়ে এ খাতে আইডিএলসি ৩৯০ কোটি এবং ন্যাশনাল হাউজিং ১৭০ কোটি টাকার ঋণ প্রদান করেছে। একসময় রাষ্ট্রীয় মালিকানাধীন বাংলাদেশ হাউস বিল্ডিং ফাইন্যান্স করপোরেশন (বিএইচবিএফসি) আবাসন খাতে একক প্রতিষ্ঠান হিসেবে গৃহঋণ প্রদান করত। কিন্তু বর্তমানে আবাসন খাতে ঋণ প্রদানে প্রতিষ্ঠানটির অবদান হ্রাস পেয়েছে। ২০০৮-০৯ অর্থবছর শেষে বিএইচবিএফসির গৃহঋণ প্রদানের স্থিতি দাঁড়িয়েছে দুই হাজার ৪৯০ কোটি টাকা। ২০০৫-০৬ ও ২০০৬-০৭ অর্থবছর শেষে এই ঋণের স্থিতি ছিল যথাক্রমে দুই হাজার ৬৩০ কোটি ও দুই হাজার ৫২০ কোটি টাকা।

Prothom Alo: 16.03.2010

## 12. Inflation surges to 9pc

Food price-hike even higher in Jan 2010

The rate of overall increase in the prices of goods and services reached almost 9 per cent in January 2010. The month's rate of inflation at 8.99 per cent is the highest rate of general price-hike in the past 15 months and also the highest rate since the Awami League-led government assumed office in January 2009.

The food inflation rose to 10.56 per cent in January 2010 after the percentage stood at 9.5 in December. The food inflation marked higher increase in urban areas to 12.07 per cent in January 2010 from 11.08 per cent in December 2009. It was lower in rural areas at 8.81 per cent in January 2010. Non-food inflation - rise in prices of goods and services other than food items - slightly declined to 6.53 per cent in January from 7.04 per cent in December 2009. In the budget of the current fiscal, the finance minister has fixed the target of keeping budget within 6.5 per cent.  
New Age: 18.03.2010

### 13. Kazi & Kazi Tea launches Teatulia brand in Japan

Kazi & Kazi Tea recently launched its Teatulia brand in the Japanese market at FOODEX 2010 fair in Japan. Chief executive officer of Kazi & Kazi Tea Estate Ltd Kazi Anis Ahmed and distribution partner in Japan Decollage Managing director Masao launched the brand in the Japanese market. The brand offers two flavours to the Japanese market- Teatulia Black Tea and Teatulia Earl Grey. New Age: 18.03.2010

### 14. China, America and the yuan

Yuan to stay cool

**The best thing American politicians can do to encourage a stronger Chinese currency is keep calm**

The yuan's gradual appreciation stopped in July 2008, and China has since kept its currency tightly pegged to the dollar. As investors' flight to safety strengthened the dollar in late 2008, the yuan rose along with it. With America's imports slumping it was hard to blame Chinese workers for American joblessness. And thanks to its huge domestic stimulus China added to global demand last year, as its current account surplus shrank sharply. Now things have, unfortunately, gone into reverse. As policymakers in both countries shift from cushioning recession to managing recovery, the rigidity of the yuan is, once again, becoming a source of tension-one that a still-fragile global recovery can ill afford. A speedy end to the dollar peg makes economic sense for China as well as for the world. A stronger, more flexible currency would make it easier for China to control inflation and asset bubbles. A dearer yuan would also help rebalance China's economy towards domestic spending by boosting Chinese consumers' purchasing power, discouraging excessive investment in manufacturing and squeezing corporate profits. That would put the global recovery on a steadier footing, especially if a stronger yuan were mirrored by appreciation of the currencies of other Asian emerging economies. And China would gain politically by helping to diffuse protectionist pressure from abroad.

