
*An overview of
'Human Resource Management Practices in Bangladesh Bank
&
Foreign Exchange Transactions in Bangladesh: The role of Foreign Exchange
Policy Department of Bangladesh Bank.*

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ID -13304139

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25th July, 2017

June 29, 2017

Md. Sayedur Rahman Khan
Deputy General Manager
Human Resource Department 1
Bangladesh Bank, Head Office

Dear Sir,

Subject: Submission of Internship Report

I am very honored to submit my internship report on “*An overview on Human Resource Management Practices in Bangladesh Bank & Foreign Exchange Transactions in Bangladesh: The Role of Foreign Exchange Policy Department of Bangladesh Bank*” which has been prepared as an integrated part of my undergraduation program called Bachelor of Business Administration. I would like to thank you for approving this extraordinary topic.

I would like to note here that there has been no dearth of sincerity on the report to bring the issue under study into proper focus. Based on my works, I have prepared this report that describes the assigned topic. This report contains descriptions about some activities, policies and practices done by Human Resource Department of Bangladesh Bank. Furthermore, the report explains what role does Foreign Exchange Policy Department perform in forex transactions in Bangladesh. Moreover, the report contains information on how Foreign Exchange Policy Department of Bangladesh Bank controls and monitors the Foreign Exchange Market in Bangladesh.

It would highly be appreciated if you kindly approve this report and allow me to be certified from your organization.

Thank you for your supervision and assistance in my entire internship period.

Sincerely yours,

Shafi Abdullah Hauque

Internship ID: TEP -462

Internship Duration: April-June, 2017

June 20, 2017

Mohammad Mizanur Rahman

Joint Director

Foreign Exchange Policy Department

Bangladesh Bank, Head Office

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Lecturer
BRAC Business School
BRAC University, Dhaka

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Sincerely yours,

Shafi Abdullah Hauque
Student ID: 13304139
BRAC Business School

Letter of Certification

I am very pleased to declare that Shafi Abdullah Hauque from BRAC Business School, BRAC University has provided the report entitled ““An overview on Human Resource Management Practices in Bangladesh Bank & Foreign Exchange Transactions in Bangladesh: The Role of Foreign Exchange Policy Department of Bangladesh Bank” He has done his internship in the Human Resources Department and Foreign Exchange Policy Department of Bangladesh Bank. His time period was from April to June, 2017.

He has reviewed all the materials and conducted efforts practically in Bangladesh Bank for around three months to achieve practical knowledge regarding his internship on the said topic. I have supervised him during the period he performed his internship in my department and checked his final draft of the internship report.

I am knowingly certifying that he successfully completed his internship in Bangladesh Bank and prepared the report on the basis of practical knowledge on “An overview on Human Resource

Management Practices in Bangladesh Bank & Foreign Exchange Transactions in Bangladesh:
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I wish him all the success in his life.

Mohammad Mizanur Rahman
Joint Director
Foreign Exchange Policy Department
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Md. Sayedur Rahman Khan
Deputy General Manager
Human Resource Department-1
Bangladesh Bank

Acknowledgement

It is a delightful experience to work on the report named *“An overview on Human Resource Management Practices in Bangladesh Bank & Foreign Exchange Transactions in Bangladesh: The Role of Foreign Exchange Policy Department of Bangladesh Bank”* and it has been a great honor for me to submit the report. In order to prepare an internship report, a sincere supervision and a careful guidance are required. I have been lucky enough to receive both of those from the organization I have worked as an intern. Along with those, I have found valuable suggestions, inspirations and references from the officials of Bangladesh Bank as well as the faculty members from my university.

First and foremost, I am grateful to my supervisor Muhammad Ariful Ghani, Lecturer, BRAC Business School, BRAC University who has allowed me to encroach upon his precious time

freely right from the very beginning till the completion of the internship. His constant guidance and advice played a vital role in making the execution of the report. He has always given me the suggestions which were crucial in making this report as flawless as possible.

Furthermore, I would like to express my thoughtful gratitude to my official supervisor from Foreign Exchange Policy Department Mohammad Mizanur Rahman who has guided me in every possible way to make my internship successful and learnable within a very short time period.

Moreover, my special thanks goes to Md. Sayedur Rahman Khan from Human Resource Department who has supervised me during my working period in Human Resources Department. In addition, a big thanks to Mrs. Nasima Shahin, Joint Director of Human Resources Department 2 for posting me in a department which performs the core central banking functions.

