

Report No. 49

**Financial Sector Reforms in Bangladesh:
The Next Round**

Centre for Policy Dialogue

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The Centre for Policy Dialogue (CPD), established in 1993, is an innovative initiative to promote an ongoing process of dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such major dialogues at local, regional and national levels. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. CPD's expectation is to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues.

In support of the dialogue process the CPD is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include The Independent Review of Bangladesh's Development (IRBD), Governance and Development, Population and Sustainable Development, Trade Policy Analysis and Multilateral Trading System, Corporate Responsibility, Governance, Regional Cooperation for Infrastructure Development and Leadership Programme for the Youth. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.

*As part of CPD's publication activities, a **CPD Dialogue Report series** is brought out in order to widely disseminate the summary of a discussions organised by the Centre. The present report contains the highlights of a dialogue organised by CPD in collaboration with the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) held at Sheraton Hotel, Dhaka on April 16, 2002 on the theme of **Financial Sector Reforms in Bangladesh: The Next Round**.*

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Dialogue on **Financial Sector Reforms In Bangladesh: The Next Round**

The Dialogue

The Centre for Policy Dialogue (CPD) in collaboration with the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) organised a dialogue on the theme, 'Financial Sector Reforms in Bangladesh: The Next Round', on April 16, 2002 at the Ball Room of Dhaka Sheraton Hotel. In the dialogue, chaired by former Finance Minister and Member, CPD Board of Trustees Mr. M Syeduzzaman, State Minister for Finance and Planning Mr. Abul Hossain attended as the Chief Guest, while the Governor of Bangladesh Bank Dr. Fakhruddin Ahmed was the Special Guest. FBCCI President Mr. Yussuf Abdullah Harun delivered the welcome speech in the dialogue that brought together cross-section of luminaries from the country's business, finance, banking sectors, academics and researchers to deliberate on the issue. The CPD Executive Director Dr. Debapriya Bhattacharya presented the keynote paper on the theme. The list of participants is annexed.

Welcome Address by FBCCI President Mr. Yussuf Abdullah Harun

Mr. Yussuf Abdullah Harun started by pointing out that the present government took over the reigns when recession was clearly writ all over the Western economies, the tragic event of September 11 and its result had turned the international economic scenario into a volatile one. In the backdrop of falling exports and fragile foreign exchange reserve positions, the government was primarily busy putting out fire during the last six months, he claimed. The FBCCI chief noted with satisfaction that the steps so far taken by the government to improve the inflow of remittances from the NRBs, remove export impediments, increase revenue modernisation, prioritise and prune the ADP have already resulted in significant improvements in the overall situation. He, however, felt that instead of remaining complacent, the government must now act even more seriously to address the unfinished reforms in the financial sector.

Reminding that the FSRP is now more than a decade old, he said, it is important to assess past successes, identify outstanding issues and work out a new round of reforms at this juncture.

He said marked improvements have already been noticed in several areas including disclosure standards, debt classification, capital adequacy, product diversification, greater competition among the private sector banks and the Bangladesh Bank (BB) oversight function. On the other hand, Mr. Harun felt that many important issues need to be addressed including debt overhaul, uncompetitive lending rate, corporatisation of the NCBs, further strengthening the role of the BB and responding to the challenges of

globalisation by developing a modern financial system underpinned by automation and quality manpower. In order to develop a competitive interest rate, he proposed the initiation of institutional reforms to clean the balance-sheet of the NCBs, revalue their assets and ascertain their real capital adequacy ratio. He claimed that the debt overhang is now giving a windfall profit to some foreign and local private banks causing loss of competitiveness to the industries. The role of the government as regulator, operator and customer has to be defined more clearly in practice, he felt. For developing a strong capital market, he strongly recommended the creation of an interface within the money market and the equity market immediately.

The FBCCI president also hoped that the deliberations would be able to throw some light on the future course of action for strengthening the financial sector.

Introduction by the Chairperson Mr. M Syeduzzaman

In his introductory remarks, the chairperson of the dialogue Mr. M Syeduzzaman said financial sector reform has been the subject of numerous examinations, discussions, analyses, roundtables and workshops. Apart from the multilateral development institutions and bilateral development partners, the Bank Reform Committee (BRC) set up by the last government has deliberated on the issue at the domestic level, he said. Besides, the CPD prepared a policy brief for the new government on the issue and the subject came up for discussion even in the recent Bangladesh Development Forum in Paris, he added.

He, however, observed that financial sector crisis and the need for its reforms were not exclusive to Bangladesh as at least 80 countries had faced financial sector problems from the early-1970s till the end-1980s. Some of the common causes of problems in these countries, he said, have been identified as macroeconomic imbalances, which have either been triggered by domestically induced bad policies or international shocks. Moreover, political interference, absence of effective regulatory framework, transition from planned to market-oriented economies, poor governance and corruption have also played catalyst roles in upsetting the macroeconomic balance, the chairperson observed.

Stating that financial sector reforms were in the interest of all – the government, the entrepreneurs, the traders, the farmers, the politicians, the people and also the bankers – he said, for Bangladesh the main objective of such reforms is to raise investments, generate employment and income to reduce poverty. A robust financial sector is a must for entering the globalisation process, and more importantly, to attract foreign direct investment (FDI), Mr. Syeduzzaman reminded. Tracing the history of Financial Sector Reform Programme (FSRP) in Bangladesh, he said it was initiated in the early-1990s with the assistance of the World Bank, the Asian Development Bank and some bilateral donors with the following objectives: interest rate liberalisation, uniform accounting standards and classifications, system of provisioning, capital restructuring, risk analysis,

strengthening of the central bank, empowering the legal system and framework for recovery of overdue loans and several other things.

Agreeing with Mr. Harun that there have been some positive impacts of financial reforms in our banking system, he, however, said there is an unfinished agenda to be addressed, which mostly relates to the Nationalised Commercial Banks (NCBs). The NCBs were the objectives of the first financial sector reform programme, he said. But he lamented that the NCBs are still problem-ridden. Instead, it is the new banks, which have benefited most from the reforms as those have learned their lessons well and have had the exposure required for bringing in international banking practices, he argued. Though the major beneficiaries of such reforms have been the new banks, there is still much to be said regarding the entry and exit policies of banking and non-banking financial institutions, Mr. Syeduzzaman pointed out.

Outline of the Keynote Presentation

The keynote presentation on “Financial Sector Reforms in Bangladesh: The Next Round”, prepared jointly by Dr. Debapriya Bhattacharya and Dr. Toufic A Choudhury, Professor and Director, Bangladesh Institute of Bank Management (BIBM) and presented by the former, started by reminding that reform is not a product but a process that requires to be adjusted dynamically and continuously. In keeping with this spirit, it took a stock of the earlier reform initiatives, analysed the present policy thrusts and highlighted the need for some immediate measures with a view to addressing the unfinished agenda of the Financial Sector Reform Programme (FSRP) and taking the reforms initiative to its desired destination. Caution was, however, made at the very outset that the paper was not a comprehensive review of the status of the financial sector. Instead, it focused essentially on the current policy debates surrounding the banking sector and not necessarily on all the branches of the financial sector.