The Economist: March 13<sup>th</sup> - 19<sup>th</sup> 2010

### 15. Four private companies to take \$36m in foreign suppliers' credit

Four local private companies have won the approval by the government for securing a total of \$36.37 million of suppliers' credit from three foreign companies to import machinery and equipments. The four local companies — Dutch-Bangla Pack Limited, Ever Smart Bangladesh Limited, Banglalion Communication Limited and RFL Plastic Limited — will also have to take services from the foreign companies in exchange of taking the suppliers' credit, according to their contracts. Supplier's credit is an agreement between a supplier and a buyer whereby the supplier agrees to receive deferred payment and accepts payment in installments for the supplied goods.

New age: 21.03.2010

### 16. সাত মাসে লক্ষ্যমাত্রার ৫৫.৬% কৃষিক্ষেত্র বিতরণ করা হয়েছে

চলতি ২০০৯-১০ অর্থবছরের প্রথম সাত মাসে দেশের ব্যাংকগুলো কৃষি খাতে যে পরিমাণ ঋণ বিতরণ করেছে, তা এবারের লক্ষ্যমাত্রার ৫৫ দশমিক ৬১ শতাংশ। চলতি অর্থবছরের জুলাই-জানুয়ারি সময়কালে ব্যাংকগুলো ছয় হাজার ৪০২ কোটি ২৬ লাখ টাকা বিতরণ করেছে। আর পুরো অর্থবছরের জন্য ১১ হাজার ৫১২ কোটি ৩০ লাখ টাকার কৃষিক্ষেত্র বিতরণের লক্ষ্যমাত্রা ধারা করা হয়েছে। পরিসংখ্যান পর্যালোচনায় আরও দেখা যায়, অর্থবছরের প্রথমার্ধে কৃষিক্ষেত্র বিতরণ গত অর্থবছরের একই সময়ের তুলনায় প্রায় সাড়ে ২৫ শতাংশ বেড়েছে। ২০০৮-০৯ অর্থবছরের প্রথম সাত মাসে ব্যাংকগুলো পাঁচ হাজার ১১০ কোটি ২০ লাখ টাকার কৃষিক্ষেত্র বিতরণ করেছিল। পরিসংখ্যান পর্যালোচনায় দেখা যায়, আলোচ্য সাত মাসের মধ্যে সবচেয়ে বেশি কৃষিক্ষেত্র বিতরণ করা হয়েছে ডিসেম্বর মাসে। এই মাসে এক হাজার ৩৪৮ কোটি ২১ লাখ টাকার ঋণ বিতরণ করা হয়। আলোচ্য সময় বকেয়া ঋণ আদায়ের পরিমাণ ছিল ছয় হাজার ৭০ কোটি ৪৫ লাখ টাকা, যা আগের অর্থবছরের একই সময়ের তুলনায় সাড়ে ২২ শতাংশ বেশি। আর ২০০৮-০৯ অর্থবছরের জুলাই-জানুয়ারি সময়কালে চার হাজার ৯৫০ কোটি ২৭ লাখ টাকার বকেয়া কৃষিক্ষেত্র আদায় করা হয়েছিল।

উচ্চহারে কৃষিক্ষেত্র আদায় একদিকে নিট কৃষিক্ষেত্র বিতরণকে কমিয়ে দিলেও এটি আবার পরবর্তী সময়ে কৃষিক্ষেত্র বিতরণ অব্যাহত রাখতে ব্যাংকগুলোর জন্য সহায়ক হবে বলে মনে করা হচ্ছে।

২০০৮-০৯ অর্থবছরে দেশে নয় হাজার ২৮৪ কোটি ৪৬ লাখ টাকার কৃষিক্ষেত্র বিতরণ করা হয়েছিল। আর ২০০৭-০৮ অর্থবছরে হয়েছিল আট হাজার ৩৭৭ কোটি ৬২ লাখ টাকার।

