Talk on
Experience of Bangladesh Bank in
Basel II implementation

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Introduction

- The Basel Committee on Banking Supervision (BCBS) are contributing to build global banking & financial cooperation on a uniform pedestal.

- ‘International Convergence of Capital Measurement and Capital Standards’, which is well known as ‘Basel II’ is designed to help banks adopt a more comprehensive, sophisticated and risk-sensitive approach for calculating regulatory capital.

3 enforcing pillars of Basel II

- First Pillar – **Minimum Capital Requirements** (MCR) would replace the existing ‘One-size-fits-all’ framework

- Second Pillar- **Supervisory review process** provides guidelines for supervisors to ensure that each bank has robust internal processes for risk management and that banks could have adequate capital to support all the risks in their business.

- Third Pillar **- Market discipline** puts in place a set of disclosure requirements on risk exposures, risk assessment processes and hence the capital adequacy of the institution.

Bangladesh Scenario

Financial system is consisted of

- Bangladesh Bank (BB) as the central bank,
- 4 nationalized commercial banks (NCB),
- 5 government owned specialized banks,
- 30 domestic private banks,
- 10 foreign banks and 28 non-bank financial institutions.

Initiatives which will help implementation of <u>the New Capital Accord (Basel II) easier</u>

- Introducing risks management practices in 5 core risk areas:
  - a) Credit Risk Management
  - b) Internal Control & Compliance
  - c) Asset & Liability Management
  - d) Foreign Exchange Risk Management and
  - e) Money Laundering Risk Management

- Introducing CRGM, CAMELS and Early warning system (EWS)

Progress on Basel II Implementation

- Bangladesh Bank has adopted a consultative approach
- Intends to implement the new accord in early 2009
- Self-audit on Basel Core Principles (BCPs) for effective Banking Supervision
- Efforts are underway to draw a realistic roadmap
- Study and findings
- Banks views on optional approaches

Challenges Ahead

- Recognition of External Credit Assessment Institutions (ECAI)

- Developing a straight forward guidelines and fixing various definitions in the context of Bangladesh scenario.

- Capacity building of the officials of the banking industry

Concluding remarks

- Bangladesh Bank has given utmost concentration and best possible effort through consultative approach for implementing Basel II.
- Bangladesh will made possible parallel run of Basel II to current regulation from early 2009.
- I think the new accord would provide a level playing field for banking organizations meeting in international competition

Vote of thanks

- I praise this friendly co-operation
- My sincere best wishes to all the delegates
- Thank you very much for patient hearing