Finally, I would like to thank all other employees of Human Resources Department and Foreign Exchange Policy Department of Bangladesh Bank who have helped me in collecting valuable information which contributed in preparing my report.

Executive Summary

Central banking activities are always crucial for a country as it formulates the monetary policy of an economy. In addition, it creates the mechanism for imports, exports and remittances of a country. Furthermore, it supervises and controls money market of an economy. Most of the contributive important functions of a central bank are performed by Foreign Exchange Policy Department. Foreign Exchange Policy Department of Bangladesh Bank is responsible for formulating and implementing policies associated with foreign exchange transactions. In order to do that, it supervises and monitors all the banks which are authorized to manage foreign exchange transactions.

Central Banking functions are important because it directly controls the economy. But understanding how its employees are utilized as assets of the organization is also important since officials perform the tasks to deal with the external world.

The report includes core functions of Bangladesh Bank which are done by Foreign Exchange Policy Department. Moreover, it contains information on how Foreign Exchange Policy Department controls the Foreign Exchange Market. However, the report also explains the human resource practices of Bangladesh Bank and its contribution to manage human as resources throughout the entire organization.

The report entitled *“An overview on Human Resource Management Practices in Bangladesh Bank & Foreign Exchange Transactions in Bangladesh: The Role of Foreign Exchange Policy Department of Bangladesh Bank”* contains information on both Human Resources Department and Foreign Exchange Policy Department of Bangladesh Bank. The brief explanation of the tasks I was assigned to do as an intern is given in the report. Lastly, some of my findings and recommendations for both departments are mentioned.

Contents

1. Chapter One	Organizational Profile: Bangladesh
Bank	1
1.1 History of the Organization	1
1.2 Functionality of the Organization	2
1.3 Vision and Mission	3
1.3.1 Vision.....	3
1.3.2 Mission	3
1.4 Operational Network and Organogram.....	4
1.5 Organogram of Bangladesh Bank	5
2. Chapter Two	Overview of the Study
2.1 Background of the Study.....	7
2.2 Rationale of the Study.....	7
2.3 Objective of the Study.....	8
2.4 Scope of the Study.....	8
2.5 Limitations of the Study	9
2.6 Methodology of the Study.....	9
2.7 Report Structure	9
3. Chapter Three: Overview of Human Resource Practices in Bangladesh Bank	10
3.1 Brief of HRM Practices in Bangladesh Bank	10
3.1.1 Planning, Promotion and Transfer Wing (PPT)	11
3.1.2 Recruitment and Outsourcing Wing (RO).....	13
3.1.3 Organization and Development Wing (OD).....	16
3.1.4 Recognition and Reward Wing (RR)	19
3.1.5 Performance Management Wing (PM).....	22
3.1.6 Benefits and Administration Wing (BA).....	24
3.1.7 Performance and Discipline Wing (PD).....	27
3.1.8 Training and Development Wing (TD)	28

4. Chapter Four	Foreign Exchange Transactions	
in Bangladesh		31
4.1 Foreign Exchange Transactions in Bangladesh		31
4.1.1 Foreign Exchange Market in Bangladesh		32
4.1.2 Types of Foreign Exchange Market in Bangladesh		34
5. Chapter Five	Role of Foreign Exchange	
Policy Department in Foreign Exchange Transactions in Bangladesh		34
5.1 Role of Foreign Exchange Policy Department.....		34
5.1.1 Accounts and Non- Fund Business Policy Section		36
5.1.2 Discount Policy Section.....		36
5.1.3 Import Policy Section.....		37
5.1.4 Export Policy Section.....		37
5.1.5 Legal Compliance & Enforcement Section.....		38
5.1.6 External Debt & Guarantee Policy Section		39
5.1.7 Licensing and Drawing Arrangement Section.....		39
5.1.8 Remittance Policy Section.....		40
5.1.9 Market Policy Section.....		41
5.1.10 Human Resource Management Section.....		41
5.2 Exchange Position Limit.....		42
5.3 Open foreign Exchange Position.....		42
5.4 Role of Foreign Exchange Policy Department in Exchange Positioning.....		43
6. Chapter Six		44
Tasks Performed as an Intern.....		44
6.1 Information Collection.....		44
6.2 Departmental File Analysis.....		45
6.3 File Preparation.....		45
6.4 Circular Summarization		45
6.5 Case Solving		46
6.6 File Arrangement.....		46