Prothom Alo: 21.03.2010

## 17. Tk 600cr fresh water shrimps exported to EU after ban withdrawal

Bangladesh has exported freshwater shrimps worth Tk 600 crore to destinations mostly European countries since January 10 after withdrawal of the 'self-imposed ban' on export of such items to the EU countries. Bangladesh exported freshwater shrimp worth Tk 114 crore to different destinations excepting the EU during June to November, 2009 while it was Tk 246 crore during corresponding period in 2008. Besides, export of shrimp (bagda) stood Tk 1,348 crore during June- November in 2009, a Tk 173 crore more than that of the same period of the previous year. The country exported around 50,368 tonnes of shrimp (all categories) and earned Tk 2,774 crore last year while this year the government is expected to export 55,000 tonnes of shrimp.

New age: 21.03.2010

## 18. Country loses 4.5% share in US apparel market in 2009

Bangladesh has lost nearly 4.5 per cent share in the US apparel market in 2009 while our major rivals have attained positive growth during the period. The USA is the largest single destination for Bangladesh as around 50 per cent of the RMG products are shipped to the world's biggest economy a year. Prices for Bangladesh-made garment increased 2.32 per cent in 2009 while Cambodia decreased the same 6.59 per cent, China 12.44 per cent, India 4.68 per cent and Vietnam 12.42 per cent during the period. Vietnam and Pakistan devalued their currencies nearly 30 per cent in 2009 while India devalued about 28 per cent apart from reduction in the rate of interest. China, the largest apparel maker in the world, withdrew value added tax during the period to face the global economic meltdown. The country's RMG export has dropped nearly 13.62 per cent on knit and 16.13 per cent on woven against the export target during July-January of the current fiscal year over the same period in the previous year.

The Financial Express: 21.03.2010

## 19. Four banks raise deposit rates, five cut rates in March 2010

Four commercial banks have increased their deposit rates while five banks slashed the interest rates in March this year. The country's commercial banks now offer interest rates ranging between 1.25 per cent and 10.01 per cent on fixed deposit schemes, while the rates for savings accounts vary between 1.00 per cent and 8.00 per cent, according to the central bank statistics. On March 16 last, the government slashed its borrowing target from banking system by almost half by the end of this fiscal following a significant increase in debt on account of selling national savings directorate (NSD) certificates. The finance ministry has revised the government's bank borrowing target for fiscal 2009-10 (FY10) down to Tk 86.61 billion from the original Tk 167.55 billion, according to the official figures. Currently, the banks provide loans to large and medium-scale industries at interest rates ranging between 11 per cent and 13 per cent and to small industries at rates between 10 per cent and 18 per cent. Interest rates on housing loans range between 11.75 per cent and 13.00 per cent and on consumer credits between 11.50 per cent and 19.50 per cent. The banks' lending rates on working capital to large and medium scale industries vary between 11 per cent and 13 per cent and for small industries between 11.50 per cent and 17.20 per cent.

The Financial Express: 21.03.2010

## 20. রাইট শেয়ারের অর্থ আলাদা ব্যাংক হিসাবে রাখতে হবে

রাইট শেয়ার ছাড়ার মাধ্যমে সংগৃহীত অর্থ ব্যবহারে স্বচ্ছতা আনতে নজরদারি বাড়ানোর উদ্যোগ নিয়েছে পুঁজিবাজার নিয়ন্ত্রক সংস্থা সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন সিদ্ধান্ত নিয়েছে, এখন থেকে রাইট শেয়ারের মাধ্যমে সংগৃহীত মূলধন আলাদা ব্যাংক হিসাবে রাখতে হবে। একই সঙ্গে যে উদ্দেশ্যের কথা বলে শেয়ারহোল্ডারদের কাছ থেকে অর্থ সংগ্রহ করা হবে, সেই খাত ছাড়া অন্য কোনো খাতে এসব অর্থ ব্যয় করা যাবে না। এ ছাড়া প্রতি তিন মাস পর পর অর্থ ব্যবহারসম্পর্কিত প্রতিবেদন পাঠাতে হবে এসইসিতে। কোম্পানির মনোনীত নিরীক্ষক প্রতিষ্ঠানকে দিয়ে এ প্রতিবেদন তৈরি করতে হবে। 21.03.2010 এসইসির নিয়মিত সভায় এসব সিদ্ধান্ত নেওয়া হয়