Dissecting the Past Measures

Taking stock of the earlier initiatives, Dr. Bhattacharya said the process may be traced back to early-1980s when the denationalisation of Uttara Bank and Pubali Bank took place and a number of private commercial banks (PCBs) were given licenses. It was also during the mid-1980s that the Money, Banking and Credit Commission came into being to define the scope and modalities of the early phase of reforms. In the beginning of the 1990s, financial sector reforms begun in an intensive way under the World Bank-assisted Financial Sector Adjustment Credit (FSAC). Then came the Financial Sector Reforms Programme (FSRP) phase dealing almost throughout the 1990s though the FSRP/TA expired in 1996. Consequently, the previous government formed a Bank Reform Committee (BRC), which operated during 1996-99. While the previous government partially acted on some of the BRC recommendations, a large part of those remained unaddressed. Then, on behalf of the civil society, the CPD prepared a policy brief on

Financial Sector Reforms for the new government during the run-up to the last national election by a taskforce comprising of eminent experts.

Dr. Bhattacharya pointed out that the “first round” reform measures opened the doors of the financial sector to private sector participation, operational procedures were partly deregulated and a number of initiatives were taken as consolidation measures that produced mixed results. However, various studies indicated that the denationalisation of two out of six nationalised commercial banks (NCBs) and the privatisation process failed to generate expected results due to absence of strict supervision and rigid economic regulations of the Bangladesh Bank (BB).

Besides, the National Commission on Money, Banking and Credit, appointed by the government in 1986, submitted a long list of recommendations to remove banking problems. Those included bank rate and refinancing policy of BB, overdue loans of NCBs and the development financial institutions (DFIs), supply of adequate loans to rural and agriculture sectors, supervisory handicaps of the central bank and individual banks, frauds in the banking sector etc. Accordingly, a number of measures including fixation of recovery targets for the NCBs and DFIs and barring defaulters from getting fresh loans were undertaken. But the downslide of banking efficiency could not be checked. To address the issue of efficiency, the FSAC of the World Bank also set some objectives in 1990 like gradual deregulation of interest rate structure, providing market-oriented incentives, making subsidies more transparent, adoption of an appropriate monetary policy, improvement of debt recovery climate and strengthening the capital markets to pace up the reforms process. A review of the outcomes of the FSAC was also carried out under the Structural Adjustment Participatory Review Initiative (SAPRI) in 2000. It was found that while the reforms were implemented satisfactorily, the implementations failed to produce desired results in achieving efficient resource allocation in terms of access to credit, gaining competitiveness and enhancing the management efficiency of the NCBs. Moreover, the newly implemented loan classification system, provisioning and capital adequacy standards conclusively revealed the inherent weaknesses of the banking sector creating renewed pressure for bolstering reform process.

Expert bodies like the Bank Reform Committee (BRC) and the CPD Task Force of 2001, however, felt that more emphasis was laid during the first round of FSRP on economic deregulation rather than broadening credentials, regulations, guidelines, human resource development and supervision capabilities of the central bank. It was also felt that it would have been better to introduce measures against debt default syndrome, political interference, illegal trade union activities, inertia in the legal system related to banking and weak management of NCBs prior to a more general interest rate liberalisation.

The defining feature of this period during 1980-90 was that it opened the doors to the private sector, some deregulation took place and the structural weaknesses of the sector was exposed due to various kinds of operational standards and disclosure rules. It was also a time for both deregulation and consolidation measures in the financial sector

reforms, argued Dr. Bhattacharya, adding that the first lesson from this round is that without an enabling environment for macro-stability, political commitment and non-interference, financial reform is not going to move forward. The second point to note was that it cannot operate with a partial policy package. It should include both demand and supply side measures. In many cases, it was more supply-driven, while in others, it was demand-driven. The policy measures should have been sequentially arranged and accordingly implemented. Interfacing of the financial sector reforms with other macroeconomic policy reforms, particularly in the fiscal sector, was also very weak.

Reviewing Recent Measures

In the recent past, after taking over office, the new government has taken a number of steps and those have generally been in the right direction. Dr. Bhattacharya, however, pointed out that the steps were not necessarily unmixed blessings. Those had their limitations as well.

Six major recent policy measures include: reduction of bank rate and lending rate, linking classified loans to large loan sanctioning; rationalisation and merger of bank branches, measures for loan recovery, demarcation of responsibilities between the management and the board and decision on cash reserve ratio.

The keynote paper contended that while the BB reduced the bank rate with a view to decreasing the lending rate and increasing the volume of lending, in actuality, the bank rate-driven lending rate reduction approach was likely to provide very limited results. Following the reduction of bank rate, most NCBs and PCBs reduced their lending rates proportionately. As a result, the actual spread for the banks were supposed to decline. But the actual spread of the NCBs is not expected to decline because of their simultaneous reduction in deposit rates. With a reserve requirement of 20 percent, the spread between lending and deposit rates should be around two percent. However, throughout the 1990s the spread was around seven percent. Though the magnitude of non-performing asset (NPA) is largely responsible for high interest rate spread, collusive behaviour, misconceived price strategy, high operational costs and over-staffing of the NCBs are also partially to blame for this. The NCBs alone account for 75 percent of total classified loan of the commercial banking sector. Therefore, it is imperative to reduce the NPA level and operating costs of NCBs for bringing down lending rates in a sustainable manner. The share of PCBs in total lending is around 27 percent and along with FCBs it is 33 percent, while the remaining 67 percent belongs to the NCBs. It would, therefore, be impractical to expect that lowering of the lending rates by the FCBs would propel other market competitors to follow suit because with a market share of six percent, the FCBs are not price-leaders but price-followers.

Meanwhile, with the revision of the Large Loan Rules by the BB in January, 2002, it has been prescribed that the banks with net classified loans up to five percent will be allowed to sanction a maximum of 56 percent of the total loan and advances as “large loans”. Earlier, with a five percent classified loan, a bank could lend up to 80 percent, while

banks with net classified loans between 10 and 15 percent could now lend 48 percent instead of previous 60 percent and those with above 20 percent classified loans could now lend 44 percent instead of the previous 50 percent. Surprisingly, said Dr. Bhattacharya, the worst-performing slot with 20 percent net classified loans are least affected by the policy. And this has given rise to the apprehension that this new rule will retard lending growth of the banks by punishing those with low classified loans and the worst performers remaining untouched by it. He, however, said that from the point view of limiting credit risk exposures of the banks with higher levels of classified loans, the rule was justified. But to consider large loans as risky loans is not only unreasonable but also an example of narrow banking which could hardly tackle the problem of “overhang” or advances that have already become NPA.