7. Chapter Seven	Findings and Recommendations	46
7.1 Findings on Human Resource Management Practices in Bangladesh Bank		46
7.1.1 Organized Promotion		46
7.1.2 Digitalization		47
7.1.3 No use of Training Need Analysis		47
7.1.4 Imperfect Application of PMS		47
7.1.5 Recruitment and Selection Process		47
7.1.6 Comprehensive HR Planning.....		48
7.2 Findings on Foreign Exchange Transactions in Bangladesh		48
7.2.1 Non-compliance of regulations by Authorized Dealer Banks		48
7.2.2 Exchange Rate		48
7.2.3 Remittance Flow		49
7.2.4 Pressures on Commercial Banks.....		49
7.3 Recommendations for Human Resource Management Practices in Bangladesh Bank		49
7.3.1 Employee Incentive Package.....		49
7.3.2 Match between desk jobs and training content		49
7.3.3 Orientation Session.....		49
7.3.4 Training Need Analysis.....		49
7.4 Recommendations for Foreign Exchange Transactions in Bangladesh.....		50
7.4.1 Initiatives for Backward Linkage		50
7.4.2 Control Over Transactions through Hundi.....		50
7.4.3 Enhancement of Foreign Direct Investment.....		50
7.4.4 Authority for Central Bank		50
7.4.5 Market Monitoring Policy		50
7.4.6 Update of Foreign Exchange related Rules and Regulations.....		50
8. Chapter Eight	Conclusion	51
References.....		47

1. Chapter One

Organizational Profile: Bangladesh Bank

1.1 History of the Organization

After the liberation war and eventual independence of Bangladesh, the Government of Bangladesh reorganized the Dhaka branch of the then *State Bank of Pakistan* as the central bank of the country, and named it Bangladesh Bank. This reorganization was done pursuant to Bangladesh Bank Order, 1972 and the Bangladesh Bank came into existence with retrospective effect from December 16, 1971.

In 1972, the government decided to nationalize all banks in order to channel funds to the public sector and to prioritize credit to those sectors that sought to reconstruct the war-ravaged country mainly industries and agricultural sectors (Bahar, 2009). However, government control at the wrong sectors prevented these banks from functioning well. This was compounded by the facts that- loans were handed out to the public sector without commercial considerations, banks had poor capital lease, provided poor customer services and did not have any market-based monetary instruments. But mostly, because loans were given out without commercial sense, and because they took a long time to call a loan non-performing, and once they did so, recovery under the erstwhile judicial system was so abjectly expensive, their loan recovery was abysmally poor (Bhattacharya & Chowdhury, 2003). While the government made a point of intervening everywhere, it did not set up a proper regulatory system that would diagnose such problems and correct. Hence, banking concepts like profitability and liquidity was alien to bank managers, and capital adequacy took backseat.

In 1982, the first reform program was initiated, where the government denationalized two of the six nationalized commercial banks and permitted local private banks to create competition in the banking sector. In 1986, a National Commission on Money, Banking and Credit was appointed to recover the problems of the banking sector and a number of steps were taken for the recovery targets for the nationalized commercial banks and development financial institutions and

prohibiting defaulters from getting new loans, yet, the efficiency of the banking sectors could not be improved (Bhattacharya et al., 2003 and Bahar, 2009).

The Financial Sector Adjustment Credit (FSAC) and Financial Sector Reform Program (FSRP) were formed in 1990, upon contracts with the World Bank with the objective to remove government distortions and lessen the financial repression (Bhattacharya et al., 2003). The policies made use of the McKinnon-Shaw hypothesis which stated that removing distortions will augment efficiency in the credit market and increase competition (Bahar, 2009). The policies therefore involved banks to provide loans on commercial basis, enhance banks' efficiency and to limit government control to the monetary policy only. FSRP forced banks to have a minimum capital adequacy to systematically classify loans and to implement modern accounting systems and computerized systems. It forced the central bank to free up interest rates, revise financial laws, and to increase supervision in the credit market. The government also developed the capital market which too was performing poorly.

However, FSRP expired in 1996 and afterward the Government of Bangladesh formed a Bank Reform Committee whose recommendations were largely remained unaddressed by the then government.

1.2 Functionality of the Organization

Bangladesh Bank basically performs all the core functions of a typical monetary and financial sector regulator, and a number of other non-core functions. The major functional areas include:

- Formulating monetary and credit policies and implementing those;
- Regulation and supervision of banks and non-bank financial institutions, promotion and development of domestic financial markets;
- Management of the country's foreign exchange reserves;
- Issuance of currency notes;
- Regulating and supervising the payment system;

- Acting as ‘Banker to the government’ ;
- Prevention of Money Laundering;
- Collection of credit information & and furnishing;
- Implementation & monitoring of the Foreign exchange regulation Act;
- Ensuring a Deposit Insurance Scheme.