Prothom Alo: 22.03.2010

## **21. SME loan target set for 2010**

Bangladesh Bank unveils Tk 23,995cr plan

Bangladesh Bank (BB) has for the first time fixed a target for all banks and financial institutions of distributing Tk 23,995 crore in small and medium enterprise (SME) loans for 2010. The target and policy for the SME loan distribution were announced on 21.03.2010 at a meeting. Of the Tk 23,995 crore loans, state-owned commercial banks will disburse Tk 3,897 crore, specialised banks Tk 600 crore, private commercial banks Tk 17,478 crore, foreign banks Tk 707 crore and non-bank financial institutions (NBFIs) Tk 1,313 crore. The central bank has already identified prospective small initiatives in 64 districts for giving SME loans to the entrepreneurs, and made a list of 131 enterprises including bakery, handicrafts and cold storage. The BB directed the banks to give priority to small enterprises and women entrepreneurs. The loan limit for small entrepreneurs would be Tk 50,000 to Tk 50 lakh. For the medium enterprises no figure has been mentioned. The banks will decide the amount for such entrepreneurs on the basis of need

Daily Star: 22.03.2010

## **22. BB irked by unpaid inter-bank transaction bills**

Amount runs into \$161m

The central bank is concerned over commercial banks' reluctance to pay \$161 million in due bills in inter-bank transactions for both domestic and foreign trade. According to statistics, BB found 3,457 such unpaid bills worth \$161.26 million as of December 2009, of which \$142.87 millions is involved with domestic transactions and \$14.11 million in international trade. Nearly \$5 million remains stuck in pending court cases. After settling back-to-back LCs (letter of credit) against exports, the commercial banks have to settle inter-bank payment in line with the guidelines for foreign exchange transactions set by BB. Generally, four parties -- the exporter, LC issuing bank, importer and beneficiary bank -- are involved in both national and international trade through banks. When an exporter opens an LC in a bank, the bank is called the LC issuing bank, while the importer's bank is called beneficiary bank

Daily Star: 23.03.2010

## **23. Bangladesh Bank eases rules for banks to increase capital base**

Bangladesh Bank (BB) has relaxed guidelines on subordinated debt allowing more banks to issue such debt instrument to meet capital requirement under Basel-II accord. Under the amended guidelines, the banks will be allowed to issue the debt instrument, which has composite CAMELS rating at two, issuer rating at least three instead of two and instrument rating at least three instead of two. The central bank issued a circular in this connection on 22.03.2010 and asked chief executives of all scheduled banks to follow the instructions for issuing the debt instrument. On October 18 last year, the central bank issued a guideline allowing the commercial banks to raise their capital through issuing subordinated bonds instead of issuing right and bonus shares. Only 12 banks out of 47 will be able to issue the bonds following the initial guidelines on subordinated debt for inclusion in regulatory capital. Banks will be able to increase their capital in low cost through issuing the debt instrument. The subordinated debt will replace perpetual subordinated debt as a component of regulatory capital, which will be treated as a supplementary capital, generally known as tier-2 or additional supplementary capital, generally known as tier-3. The subordinated debt eligible to be considered as tier-2 capital must have a maturity period of more than five years and tier-3 capital at least two years. Meanwhile, the central bank has relaxed guidelines on risk-based capital adequacy for banks under Basel-II framework considering the overall financial position in the country's banking sector. Under the amended guidelines, the banks will have to comply with the minimum capital required (MCR) at 8.0 per cent from January 1, 2010 to June 30, 2010 while a rate of 9.0 per cent will be maintained from July 1, 2010 to June 30, 2011. The banks, however, must comply with the MCR at 10 per cent from July 1 next year and onwards, according to a circular issued by the BB on March 10 this year. The MCR had been set at 10 per cent with the risk-weighted assets of the banks or Tk 4.0 billion of total capital, whichever is higher, that would be treated as MCR of the banks under the Basel-II accord. The Basel-II accord came into force in Bangladesh from January 1 this year to consolidate capital base of the banks in line with the international standard. The new Basel accord has been prepared on the basis of three pillars: minimum capital requirement, supervisory review process and market discipline. Three types of risks- credit risk, market risk and operational risk- have to be considered under the minimum capital requirement

