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AMC WEEKLY SPOTLIGHT

COURTESY OF AMC RESEARCH & DEVELOPMENT TEAM

Govt. sets five-year plan to clean up banking sector

It puts bad-loan recovery at the top of the agenda

The government has set out a five-year plan to clean up the banking sector, with a focus on recovering bad loans, tightening supervision, improving governance and restoring depositor confidence. The plan comes as banks grapple with record non-performing loans (NPLs), weak governance, political interference and lending to politically connected businesses. These problems have eroded both capital and profitability of many banks, with state-owned lenders particularly exposed. Tap here to add The Daily Star as a trusted source google-preferred-source-badge By December last year, NPLs in the country's banking sector reached Tk 5.57 lakh crore, equivalent to 30.6 percent of total loans, according to official data. Over the same period, banks' return on equity fell from 9.42 percent in 2016 to minus 16.11 percent in 2025. The five-year framework, titled "Five-Year Strategic Framework for Reform and Development (July 2026-June 2031)", was prepared by the General Economics Division of the Planning Ministry and approved by the National Economic Council on May 18. It was released yesterday. The government will roll out the reforms in three overlapping phases. Those are containing immediate risks in the first year, rebuilding banks over the next two years and pursuing deeper reforms in years three to five.

FIRST YEAR: CONTAIN THE DAMAGE

The first year will focus on high-risk banks, bad loans and depositor protection. Operational autonomy of the Bangladesh Bank will be enforced on an interim basis, while high-risk banks will face stricter supervision and regulatory action. The central bank will identify willful defaulters and take legal action against them. It will also enforce stricter loan classification and provisioning rules to prevent bad loans from piling up. The government will apply fit-and-proper criteria to bank boards and senior management and restructure boards that fail to meet the requirements. The Deposit Protection Fund will be made operational. The government will strengthen the capital position of merged banks and begin reimbursing depositors, while interim arrangements will be introduced to repay depositors of distressed banks. Six months of BNP rule: Has the economy turned a corner? Read more

BFIU directs banks to disclose linked accounts after freeze

The Bangladesh Financial Intelligence Unit (BFIU) has directed all reporting organisations to immediately provide information on a frozen account and other accounts linked to it after receiving a freeze order. The directive was issued in a circular dated today, signed by AKM Golam Mahmud, director of the BFIU. Under the Money Laundering Prevention Act, 2012, and the Money Laundering Prevention Rules, 2019, reporting organisations must inform the BFIU immediately after receiving an order to freeze an account.

They must provide the status of the frozen account along with information on other accounts linked to it. The BFIU issued the directive under Section 23(1)(d) of the Money Laundering Prevention Act, 2012, and Section 10(1) (b) of the Anti-Terrorism Act, 2009.

The circular was addressed to the managing directors and chief executive officers of all reporting organisations.

BSEC proposes major amendments to margin loan rules

The Bangladesh Securities and Exchange Commission (BSEC) has drafted amendments to the BSEC (Margin) Rules, proposing significant relaxations to make margin loans more accessible to investors and expand the lending capacity of market intermediaries. The proposed changes aim to eliminate practical and operational complexities, create a more investor-friendly framework and boost liquidity in the country's capital market.

Extension to low-dividend companies: Under the draft rules, investors will be eligible for margin loans to purchase shares of B-category companies even if the companies pay less than a 5 percent dividend.

Currently, only B-category companies paying a minimum dividend of 5 percent qualify for margin financing.

Lower minimum account threshold: The minimum equity value required in a Beneficiary Owner (BO) account to qualify for margin loans is proposed to be reduced to Tk 3 lakh from the current Tk 5 lakh requirement, which must be maintained for at least one year.

Six months of BNP rule: Has the economy turned a corner? The immediate priority will be to enforce rules, address governance failures, recover bad loans, protect depositors and maintain liquidity.

NEXT, REBUILDING BANKS

Over the next two years, the government plans to strengthen governance, risk management and loan recovery while building stronger financial safety nets. The central bank will receive full operational autonomy, with risk-based supervision and stress testing introduced. Loan rescheduling will be tightened, large borrowers will face closer monitoring, and banks will have to comply more strictly with lending rules. Board appointment procedures will also be standardised, with limits on board tenure and family representation. Banks will have to disclose financial data at the individual bank level and follow reporting standards aligned with Basel III -- a global regulatory framework.