The government has also taken a fresh move to merge/rationalise NCB and DFI branches that have been incurring losses continuously for five years and show no signs of becoming profitable in future. At this moment, there are 806 such loss-making branches. These will be merged/rationalised in three phases during June, September and December 2002. However, it has been decided to keep at least one branch within five kilometers radius of the present branch location, allowing intra-bank merging. The keynote speaker has hailed the move from the perspective of improving efficiency and reducing losses. But at the same time, he said with no manpower retrenchment, losses are unlikely to be minimised.

Besides, in this process, the banks are mostly being judged by their micro-level viability. However, the most serious objection to the move is that the government is rolling back its financial infrastructure from rural areas. The CPD Task Force Report observed that the proportionate share of rural banking has declined after the adoption of banking reform measures and it is expected to dip further with the closure of 500 loss-incurring branches, most of which are in the rural areas.

Identifying the huge loan default as the biggest malice belying the country’s financial sector, it was pointed out in the keynote paper that such default culture was not only adversely impacting profitability and liquidity, but was also raising the cost of lending substantially. To accelerate repayment of bad loans, the government has announced an incentive package under which an NCB staff will receive seven percent of the loan for helping to recover it. Without contesting the incentive policy, Dr. Bhattacharya said it could work in the short-term only. In the medium term, it could be fraught with moral hazards. Because there will be a propensity to wait for three years for the loan to fall idle to claim a portion of the recovered loan. Besides, the CPD Task Force Report also argued that the loan default problem couldn’t be addressed in isolation. Issues like ethical standards, accountability, overall law and order climate and quality of politics have to come into the equation.

About the demarcation of responsibilities between the management and the board, the keynote felt that it is an indication of the government’s seriousness about running the

NCBs efficiently. Significant devolution of power has taken place in favour of the MD or the CEO. It, however, pointed out that the accountability of the board has not been made explicit through this process as the Ministry of Finance still holds sufficient power on the NCBs and is not willing to let go its hold. It also observed that nomination to the board has to be credible and the boards should comprise of professionals from the financial sector. It recommended the formation of a bank management selection committee or a blue-ribbon committee for this purpose.

The central bank's decision in February last to withdraw government funds from the newly established PCBs (third generation banks) and maintain cash reserve ratio only in local currency instead of local and foreign currency caused the call money rates to shoot up to 50 percent. This put unnecessary and undesirably high pressure on the third generation PCBs as those faced serious liquidity pressure. The BB said it reflected a weakness in the fund management of the private sector banks. Meanwhile, the PCBs said they were not consulted or given adequate lead time to take necessary measures for fund management. Here, the keynote speaker pointed out that the non-viability of the third generation PCBs was yet to be established. Current data do not say that they are any worse, if not better, than the first generation banks. So, this approach of singling out the former is not very appropriate, insisted Dr. Bhattacharya. He emphasised that there should be an exit policy for the banks, facilitating departure of those entering the banking system with ulterior motives and also creating the scope for mergers, acquisitions, takeovers, restructuring and liquidation of the banks not viable. Entry policies should also be made adequately transparent. Entry into the banking sector should not be only the outcome of political patronage. Rather, creation of bad banks should be preempted at the very moment the license is being given. The whole responsibility should be given to the central bank and it should be able to handle more efficiently than the way it is currently being handled.

In summing up, the paper concluded that the policy measures are there. But many priority issues are yet to be addressed. Besides, the policy measures are tilted towards economic expansion and efficiency gain. Whereas, strengthening of the prudential and supervisory structure and hastening of the creation of an enabling environment have not received adequate attention. But without beefing up supervisory power, efficiency gain will not persist for long, if at all it is there.

Roadmap for Future Reforms

Remaining mindful about the first round experience, taking into account what the government has been doing lately and also being cognizant of the unattended weaknesses of the economy, some reform measures for the immediate future were proposed in the presentation. These measures are focused towards addressing the unfinished agenda of the first round of reforms, while developing the next round of reforms for the expansion and diversification of the financial sector.

The keynote pointed out that while talking about strengthening supervisory and regulatory framework of Bangladesh Bank, we basically try to assert that the NCBs should be brought under the effective compliance requirements of the central bank. It also felt that there should be a resolution of the dilemma between the government and the NCBs, entry and exit policies. Besides, the oversight capacity of the BB needs to be increased because of the growing demands on its services. The paper stressed for a time-bound programme on four principles of effective banking supervision. Point was also made on improving the financial viability of the NCBs. The current capital ratio is only 4.24 percent of the risk-weighted capital. If the government cannot inject fresh capital into the NCBs, then the NCBs and the other banks should be allowed to raise capital from the market by issuing security papers, which may also have a sobering impact on the capital market, said Dr. Bhattacharya. The fixed assets of the NCBs should also be reassessed to see whether the capital adequacy situation could be improved as many of the fixed assets of the NCBs do not reflect the current market price. In addressing the problem of debt overhang, the speaker pointed out that there was Tk 23,600 crores till December 2001. To deal with such matters, the formation of an asset management company was strongly recommended. Besides, it implored the government to review the experience of the Bankruptcy Court, Money Loan Court and undertake necessary legal amendments so that expeditious judgements could be imparted. Emphasis was also made to rightly address the debt of the SOEs.

For dealing with the provisioning shortfalls, which is around Tk 4,000 crores now, a clear-cut policy was seen essential for the NCBs through appropriation of the pre-tax profit. Dr. Bhattacharya also underscored the need for a financial restructuring authority in Bangladesh, which will be separate from the BB and act as an autonomous agency. It has been created in many countries to expedite the restructuring process following the Asian crisis. Other reform proposals include taking effective measures for improving corporate efficiency, enhancing the efficacy of the legal system, a crucial link up between the capital and money markets, dealing with illegal trade union activities by forging an international standard-based trade union framework etc. The creation of a secondary market for securities and bonds was deemed a must for improving the liquidity situation.

In conclusion, what is needed said Dr. Bhattacharya, is a demonstrated commitment of the government towards the financial sector reforms in the coming months. For that, it was recommended that the government pick up some discreet and implementable measures to improve the confidence of the people in the sector. At this moment, that type of confidence in favour of the reform measures is lacking up to a point, hinted the keynote speaker, adding that in sequencing the structural adjustment reforms, the financial sector reforms should precede all other reforms. If the financial sector reforms are not there, then all other fiscal incentives given by the government will not bail us out, he warned. If the financial system ceases to work, the investment situation will stagnate and all other fiscal and monetary policies will be totally futile.