The Financial Express: 23.03.2010

## 24. Green energy for central bank

Bangladesh Bank (BB) gets solar power on 30.03.2010 to cope with the power crisis with the green energy. BB Governor Atiur Rahman inaugurated the solar power system at the central bank's headquarters in the city on 30.03.2010. The solar power system will generate 8 kilowatts of electricity, enough to keep the energy savings lights at the governor's office and the lobby, conference room and the boundary of the central bank. The system is also able to supply uninterrupted power for six hours with three hours of battery backup, BB officials told the news agency. The country's leading renewable energy company Rahimafrooz has installed the system at a cost of Tk 1.35 crore, funded by the central bank. The solar plant will produce green energy for the next 20 years.

Daily Star: 30.03.2010

## 25. Stage set for central bank road show

**ROADSHOW  
HIGHLIGHTS**  
*(From March 26 to April 2)*

**Programme focuses on**

**SME financing**  
**Farm loans**  
**Prevention of money laundering**  
**Remittance through banking channel**

**Districts to come under the programme: 13**

**Number of banks that organise programmes: 13**

Bangladesh Bank observed a weeklong road show from 26.03.2010 to 02.04.2010 to create awareness among people on farm loans and how to check money laundering. The road show also aims at spreading awareness on financing small and medium enterprises and sending remittances through the legal channel. Bangladesh Bank Governor Atiur Rahman inaugurated the roadshow in Teknaf. The programme end in Tentulia on April 2. As part of the programme, the central bank organised rallies and discussions at 13 spots that include Teknaf, Cox's Bazar, Chittagong, Feni, Comilla, Tangail, Sirajganj, Bogra, Rangpur, Dinajpur, Thakurgaon, Panchagarh and Tentulia. A total of 13 commercial banks have selected as the lead banks to organise awareness programmes. The banks are AB Bank, NCC Bank, National Bank, Prime Bank, Bangladesh Krishi Bank, One Bank, Standard Chartered, Sonali Bank, Jamuna Bank, Uttara Bank, Islami Bank and BRAC Bank. According to a concept paper, prepared by the money laundering prevention department of the central bank, the programme will help local entrepreneurs with providing necessary information on SME financing, money laundering and farm loans. During the roadshow, BB has discussed the ways of getting agricultural loans, and its terms and conditions with farmers.

Daily Star: 24.03.2010

## 26. Default settings

### Sovereign defaults do not typically lead to economic catastrophe. How much comfort should that give?

IN DECEMBER 2001 Argentina defaulted on \$81.8 billion of sovereign debt, after months of turmoil in the country's banking system. That led to the abandonment of its exchange-rate regime and a sharp devaluation of the peso. Argentina's GDP plummeted by 10.9% that year. It has been locked out of international capital markets ever since. In Greece such tales now have a worrying resonance. Despite raising \$6.7 billion on bond markets on March 29, 2010 the scale of the country's financing needs means that an eventual default cannot be ruled out. Both Greece's 2009 budget deficit, at 12.7% of GDP, and its debt-to-GDP ratio of 113.4% are higher than the corresponding figures for any sovereign defaulter between 1998 and 2001. In theory, default should be costly. An IMF study by Eduardo Borensztein and Ugo Panizza counts as many as 257 sovereign defaults between 1824 and 2004. Between 1981 and 1990 alone, there were 74 defaults. In fact, the evidence suggests that the penalties for default are often less severe than those meted out to Argentina. Defaulting does affect the cost of funds to a country.