1.3 Vision and Mission

1.3.1 Vision

The main vision of Bangladesh Bank is to develop continually as a forward looking central bank with competent and committed professionals of high ethical standards, conducting monetary management and supervision of financial sector to maintain price stability and financial system robustness, supporting rapid broad based inclusive economic growth, employment generation and poverty eradication in Bangladesh.

1.3.2 Mission

Bangladesh Bank is carrying out its following main functions as the country’s central bank:

- Formulating monetary and credit policies;
- Managing currency issue and regulating payment system;
- Managing foreign exchange reserves and regulating the foreign exchange market;
- Regulating and supervising banks and financial institutions, and advising the government on interactions and impacts of fiscal, monetary and other economic policies.

BB discharges these functions in a forward looking, proactive, responsive and consultative manner. In the aspiration for ever higher standards of performance BB is aware of her limitations in independence, logistics, professional know-how and appropriateness of skill sets in staffing; BB is persistent in effort to overcome these limitations. In the work BB commits to preserve and further strengthen the already earned confidence and trust of the nation, to continue being seen as a respected institution to be emulated. Towards achieving these, BB's performance commitments to her diverse broad stakeholder groups are as follows:

- For the Nation
- For the government
- For depositors in banks and financial institutions, investors in financial assets
- For banks and financial institutions in Bangladesh
- For banks abroad
- For the business community, including farm and non-farm SMEs
- For Bangladeshis abroad
- For employees

1.4 Operational Network and Organogram

Governor: Head of the Bangladesh Bank

Deputy Governor: The Deputy Governor assists the Governor.

General Manager (GM): General Manager performs his/her functions as a department head as well as all activities of respective department are monitored by him/her.

Deputy General Manager (DGM): The Deputy General Manager assists General Manager to perform the activities of the department. In absence of General Manager, Deputy General Manager acts as a General Manager.

Joint Director (JD): Generally Joint Director (JD) acts as head of the section. Joint Director performs his/her duties according to departmental activities. He/she also assists General Manager to perform the banking activities. Joint Director is a supporting hand of the General Manager of the department.

Deputy Director (DD): Deputy Director performs his/her functions to departmental desk. He/she performs functions as the guideline given by senior officers. He/she is accountable for his works to Joint Director.

Assistant Director (AD): Assistant Director assists Deputy Director to perform the activities. He is accountable for his works to Deputy Director. Assistant Director generally performs initial activities of the desk.

Officer: Officer is the first stage of employees. He does initial activities of the department or desk.