Floor Discussion: The Ball Gets Rolling

The classified loan issue and the possible remedy from the bad debt syndrome have always formed the nucleus of most financial discussions. The current dialogue also started by zeroing in on the same issue. As the NCBs account for a major share of the classified loans, the chairperson gave the floor to Professor Amirul Islam Chowdhury, Chairman of the Board of Directors of Sonali Bank, the largest NCB of the country, to initiate the dialogue. Professor Chowdhury started on an optimistic note, lauding the recent incentive scheme declared by the BB for the recovery of the classified loans, under which an NCB employee was liable to get seven percent of the recovered loan as incentive. He said his bank has already started working on it and it has instructed the officials, held conferences with the officers at all levels so that they could understand the scheme and act appropriately. Ruling out the apprehension aired in the keynote presentation that such an incentive scheme might be fraught with moral hazards on the part of the bank employees and may fail to deliver in the long run, he said it might just work. We have to wait and see how well it goes, he said, acknowledging that it was, however, definitely not going to solve the whole problem. Also striking a similar chord, Mr. Mashiur Rahman, Former ERD Secretary said, this incentive is only for the recovery of the old loans and there is an application of some incentives and sanctions for improving performance of the concurrent loan portfolio. For instance, if classification, provisioning etc. are done concurrently and there's a pressure on the bank's income and profitability, the provisioning may also go to an extent if the bank's bad loan portfolio is too large, he said. It can even impair the capital and equity position of the banks. Therefore, it is not an incentive for the recovery but also sanction for on-going performance, added Mr. Rahman.

So far the rescheduling of classified loans was concerned, Professor Chowdhury said we do not know how many times we have to reschedule a particular classified loan. He said it is becoming a big issue for the board meetings. He proposed a legal provision for not rescheduling a particular classified loan more than twice – first time with 10 to 15 percent and the second time with 20 to 25 percent deposits. Beyond that there should be no rescheduling. Besides, as a punitive action, the person failing to comply with that should be barred legally from entering into any public and elected office in Bangladesh, he proposed. There should be a legal provision immediately in this regard, but not before the elections. When the election comes, we do it on 10 percent and all of them pay, he argued.

Mr. Imtiaz Hossain, an expert on capital market, also made a very interesting and novel observation about the issue of classified loans. He said if we call it 'debt syndrome', it must then be treated as a disease. In that case, we should seriously prepare the profiles of the people who have incurred this. Social psychologists and psychiatrists should be employed to assess the problem. Besides, as far as in-bank efficiency and management are concerned, the government and the bank boards should also look into the problems of conflict of interests to solve those. He argued that if the conflicts of interest can be

successfully understood, we would then be able to avoid insider trading, insider lending or whatever.

Rationalisation or Rolling Back Rural Banking Infrastructure

About the closure of NCB branches, Professor Chowdhury said one should not call it closure of branches, one should rather call it merger. For example, in Sonali Bank, he said, there are two branches – one in New Market and one just outside New Market. If any one of the two branches located in a radius of a few furlongs is not making profit, there is absolutely no justification of keeping two branches. The best possible option of making those viable would be to merge those. However, questions were raised by the participants whether the government was going to roll back its banking infrastructure from the rural areas through this move or not. The strongest proponent of this theme was Mr. Delwar Hossain, Director, FBCCI as he asked if the rural economy was not sustainable enough to maintain a bank. What could possibly justify the closure of bank branches, which were initially opened after considering their feasibility, he questioned. He felt that the true picture of the rural areas have not been taken into cognizance while deciding to close, merge and rationalise some 800 NCB branches. Nowadays, the banking system in the rural areas is virtually non-existent, he said adding that if one had sent a pay order or a bank draft from a rural branch to Dhaka or vice versa, it took 30 days to get it cleared. Although there is no export-import activity in the rural areas, there are other income generation and business activities in the agro-marketing, agro-financing and transportation sectors. But the banks are not working there to finance these economic activities, he complained, adding that the rural financing system has totally gone into the hands of traditional moneylenders and NGOs. For bringing the rural people into the formal financial sector, required banking and financial services have to be provided to them with a new attitude, he argued. The idea of hastily closing down the rural bank branches would be a suicidal policy like the wholesale nationalisation of 1972, he strongly protested. In this respect, Mr. Jamaluddin Ahmed, former deputy prime minister also said transfer of wealth and banking services from urban to rural areas through the NCBs are essential.

Meanwhile, defending the central bank's position on the issue, Special Guest and the Governor of Bangladesh Bank, Dr. Fakhruddin Ahmed, stated some figures about the rural-urban distribution of the branches of four NCBs and the two specialised agricultural development banks that are set to go through this process. He said the majority of those 500 are urban branches. He said out of the total 500 branches, roughly 270-275 were urban branches. So far the rural branches are concerned, it is not the intention to deprive the rural areas of banking services. RAKUB and Krishi Bank will always be there and will continue to expand, he further assured. If there are no other banks or branches of banks, the NCBs will continue to operate in certain areas within a radius of five-kilometres. So, in some sense, we have tried to address this common concern that the rural economy could be deprived of banking services to a large measure, the BB chief

said. The BB has also laid down a policy making it mandatory for the private banks to have at least one rural branch in every five new branches. Therefore, the rural areas should not be under-served by banks, but there should be some degree of rationalisation in the services provided in the country, he categorically said. If any bank feels that any of its branches would become profitable in the foreseeable future, those would be asked not to close the branches. So, this decision was not taken in a vacuum. Basically, this sort of rationalisation is a normal process that goes along in any banking process, he informed the dialogue.

Losses on Account of SOEs

Mr. Mashiur Rahman set the ball rolling on this issue. He said much of the bad loan portfolio in the country is in relation to the loans given to the state-owned enterprises (SOEs) and added that as long as the quality of underlying assets remain poor, it is impossible for the financial sector to improve at a substantial rate. Therefore, it would require that the government take a very serious look at the performance of the SOEs and decide what it wants to do with those. Unless this burden on the economy is relieved, he argued, it would not be possible for the NCBs or the banking sector to acquire strength. Also critical of the issue, Mr. Delwar Hossain, said the government borrowing from the commercial banking sector is a much-talked-about issue. The loan defaulters in the government sector – the SOEs – are also very important from the national financial perspective. There's bankruptcy court and other legal deterrents for bringing the private sector loan defaulters to book, but what about the government loan defaulters, he asked. On this issue, Dr. Fakhruddin Ahmed said popular perception is that the largest share of the non-performing loans of the NCBs is due to the SOEs. Stating that it was far from the truth, he dispelled the notion, while at the same time not undermining the importance of breaking the nexus between the NCBs and the SOEs for the better performance of the banking sector. The government is quite aware of this and trying to take measures through its own policy decisions, he said. But clearly, the largest share of the non-performing assets of the NCBs belongs to the private sector. He said the Sonali Bank has a total non-performing loan of Tk 5,440 crores, out of which, only 335 crore is on account of SOEs.