A study in 2006 by a trio of economists at the Bank of England found that countries which defaulted between 1970 and 2000 had both a higher bond spread and a lower credit rating in 2003-05 than countries with the same debt-to-GDP ratio which did not default. In their study Messrs Borensztein and Panizza show that having defaulted is associated with a credit-rating downgrade of nearly two notches. Using data for 1972-2000, they also find sizeable jumps in bond spreads after a default. In the first year spreads widen on average by four percentage points. This additional cost declines to 2.5 percentage points the year after. These figures may understate the pain, however: as the Greek case shows, worries about default are enough in themselves to lead to an extended period of high spreads. Countries whose debt is not restructured bear a higher and more persistent penalty. The Bank of England study found that output losses were more than three times as large for countries which had failed to reach a deal with creditors than for defaulters whose debt had been restructured. The details of restructuring also matter. Bond spreads were typically larger in countries, such as Ecuador, whose creditors were forced to accept a large loss of principal, than those, such as Pakistan or Ukraine, where "haircuts" were less severe. Sovereign defaults do not just affect the governments of countries that fail to honour their promises. Another IMF study finds that defaults lead to a 40% decline in external credit to private companies in the defaulting country. Even countries that do not default are sometimes affected by the fallout. In the aftermath of the 1980s debt crisis, for instance, credit to developing countries as a whole (including non-defaulters) dried up. Other rich countries with strained public finances may also have lots to worry about if Greece defaults. The impact of a Greek default, which would be the first by a rich country since the second world war, may be greater. If Greece defaulted, it would do so when the global economy is still weak, credit is scarce and other sovereign borrowers are raising lots of money. So markets may be less welcoming than other recent defaulters have found them. Greece's use of the euro also means that it cannot devalue: that implies it would have to impose fairly high haircuts on creditors and might face a higher-than-average increase in its cost of borrowing. From The Economist print edition : 31.03.2010

## 27. Bangladesh Bank Important Circulars during March, 2010

Circular Number	Date	Subject
AML Circular No. 24	03/03/2010	Instructions to be followed for compliance of the provisions of Money Laundering Prevention Act, 2009 and Anti Terrorism Act, 2009.
DFIM Circular No. 04	08/03/2010	Fixation of minimum maturity period of term deposit for Financial Institutions
BRPD Circular No. 10	10/03/2010	Partial modification of Guidelines on "Risk Based Capital Adequacy (RBCA) for banks" (Revised regulatory capital framework in line with Basel II)
BRPD Circular Letter No. 04	14/03/2010	Restrictions in Respect of Responsibilities of the Board of Directors and the CEO of Banks
BRPD Circular No. 11	21/03/2010	Guidelines on Subordinated Debt for inclusion in Regulatory Capital
BRPD Circular Letter No. 05	25/03/2010	Bank Account for Farmers
BRPD Circular No. 12	29/03/2010	Consolidation for investment in subsidiaries and implication of other Capital Market Exposures for the purpose of computing eligible Regulatory Capital

Bangladesh Bank Website: March, 2010

## 28. Information on Economy

	Amount	Previous month's Position
<b>1. Foreign Trade:</b>	<b>Million US\$</b>	<b>Million US\$</b>
<b>a. Exports (2008-09)</b>	<b>15565.2</b>	<b>15565.2</b>
b. Exports (December -2009)	1172.9	1197.5
<b>c. Imports (2008-09)</b>	<b>22507.1</b>	<b>22507.1</b>
d. Imports (December -2009)	2180.5	1820.5
<b>2. Workers' Remittance (December-2009)</b>	<b>873.86</b>	<b>1050.54</b>
<b>3. Inflation: point to point (November-2009)</b>	<b>7.24</b>	<b>6.71</b>