1.5 Organogram of Bangladesh Bank

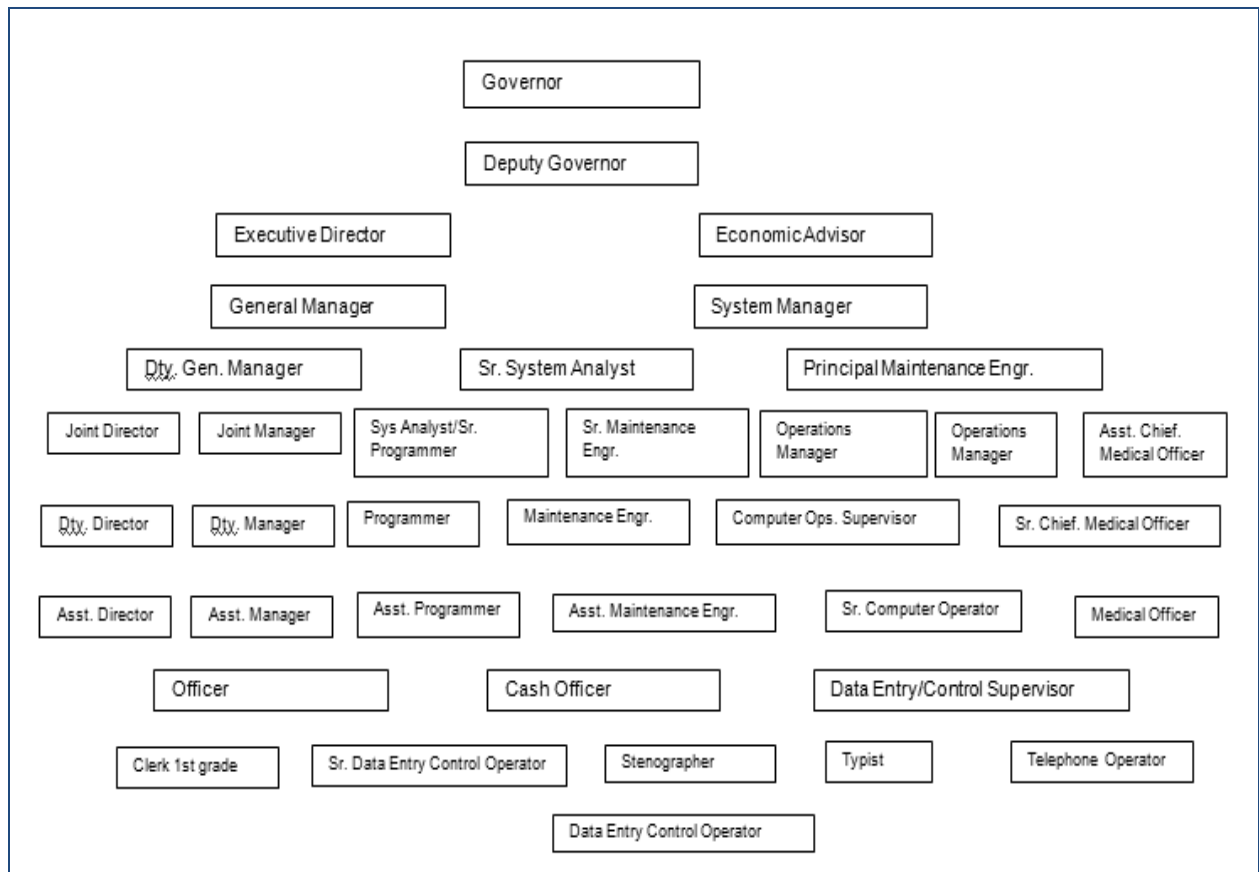


Exhibit : Organogram of Bangladesh Bank

Source: BB Website

2. Chapter Two Overview of the Study

2.1 Background of the Study

The Central Bank is the highest authority employed by the government in order to formulate and implement monetary policy. So, efficient employees are like the blood flows of a central bank. This employee quality maintenance is assured by the Human Resource Department of Bangladesh Bank.

Foreign Exchange Policy refers how the central bank prescribes rules and regulations to the Authorized Dealers who are involved in dealings of foreign exchange currency. Foreign Exchange Policy is guided by the guidelines for Foreign Exchange Transactions, 2009 published by Bangladesh Bank. Based on the assistance of Foreign Exchange Policy Department, Bangladesh Bank formulated a roadmap where several measures are identified to implement in the short term, midterm and long term.

2.2 Rationale of the Study

Since Bangladesh Bank performs the key roles of making key economic policies, it requires more efficient employees than commercial banks. So, it must be ensured by the authority that right people work in the right places. In order to do that, Human Resource Department of Bangladesh Bank recruits and posts employees very effectively.

Foreign Exchange Policy Department of Bangladesh Bank is the biggest contributor in formulating policies related to foreign exchange trades in Bangladesh. In order to run foreign exchange market, Bangladesh Bank published circulars to guide Authorized Dealers for foreign exchange operations. In accordance with Guidelines for Foreign Exchange Transactions, 2009,

such circulars contain amendments which open the scopes for the Authorized Dealers to engage in certain foreign exchange dealings or waiver of reporting of certain transactions.

2.3 Objective of the Study

- Personal observation on the central banking system.
- Acquiring a practical knowledge about overall foreign exchange policy procedures, functions and its nature.
- Finding out the activities and implications of foreign exchange policy for economic progress.
- Figuring out how the economy is benefitted by the operations run by Foreign Exchange Policy Department of Bangladesh Bank.
- Reviewing the exchange position which reflect the entire foreign exchange transactions of Authorized Dealers.
- Understanding Human Resource Practices and Policies in Bangladesh Bank.
- Understanding how and why employees should be awarded for their outstanding performances.
- Drawing some general recommendations.

2.4 Scope of the Study

The study focuses on the functions and the impacts of Foreign Exchange Policy Department of Bangladesh Bank in various economic sectors of Bangladesh. The report at the same time addresses how the economy is benefitted because of the foreign exchange operations conducted by Bangladesh Bank. In addition, the report focuses on the economic expansion and development accelerated by the policy taken by Bangladesh Bank.