Capital Inadequacy: Fighting for Funds

Mr. Mashiur Rahman said the NCBs are reportedly seriously inadequate in capital. There is a relationship between the level of capitalisation, the level of deposits they can take and the level of lending they can provide. Unless we impose these restrictions on the NCBs, they will have a volume of business, which is far in excess of what their capital position would allow. That would also indirectly affect the performance of the private banks to the extent that if the nationalised banks have this liberty, there is an automatic constraint on the private sector. Mr. Taher Uddin, Managing Director, Mercantile Bank, emphasised on the point that nowadays private sector banks handle more than 35 percent of the total banking business in the country and it is steadily growing. Taking this into consideration,

the source of deposits in a country like Bangladesh are traditionally public sector agencies. The ratio of such deposits was 25:75. While it was previously 25 percent for the private sector banks, it has now been reduced to 15 percent and 85 percent in favour of the NCBs, he said. That has created some fund problems. And more so, the third generation PCBs have been debarred from taking any public sector deposits. Instead of making the market free, it has been segmented. The money market nowadays has become segmented into two-three sub-sectors – NCBs, first and second generation private banks and the third generation banks. That's not creating a healthy competition in the market, he argued.

Meanwhile, Mr. Syed Anisul Haque, Managing Director, Bank Asia dwelt on the issue of high interest rate. He said it was true that the interest rates in Bangladesh are too high and in order to make an industry viable, interest rates should be curbed. But how can it be lowered without the banks having access to low-cost funds, he questioned. For that kind of fund, help from the government is needed. Actually, the private banks are depending on private people's deposits. Though the third generation banks don't have classified loan portfolio, those still have to take deposits at 12 percent, making it difficult for those to reduce the lending rate. If those cannot offer good lending rates, those cannot offer good dividends also. The government savings deposit rates should also be taken into consideration. As the rate is high it is difficult to make our cost of fund any smaller, he argued.

Also throwing light on the issue, Mr. Akram Uddin, Chairman, Bangladesh Association of Banks, said the reform programme developed banking tools and techniques like performance planning system, lending risk analysis, classification of loans and provisions, credit information bureau (CIB), management information system, business and service planning. But, at the same time, the government is giving some contradictory decisions as it is asking the private banks and NCBs to reduce their lending rates. On the other hand, it is refusing those banks government deposits. Moreover, the banks which have not completed five years of operation, are not eligible to get any government deposit whatsoever. Government fund is always low-cost. If the banks do not get access to low-cost funds, then it is only a wishful thinking that they could provide low interest rates to their clients, he strongly felt. On another front also, he argued that there has been erosion of trust and an image problem as people are saying that when the government cannot trust the private banks with its money, how the general public could trust the same with their hard-earned savings.

A Question of Discrimination

Mr. Akram Uddin said the step-motherly attitude to discriminate among the first, second and third generation banks only heighten the sufferings of the banking institutions and their clients. Generally, the third generation banks, which have not completed five years of operation, are the worst sufferers of this discrimination. Pointing out the Finance Minister as a true advocate of free market and globalisation, he said the minister has

recently questioned the justification of allowing the function of new banks in the last few years. The question was raised during the sanction of third generation banks. People from the first generation banks also questioned the viability of the third generation banks. Mr. Akram Uddin said we have to remember that this is a free market economy. Here, everyone has the right to open shops and the buyers are also at their liberty to choose the quality of service they want. However, Mr. Abdur Raquib, Executive President, Islami Bank Bangladesh Ltd., demanding transparency in bank licensing, entry and exit policies, said, at present the decision about the creation of new banks does not lie with the central bank. Therefore, he said, whether or not the economy justifies creation of new banks should be adequately looked into. Besides, it should also be examined if the creation of third generation banks were justified and technically analysed. Because, time is not yet right to compare the third category of banks with the first and second generation banking institutions. The third generation banks are operating only in a few cities with limited branches. They have not yet opened their branches in other far-flung areas. Unless these banks go into field-level operations, it would not be proper to compare those with others, he said, pointing out that the creation of so many banks, now about 52, has established an unhealthy and unethical competition among the banks. Mr. Jamaluddin Ahmed also took a sceptic view, saying that it has been claimed that the third generation banks are going through a very painful time. If that was true, then how are they declaring 50 percent, 35 percent or 20 percent dividends to their shareholders, he questioned, adding that top-class companies in this country cannot afford to give such high dividends.

Reacting to this, Dr. Fakhruddin Ahmed raised the issue about the impact of the change in CRR rules in the third generation banks. So far as the Bangladesh Bank is concerned, he assured, it does not distinguish among the first, second and third generation banks in formulating or changing policies. In this particular case also, the reason behind the changing of the rules was simply for getting a better handle on managing the monetary reserves, he claimed. The banks had the option to keep the reserves either in foreign exchange or in local currency or a shift between the two. He argued that those closely linked to the banking sector, would understand that it can and did create problems in managing the reserve money supply and it was really from that point of view that the system was introduced. Again, he said, if it is felt that the third generation banks have suffered as a consequence of that, it was really unintentional. He said the BB accommodated any reasonable request from the banks, which came forward to take rediscounting facilities as a consequence of the liquidity crunch.

Restructuring the NCBs

Restructuring and increasing the management efficiency of the banking sector, particularly the NCBs, cropped up as a recurrent theme in the dialogue with the participants stressing on the immediate need for restoring some semblance order into their operational proceedings. Mr. Mashiur Rahman said the government should consider two steps. First, exploring the possibility of converting the NCBs from statutory

companies to banking companies registered under the Company Law. If that could be done, they would come under the normal discipline of a banking company and no special dispensation would be necessary. Second, exploring the option of restructuring those into smaller banking units. As long as they are large, it is very difficult to take action because that affects the economy as a whole. But a smaller structure would enable the government and the law enforcers to act. He also stressed on political commitment for doing certain things, but at the same time, asked what generated that political commitment and were the institutions, norms and conducts appropriate for generating the right kind of political will. Mr. Imtyaz Hussain, Chairman, Hussain & Co. said the banks should be allowed to grow within themselves. To ensure this, he argued that the central bank has to look into a merger and acquisition regulation for banks to takeover. Takeover shouldn't necessarily take place in case of a bank's failure, he said. Even a good bank may takeover another well-performing bank and become larger. That recommendation should be included in the next round of financial sector reforms, he insisted.

Also advocating the immediate need for restructuring of the NCBs, the central bank chief said one has to look beyond the stock of bad debts so far the NCBs are concerned. One has to look at the environment under which the NCBs operate and one has to see how the NCBs can be restructured to improve management. It's the management and management only that could make the difference, he categorically stated, saying that the restructuring process must be initiated immediately to create an environment in which the bank management can be improved and can perform better in future. Unless we could effectively deal with the problems of the NCB, improve their management and steer a new course for their future, mere injection of fresh capitals will not bring the results, he cautioned. What we basically need here is to look for a way out. If we are convinced that the private sector banks are generally performing better, it seems that one option is to think about how we could move to a situation where the NCBs at some point can be privatised. Ultimately – irrespective of the size of the banks – the goal should be towards that direction, he said.