Export= f O B Value, Import = C & F Value  
Economic Trends: February: 2010

## 29. Banking Sector and Economic Information

	Amount (TK in Cr.)	
	December - 2009	November-2009
<b>1. Bank Deposit</b> (excluding inter bank)	304274.9	295139.1
<b>2. Bank Credit</b> (excluding inter bank)	308593.8	302599.2
<b>3. Money Supply</b>		
a) Currency Outside Banks	41415.9	45536.2
b) Demand Deposit	33777.0	31216.3
c) Deposit with BB other than DMBs	167.2	136.1
<b>d) Narrow Money (a+b+c)</b>	<b>75360.1</b>	<b>76888.6</b>
e) Time Deposit	252832.2	246110.8
<b>f) Broad money (d+e)</b>	<b>328192.3</b>	<b>322999.4</b>
<b>4. Excess Reserve (Liquidity)</b>	<b>10451.6</b>	<b>9387.0</b>
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	6.57	6.57
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	11.59	11.59
<b>7. Ratio of DMBs Credit to Deposits (%)</b>	<b>101.42</b>	<b>102.53</b>
<b>8. DMBs Total Assets/Liabilities</b>	<b>754543.4</b>	<b>768628.1</b>
<b>9. F.E. Reserve (million \$US)</b>	<b>10344.7</b>	<b>10335.4</b>
<b>10. Cash Base of the Economy</b>	<b>70804.2</b>	<b>74143.4</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: February: 2010

### **30. Academic Activities in March: 2010**

- (I) **Workshop on APA:** IFIC Bank Limited conducted half a day long Workshop on "APA" on March 02, 2010 at its Academy. Mr. Syed Zahidul Islam, Senior Executive Vice President and Head of Human Resources Division, Head office of the bank was present on the occasion and delivered his inaugural speech before the participants. A total number of 38 RMs from different Branches and SME Centre of the bank attended the workshop. It was the 7<sup>th</sup> programme in the year 2010.
- (II) **Workshop on Basics for Customer Handling:** IFIC Bank Ltd. Conducted Half a day long Workshop on "Basics for Customer Handling" on March 02, 2010 at its Academy. Mr. Syed Zahidul Islam, Senior Executive Vice President and Head of Human Resources Division, Head office of the bank was present on the workshop and delivered his inaugural speech before the participants. . Mr. Sajid Hossain Chowdhury, Managing Director, Amplitude Solutions Limited, Dhaka was the main speaker in the workshop. A total number of 38 RMs from Branches and SME Centre of the bank attended the workshop. It was the 8<sup>th</sup> programme in the year 2010.
- (III) **Workshop on Branch Management:** IFIC Bank Ltd. Conducted a Two day long Workshop on "Branch Management" from March 03 - 04, 2010 at its Academy. Mr. Mohammad Abdullah, Deputy Managing Director, IFIC Bank Limited was present on the occasion and delivered his inaugural speech before the participants. A total number of 28 Relationship Managers from different Branches and SME Centre of the bank attended the workshop. It was the 9<sup>th</sup> programme of IFIC Bank Academy in the year 2010.
- (IV) **Foundation Course for Officers Grade-II:** IFIC Bank conducted a Three week long Foundation course for Officers Grade-II from March 14 – 30, 2010 at its Academy. Ms. Zaitun Sayef, Senior Executive Vice President and Head of Training and Research Division was inaugurated the course and delivered her inaugural speech. A total number of 30 junior officers working at various desk at branches and Head Office were attended the course. It was the 10<sup>th</sup> programme of IFIC Bank Academy in the year 2010.
- (V) **Workshop on Card Marketing:** IFIC Bank conducted a half a day long workshop on "Card Marketing" on March 27, 2010 at its Academy. Ms. Zaitun Sayef, Senior Executive Vice President and Head of Training and Research Division inaugurated the course and delivered her inaugural speech. A total number of 34 Relationship Managers and Senior Officials from Head Office, branches, SME centre of the bank attended the workshop. It was the 11<sup>th</sup> programme of IFIC Bank Academy in the year 2010.
- (VI) **Workshop on APA:** IFIC Bank conducted a half a day long workshop on "APA" on March 27, 2010 at its Academy. Ms. Zaitun Sayef, Senior Executive Vice President and Head of Training and Research Division inaugurated the course and delivered her inaugural speech. A total number of 34 Relationship Managers and Senior Officials from Head Office, branches, SME centre of the bank attended the workshop. It was the 12<sup>th</sup> programme of IFIC Bank Academy in the year 2010.