DEEPER REFORMS IN FINAL PHASE

The final phase will focus on making banks more efficient and competitive while reducing risks to the wider financial system. The plan calls for stronger governance, greater transparency, better data systems and stronger supervisory capacity at the Bangladesh Bank. Legal and institutional changes will also be introduced to strengthen its operational independence and bring regulations closer to international standards. The government plans to improve the recovery of bad loans through specialised financial tribunals, stronger legal enforcement and faster resolution mechanisms. The plan also proposes a fully functioning deposit protection system, including the pay-box model, to protect depositors and strengthen market discipline.

BANKS MUST FIX THEIR BALANCE SHEETS

The framework makes clear that simply increasing credit will not solve the banking sector's problems. Banks must first repair their balance sheets through restructuring, disciplined write-offs and faster recovery of defaulted loans. Then they can expand lending safely to small and medium-sized enterprises, agriculture and productive industries. The plan also identifies political interference as a major problem. Weak board oversight, preferential lending and limited accountability have contributed to poor risk management and the buildup of bad loans, it says.

WHO WILL OVERSEE THE REFORMS?

The Bangladesh Bank will lead regulatory and supervisory reforms, while the Financial Institutions Division will coordinate legal and policy changes involving state-owned banks and other government-owned financial institutions. Progress will be measured against indicators covering capital adequacy, asset quality, liquidity, governance, depositor confidence and transparency. The central bank will conduct annual reviews, with a mid-term assessment in FY2028 to measure progress and recommend changes. The government says the reforms are urgent as Bangladesh prepares for LDC graduation, which could reduce access to concessional financing and external liquidity support and increase reliance on the domestic financial system. The bigger challenge, however, will be implementation.

Energy crisis will take 2 years to resolve: Finance Minister

Finance and Planning Minister Amir Khasru Mahmud Chowdhury addresses as the chief guest at an event organised by the American Chamber of Commerce in Bangladesh (AmCham) at Hotel InterContinental, Dhaka

The ongoing energy crisis will take at least two years to resolve, Finance and Planning Minister Amir Khasru Mahmud Chowdhury has said.

He said the problems surrounding gas and electricity could not be resolved within six months or a year and would require at least two years.

Explaining the timeframe, the finance minister said it would take around one and a half to two years to build a floating LNG terminal, meaning the crisis could not be resolved before then.

He made the remarks as the chief guest at an event organised by the American Chamber of Commerce in Bangladesh (AmCham) at Hotel InterContinental on Sunday afternoon.

The seminar focused on restoring investor confidence through policy reforms and effective implementation.

AmCham President Syed Mohammad Kamal chaired the event, where business leaders raised various concerns.

In his address, Amir Khasru said, "The economy cannot move forward without gas and electricity. However, we are swiftly taking whatever measures are possible. Gas exploration was neglected for a long time; now it is being resumed. Work is also under way on solar power and coal. We are determining how much of each type of energy will be required. The energy policy will be published within the next few weeks. People will then know what needs to be done. We will have to remain cautious over the next two years."

Speaking on the government's plans to increase revenue collection, the finance minister said the implementation and policy functions would be separated. The government was seeking to broaden the tax base, while a fixed-rate taxation system was being developed for small businesses alongside the creation of a database Higher intermediary lending cap: Stockbrokers and merchant banks will be allowed to provide margin loans of up to five times their core capital or net worth, up from the existing cap of three times.

On the stock market, Amir Khasru said the government had been receiving warning signals and had subsequently introduced changes. "We need more listed companies," he said.

Regarding the banking sector, the finance and planning minister said it was facing a severe capital shortfall that was too large for the government to cover. With the volume of non-performing loans also remaining high, he said alternative sources of financing were therefore needed.

The minister responded to various questions from business leaders at the meeting.

In his concluding remarks, AmCham President Syed Mohammad Kamal said, "We do not merely want to identify the challenges; we want to be part of the solution. This event has therefore been organised to rebuild confidence among businesses. More such initiatives will be held in the future."