Tightening the Legal Bolts

Along with the need for restructuring, a number of participants also raised the issue of tightening the bolts in the legal system related to banking. Mr. Abdur Raquib complained that the Bankruptcy Court and the Financial Loan Court were not functioning properly. If such legal provisions could be put to prompt use, the debt-overhang could be substantially reduced, he claimed. Reacting to this, Dr. Fakhruddin Ahmed said one could surely amend the laws to make the legal and court procedures more effective. The process is there. The Finance Ministry has taken up the task to see how the existing laws could be tailored so that those could be employed more effectively in the collection of bad debts. But ultimately, this too would boil down to how we are going to manage the process in terms of inspection capacity. Again, he said, it is really the management

efficiency of the NCBs that really counts. Bringing changes to the legal provisions may not be the only solution.

Capital and Money Market Link-up

Professor Amirul Islam deemed the development of a secondary capital market essential as he said the commercial banks cannot continue doing the job of the capital market for long. If they are asked to do it for long, then they would default on many other areas, he warned. Expert on capital market Mr. Imtyaz Hussain said the linkages between the banking sector and the capital market has always been there. But our banking system has somehow forgotten how to deal with the capital market, especially regarding the debt instruments. The non-banking financial institutions have mutual funds, but none of the banks has come up with such monetary initiatives. In fact, the whole banking call system used to be dependent on a market approach. That has been totally washed out and now the banks themselves do it. He said it is essential to develop a bond market. The ingredients have been there for the past 200 years for the development of the money market. When this country was yet to be divided, it was raising money for its railways 175 years ago in Europe and America, he informed the gathering, and asked why it can't raise some money now to finance their own activities from its own expatriates. He said all the regulations and laws are there. He proposed the introduction of municipal bonds instead of giving doles to municipal corporations. In this regard, Dr. Fakhruddin Ahmed assured that the comments and suggestions about the need for setting up a Treasury Bill secondary market has been well taken. Bangladesh Bank at this moment is in the process of drafting agreements, which should be finalised in the next couple of months, he informed, saying that the process is on and it is only a matter of time before the BB settles the nitty-gritty. The need for a bond market has also been raised. But it seems that the TBL market is now the easiest to activate, the central bank chief said.

Formation of Asset Management Companies

One thing that has been very strongly stressed upon in the dialogue is the formation of an asset management company. While acknowledging the need for such companies, Professor Abu Ahmed said it is very difficult to develop a market for the asset management companies. There would possibly be one, two or at best three such companies, who might collude among themselves. Therefore, it might not yield the desired results, he cautioned. But in addition to the asset management companies, he also suggested another measure. That is security of collateralised debts. Most of the advances or the term-loans issued by the banks are already collateralised. But unfortunately, one cannot sell the collateral so easily and recover the money, he lamented. Therefore, he proposed the securitisation and marketing of those assets. Selling securities would be much easier than selling collateralised assets, he argued saying that these securities could be sold just like shares in stock markets. Pointing out that it was already accepted as a popular measure elsewhere in the world, he also stressed the need for new financial products, complaining that we don't even have a market for bill of exchanges. He

strongly proposed to find out ways to evolve greater number of financial products like repurchase agreement, commercial papers, other short-term products and then forming a discount market or secondary market for those products alongside the secondary market already suggested for the government securities. Questioning the viability of asset management companies, Mr. Jamaluddin Ahmed said he didn't know whether the asset management companies were properly understood in their truest sense or not. He said there was hardly anyone in Bangladesh having the experience of running asset management companies. And then again, that asset management company will have to begin with over Tk 20,000 crores of classified loans along with their collateral. Cautioning that through this, the country might be headed towards another disaster, he proposed to think about the option more rationally.

On this, the BB chief said this issue has been raised many a time in the past. It is a possible solution. But he felt that this entailed some moral hazards. If the stock of bad debts could be taken care of through this and ensure that in future that bad debts would not be created in a similar way, then this could be a plausible solution, he added. Analysing some recent NCB loans, he said he was not convinced that the loans that have been given in the recent years are much better in quality. So, basically, we come back to the point that one has to look beyond the stock of bad debts so far the NCBs are concerned, he said. One has to look at environment under which the NCBs have been and are now operating and one has to see how the NCBs can be restructured to improve management. It is the management alone that could make the difference, he said conclusively.

Deliberation by Mr. Abul Hossain, State Minister for Finance and Planning

At the very outset, the Chief Guest, Mr. Abul Hossain stressed on the point that immediately after assumption of power in October 2001, the nascent BNP government had to encounter a number of important issues that cropped up before the nation. Those included streamlining of the law and order situation, socio-economic and political issues. He claimed that his party took over power at a time when none of these areas were stable. Therefore, the government had to take immediate measures to achieve stability in those areas. He said the government sincerely believes that unless the social, economic and political conditions of the country is improved, reforms in the financial sector would not take place in a desired manner. Therefore, the improvement in the mentioned areas, remain a top priority with the government, he claimed.

The minister also pointed out that his government inherited an economic system that lacked accountability and transparency in transactions. Therefore, in line with its electoral pledges, it conveyed clear indications to the government and other officials about its intentions of building a corruption-free society by holding the officials accountable to the people through their representatives in the parliament. He said it was also made amply clear that there must be transparency in government transactions, be it in the financial or in any other sector. In the government areas, with regards to the

expenditures, he claimed that it has been superlatively stressed that unproductive expenses of the government should be reduced to the minimum. That is why the Finance Minister made certain changes in the annual development plan (ADP) and the government has decided to go along with those, he said, adding that the government has already identified the unproductive areas and significantly reduced expenditures in those areas. At the same time, the revenue aspect has been emphasised by it. He said, it was unanimously agreed that the revenue of the government should be increased so that it should not borrow from the banking sector to run the administration. Stating it as a serious issue for the present government, he said, during the rule of the previous government, they took loans from the banking sector to meet the growing government expenditure. As a result, the banks suffered serious liquidity crisis and could barely contribute to the country's industrialisation process. This government wanted to reduce this trend by increasing revenue collection and within six months of assuming power, it has been able to reduce much of the deficits in the revenue side, he claimed.

In the banking area, he said, the government has already cleared some of the issues raised. There are a large number of branches with the NCBs and in order to reduce banking expenditure and to make the best use of the banks, it took the step for closure and merger so that the NCBs do not compete with each other in an unhealthy manner and thereby incur losses, he elaborated, saying that it was a desirable step. But in carrying it out, he acknowledged that one should remain watchful that it does not harm the banking functions in the formal sector. At the same time, he said, the government has been mindful that such measures do not adversely affect the rural economy. He said the government also has a keen eye on the transfer of wealth and financial services from the rural to the urban economy. Till now certain NGOs have been performing well in the rural areas through their micro-credit system. The return on credit repayment is much better in the rural areas than in the urban areas. Some 90 to 95 percent loans disbursed in the rural areas are repaid. So, there are hardly any classified loans in the rural sector, the minister noted with satisfaction. But in the urban sector, the situation is quite the reverse, he regretted. This aspect has to be looked into and it must be ensured that the rural economies also get adequate priority and policy attention, he reiterated.