#### **Team Members**

**Ms. Zaitun Sayef, SEVP**  
**Mr. A. K. Mojibur Rahman, FAVP**  
**Mr. Md. Syfujjaman Milon, OG-I**  
**Mr. Benjir Rahman, OG - I**

# **REVISITING BASICS**

## **Risk Based Capital Adequacy under Basel II**

According to BRPD Circular No. 10 dated March 10, 2010 refer in continuation to BRPD Circular No. 20, dated December 29, 2009 regarding implementation of "Risk Based Capital Adequacy" for banks Basel II regime has been started from January 01, 2010 and the "Guidelines on Risk Based Capital Adequacy (RBCA) for banks" has fully come into force from the aforesaid date. The overall situation has since been reviewed and it has been decided that all scheduled banks will maintain regulatory Capital Adequacy Ratio (CAR) and Minimum Capital Requirement (MCR) as per following timetable:

Capital Adequacy Ratio (CAR)	From January 01, 2010 – June 30, 2010	From July 01, 2010 – June 30, 2011	From July 01, 2011 to onwards
	CAR ≥ 8%	CAR ≥ 9%	CAR ≥ 10%
$\text{CAR} = \frac{\text{Eligible Regulatory Capital}}{\text{Risk Weighted Assets (RWA)}} \times 100$			
MCR	8% of RWA**	9% of RWA**	10% of RWA**
**MCR will be the above stipulated percentage of RWA or the amount of MCR fixed by Bangladesh Bank from time to time which one is higher.			
In every case, at least 50% of the CAR and MCR must be constituted by Tier – I capital * components			

### **Components of Capital for Financial Institution as per regulatory requirement:**

#### **1. \*Components of Tier – I Capital (Core Capital):**

- 1.1 Fully Paid-up Capital/Capital Deposited with Bangladesh Bank
- 1.2 Statutory Reserve
- 1.3 Non-repayable Share premium account
- 1.4 General Reserve
- 1.5 Retained Earnings
- 1.6 Monthly Interest in Subsidiaries
- 1.7 Non-Cumulative irredeemable Preference Shares
- 1.8 Dividend Equalization Account

## **2. Components of Tier – II Capital (Supplementary Capital) :**

- 2.1 General Provision ( 1% of Unclassified Loans)
- 2.2 Provision for Off-Balance Sheet exposure
- 2.3 Assets Revaluation Reserves up to 50%
- 2.4 All other Preference Shares
- 2.5 Perpetual Subordinated Debt up to Max. 50% of Non-Cumulative irredeemable Preference Shares
- 2.6 Balance of Exchange Equalization A/C
- 2.7 Revaluation Reserves for Securities

## **3. Components of Tier – III Capital (Eligible for Market Risk Only) :**

- 3.1 Short-term Subordinated Debt

**Readers please: What are the Latest 2 Agriculture Loan Products of IFIC Bank Limited?**

Match our answer with yours: Knowledge Update: 131

Answer: 5 steps of Maslow's hierarchy of need theory-

Step1: Physiological needs.

Step2: security or Safety needs.

Step3: Affiliation or acceptance needs.

Step4: Esteem needs.

Step5: Need for Self-Actualization

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