On the issue of developing the capital market, he said that during the past government, the capital market was totally shattered and people's confidence was absolutely shaken because of the way it was dealt with by those responsible. He said his government wants to revitalise the capital markets as there could be no better way of industrialisation than to activate those. That is why the government has already taken certain measures to give incentives to the capital market with a lot more to be done, he noted. On the proposal of a linkage between the capital market and the banking sector, he said ways and means for creating the vital linkage must be evolved in due course. He, however, felt that the keynote paper should have dealt with non-banking issues also, which have serious relevance in the larger economic and financial perspectives. The financial sector

encompasses much more than the banking sector, he said, reiterating the need for more discussions on such issues in the next round of reforms.

Echoing the words of the chairman of the Bangladesh Association of Banks Mr. Akram Uddin, he said the morning has started well for the new government and hoped that the end will also come in a better way. The government is sincerely trying to make sure that it has started well and leaves the country a better economy in terms of its health and behavior at the end of its five-year tenure.

Concluding Remarks of the Chair

In summing up the dialogue, Mr. Syeduzzaman was in full agreement with Dr. Wahiduddin Mahmud, who in his committee report, said: “Improving overall governance in the sector across the board is a *sine qua non* for a meaningful and sustainable financial sector reform.” In addition, he also pointed out a couple of special features of the country’s banking system. First, in our banking system, weak banks exist side by side with healthy banks, he noted, saying that the NCBs are the most problem-ridden in terms of capital adequacy, making provisions, over-staffing and several other things as has emerged in the dialogue. A number of second generation banks have been identified by the BB under the FSRP as ‘problem banks’ though some of them have already come out of the problem category. Only last week, he said, nine of the second generation banks have been identified by the BB, who were barred from declaring further dividends or opening new branches because of certain defaults on the part of their directors. But the chairperson noted with apprehension that weak banks, mostly NCBs, were receiving asymmetric support through public resources and provided access to low-cost funds. These asymmetries must get due attention in the next round of reforms, the chairperson maintained.

On interest rates, he said, the government directives to set interest rates were in potential conflict with the spirit of the FSRP. The interest structures should be liberalised in the true sense, firstly by drastically reducing the interest from savings certificates, and secondly, through the BB introducing some basic benchmark interest rates like the bank rates and the treasury bill rates. The rest of the interest rate structure should be totally liberalised in due course and left to the market, he strongly proposed. Moreover, the interest rate on savings certificates should be linked to long-term treasury bill rates. If the government directs any particular bank or a group of banks to give special treatment to a particular sector in respect of interest rates, which means directed loans, then it should be the moral duty of the government to subsidise those operations from the government budget in the true spirit of the FSRP, he also argued.

The chairperson also hastened to add that the financial sector liberalisation or reforms is not possible through a project either by the World Bank or the Asian Development Bank or any donor. Terming it a long-drawn process, he said, it needs long-term commitments for reforms with consistency and properly sequenced measures.

Also highlighting on the composition of the financial structure, Mr. Syeduzzaman argued that financing of industrialisation, which has the highest multiplier-effect in our economy by bringing structural changes, couldn't be left entirely to the commercial banks. The commercial banks cannot take term-financing beyond a certain limited amount for a myriad of reasons, he said pointing out some plausible reasons. Those were: a) mismatch between asset and liabilities, b) lack of expertise in many of the commercial banks for appraisal of investment projects, c) regulatory restrictions and, d) term loans by commercial banks as those have historically been a major source of unethical practices and corruption. At this point, he also drew the attention of the minister and the chief of Central Bank to the need for creating new development financing institutions (DFIs) starting with clean slates with access to long-term funding, both local and foreign. These should be under proper management and governance, he argued, warning that otherwise, these would end up like the old DFIs.

The chairperson also attached great importance to the capital market and bond market development. Looking back, he said, the size of the banking sector in the affected Asian countries in 1997, except for one or two, were unusually large even compared to some industrially developed countries. The size of the banking sector in countries like Thailand, Indonesia and Malaysia were much larger than the USA even. He said that we should take lessons from the East Asian Crisis in deciding entry policies in the banking sector. Because, he cautioned, ours was a bank-dominated financial structure with a relatively unsound banking system. Therefore, he proposed that we should gradually move towards a capital market-based financial structure dominated by equity finance and bonds in line with the worst-affected countries of the East Asian Crisis. Through initiating such a move, those countries have fast reduced their dependence on bank loans, although banking sector has remained dominant in financing new investments, he informed the dialogue. Financial institutions should be enabled to issue bonds at reasonably low cost through appropriate tax incentives in order to add diversity to the capital market, he added, proposing to develop a domestic corporate bond market as an alternative source of financing industrial investment.

Finally, the chairperson drew the curtain on the dialogue hoping that the issues raised would receive adequate attention of the government, authorities and those multilateral funding institutions, which are deeply involved with the country's financial sector reforms.

Appendix:

LIST OF PARTICIPANTS (Floor Discussion)

1. Amirul Islam Chowdhury, (Chairman of the Board of Directors of Sonali Bank)
2. Mashiur Rahman, (Former ERD Secretary)
3. Taher Uddin, Managing Director, Merchantile Bank
4. Syed Anisul Haque, Managing Director, Bank Asia:
5. Abdur Raquib, Executive President, Islami Bank Bangladesh LTD.
6. Delwar Hossain, Director, FBCCI
7. Akram Uddin, Chairman, Bangladesh Association of Bankers
8. Prof. Abu Ahmed
9. Jamaluddin Ahmed, Former Deputy Prime Minister
10. Imtyaz Hussain, Expert on Capital Market

Chief Guest: State Minister for Finance and Planning Mr. Abul Hossain

Special Guest: Dr. Fakhruddin Ahmed, Governor, Bangladesh Bank

List of Participants
(In alphabetical order)

<i>Professor Abu Ahmed</i>	Dept of Economics, University of Dhaka
<i>Mr Anwar Ahmed</i>	Managing Director, National Credit & Commerce Bank Ltd
<i>Dr Fakhruddin Ahmed</i>	Governor, Bangladesh Bank
<i>Mr. Abul Kashem Ahmed</i>	Director, FBCCI
<i>Mr Kazi Akramuddin Ahmed</i>	Chairman, Bangladesh Association of Bankers
<i>Mr S S Nizamuddin Ahmed</i>	Managing Director, Standard Bank Ltd.
<i>Mr Jamal Uddin Ahmed</i>	Former Deputy Prime Minister
<i>Mr Jahangir Bin-Alam</i>	Secretary, FICCI
<i>Mr Ruhul Amin</i>	Chairman, Sabha Trading Corporation
<i>Mr Khandaker Ruhul Amin</i>	Director, FBCCI
<i>H E Mr Dietrich Andreas</i>	Ambassador, Federal Republic of Germany
<i>Ms Rabaya Bagum</i>	WABA
<i>Mr Yanwick Bernard</i>	Consultant, Delegation of European Union
<i>Dr Debapriya Bhattacharya</i>	Executive Director, CPD
<i>Professor Toufic A Choudhury</i>	Director, BIBM
<i>Dr Omar Haider Chowdhury</i>	Research Director, BIDS
<i>Mr Enayet Hossain Chowdhury</i>	Director, FBCCI
<i>Professor Amirul Islam Chowdhury</i>	Chairman, Board of Directors, Sonali Bank
<i>Mr Azam J Chowdhury</i>	President Bangladesh Norway Chamber of Commerce and Industry
<i>Mr Omar Choudhury</i>	Director (Training), National Credit & Commerce Bank Ltd
<i>Professor Masuda M Rashid Chowdhury</i>	Director, FBCCI
<i>Mr Shueb Chowdhury</i>	President, In Soft Systems Ltd
<i>Mr Hizkil Gulzar</i>	Director, FBCCI
<i>Mr Shah Abdul Hannan</i>	Chairman, Board of Directors, Islami Bank B'desh Ltd
<i>Mr Yussuf Abdullah Harun</i>	President, FBCCI and Chairman, South East Bank
<i>Mr Syed Anisul Haq</i>	Managing Director, Bank Asia Limited
<i>Mr. Muhammad Sajidul Haq</i>	Managing Director, UCBL
<i>Mr. Delwar Hossain</i>	FBCCI
<i>Mr Md Nurul Huda</i>	Managing Director, BASIC Bank Limited
<i>Mr Shah Mohammad Abul Hussain</i>	State Minister for Finance
<i>Mr Imtiyaz Hussain</i>	Chairman, Imtiyaz Hussain & Co
<i>Mr M Aminul Islam</i>	Chief Protocol, Standard Bank Ltd.
<i>Mr Khandaker Shahidul Islam</i>	Additional Secretary for Finance (Banking), M/o Finance
<i>Mr S H Kabir</i>	Treasurer, CPD Board of Trustees
<i>Mr Kabiruddin</i>	A PS to State Minister for Finance and Planning
<i>Mr Kapil Kapoor</i>	Senior Economist, World Bank
<i>Mr Syed Mohd Shamsul Kaunain</i>	Managing Director, Iaba Textile Mills Ltd
<i>Mr Enayetullah Khan</i>	<i>Editor-in-Chief, Holiday</i>
<i>Mr Abu Haniff Khan</i>	<i>JMD, Arab Bangladesh Bank Ltd.</i>

<i>Mr M Lutfur Rahman Khan</i>	Director, FBCCI
<i>Mr M A Yousuf Khan</i>	Managing Director, Premier Bank Ltd.
<i>Mr Md Ziaul Haque Khondker</i>	Managing Director Investment Corporation of Bangladesh (ICB)
<i>Mr Hajo Provo Kluit</i>	Commercial Secretary, Royal Netherlands Embassy
<i>Mr Abdul Awal Mintoo</i>	Former President, FBCCI
<i>Mr Md Golam Mostafa</i>	Managing Director, Social Investment Bank Ltd
<i>Mr. A.S.M. Quasem</i>	Vice President, ICC-Bangladesh
<i>Mr F Rabbi</i>	PRO, Ministry of Finance and Planning
<i>Mr Ayubur Rahman</i>	Chairman, Janata Bank Ltd.
<i>Mr Imran Rahman</i>	Associate Professor, BBA Programme, IBA, DU
<i>Mr Mahbubur Rahman</i>	President, ICC-B
<i>Mr Masihur Rahman</i>	Former Secretary, GOB
<i>Mr Md Mokhlesur Rahman</i>	Managing Director, Dhaka Bank Ltd.
<i>Mr A K M Sajedur Rahman</i>	Managing Director, Bangladesh Krishi Bank
<i>Mr Mamun Rashid</i>	Chief Operation Officer, Citibank, N.A.
<i>Mr. Abdur Raquib</i>	Executive President, Islami Bank Bangladesh Ltd. (IBBL)
<i>Mr. David E. Rees</i>	Chief Executive Officer, Citibank, N.A
<i>Mr Faisal Saeed</i>	Jobs/USAID
<i>Mr. M Syeduzzaman</i>	Member, CPD Board of Trustees and Chairman, Bank Asia
<i>Mr. M. Taheruddin</i>	<i>Managing Director, Mercantile Bank Limited</i>
<i>Mr Md Kamal Uddin</i>	Manager, Credit and Development Forum
<i>Mr W A Wahed</i>	Chief Operation Officer, HSBC
<i>H E Ms Gerd Wahlstrom</i>	Ambassador, Royal Norwegian Embassy

List of Journalists
(in alphabetical order)

<i>Mr M Abdullah</i>	The Daily Inqilab
<i>Mr Syed Zahirul Abedin</i>	Chief Reporter, The New Nation
<i>Mr Giasuddin Ahmed</i>	The Daily Ittefaq
<i>Mr Monzur Ahmed</i>	Staff Reporter, Prothom Alo
<i>Mr Rafiqul Bashar</i>	The Sangbad
<i>Mr Shamsul Alam Belal</i>	Special Correspondent, BSS
<i>Mr Pulack Ghatak</i>	Staff Reporter, The Banglabazar Patrika
<i>Mr Enamul Haq</i>	Photographer, P I D
<i>Mr Amran Hossain</i>	The Daily Star
<i>Mr Arif Hossain</i>	Reporter, ATN Bangla Television
<i>Mr Delwar Houssain</i>	Staff Reporter, The Daily Jugantar
<i>Mr Motaher Hossain</i>	Senior Reporter, The Azadi
<i>Mr Jibon Islam</i>	Senior Reporter, The Daily Bhorer Dak
<i>Mr Khademul Islam</i>	Chief Reporter, The Daily Arthaneeti
<i>Mr Meer Saiful Islam</i>	Staff Reporter, UNB
<i>Mr Shahidul Islam</i>	Dainik Sangram
<i>Mr Monzurul Karim</i>	Photojournalist, The Prothom Alo
<i>Mr Sajjad Alam Khan</i>	Staff Reporter, The Ajker Kagoj
<i>Mr Nurul Hasan Khan</i>	The Daily Dinkal
<i>Mr Manjur Mahmud</i>	The Daily Star
<i>Mr Md Abdul Majid</i>	Staff Reporter
<i>Mr Sohel Manzur</i>	Senior Staff Reporter, The Financial Express
<i>Mr Showkat Hossain Masum</i>	The Daily Ittefaq
<i>Mr Kawser Rahman</i>	Senior Reporter, The Daily Janakantha
<i>Mr Mostafizur Rahman</i>	The Independent
<i>Ms Sharmeen Rinvy</i>	Channel-I
<i>Mr Helal Uddin</i>	Banglabazar Patrika
<i>Mr Khawaza Main Uddin</i>	The Bangladesh Observer