The study also reflects how Human Resource Policies are implemented in a central bank. Moreover, it prioritizes the internal issues that are dealt by Human Resource Department of Bangladesh Bank. Most importantly, it discusses how all the departments of Bangladesh Bank is benefitted by the activities performed by Human Resource Department of Bangladesh Bank.

2.5 Limitations of the Study

Every research work requires high degree of involvement regarding data collection, data creation, data analysis and literature review. In this study, utmost attempt is given to collect, organize, analyze and interpret data and finally to attain the optimum outcome of the study. However, this study has suffered from certain constraints which include –

- Lack of similar research
- Limitations of time
- Lack of accessibility to some information
- Official denial of disclosing some confidential information

2.6 Methodology of the Study

The report is qualitative in nature. In-depth observations and discussions with organizational employees, various official documents are analyzed to collect the information. Personal interviews of officials from different wings/sections were taken. The study contains huge amount of data and information. The report is prepared followed by both primary and secondary data.

In order to collect primary data, some official files were analyzed. To get clarified with those, guidance from different officials was there. Furthermore, some face to face conversations with the employees from different wings/sections were conducted. In addition, close observations of the official activities and discussions worked really well to get the primary data. Lastly, regular discussion with the supervisor helped a lot gather primary data.

Secondary information was found from different types of published data such as Annual Report of Bangladesh Bank, Bangladesh Bank Order – 1972, Annual Report 2010-2011, FDI Survey Report 2011, Bangladesh Bank Quarterly Report, Monthly Economic Trends, Foreign Exchange Guideline and various journals.

2.7 Report Structure

In this project, the brief discussion of the central banking internal and external functions were introduced. Moreover, tasks assigned as an intern were explained. The main body of the report contains information on the Human Resource Practices in Bangladesh Bank and how it contributes to the manpower planning of the entire central bank. Another key issue explained in this report is Foreign Exchange Policy Department and its role in foreign exchange transactions in Bangladesh. Lastly, findings and recommendations based on the internship experience are included.

3. Chapter Three: Overview of Human Resource Practices in Bangladesh Bank

3.1 Brief of HRM Practices in Bangladesh Bank

Human Resource Department (HRD) 1 & 2 of Bangladesh Bank is responsible for practicing Human Resource Management of the organization. HRD-1 is responsible to formulate and implement HRM policies and activities relation to administration of human resources while HRD-2 is responsible for performing welfare related activities of human resources of the organization. The major activities of these departments are to centralize the manpower of the organization through resourcing, manpower forecasting, training, placement, performance, discipline, compensation, manpower planning etc. These departments emphasize on strategic and value added activities of Human Resource which involve designing, updating and amending HR policies and procedures for continual improvement. The departments have following functional wings:

- a. Planning, Promotion and Transfer Wing (PPT)
- b. Recruitment and Outsourcing Wing (RO)
- c. Organization and Development Wing (OD)
- d. Recognition and Reward Wing (RR)
- e. Performance Management Wing (PM)
- f. Benefits and Administration Wing (BA)

- g. Performance and Discipline Wing (PD)
- h. Training and Development Wing (TD)

3.1.1 Planning, Promotion and Transfer Wing (PPT)

The main activity of PPT wing is to develop annual manpower plan for the organization.

Furthermore, it performs more activities which include conducting job analysis, preparing job descriptions, formulating promotion and transfer policies. It works for creation of the posts, promotion, rotation to job placement to ensure that right people are working in the right places.

Another important function of this wing is to carry out the study of new office/department/division/cell/unit and abolition thereof. Reviewing cases of interdepartmental transfers as per policies and approvals is another core function of this wing. This wing is also responsible for deportation of Bangladesh Bank employees to other national and international institutions.

3.1.1.1 Promotion System

Activities of promotion are occurred only when new posts are created or some posts get vacant. First, PPT wing makes an eligibility list of employees who are qualified enough to get promoted to the upper grade. To do this thing, a panel is prepared by Promotion Advisory Committee (PAC). The general distribution of score as the basis of considering a promotion under merit or seniority is –

<i>Items</i>	<i>Marks Allocated</i>
PMS of five years	14*5 = 70
Educational Qualifications	14
Banking Diploma	06
Length of Service	10

Important things to follow up here –

- The promotion orders of General Manager and above has to be approved by the Honorable Governor. In other cases, it requires the approval of Deputy Governors.
- General side promotions are conducted in 1 : 1 ratio based on merit and seniority which means if one employee gets promoted on merit basis then another employee has to be promoted in seniority basis. In other cases, the ratio must be 1 : 2.
- Any employee can be promoted based on both seniority and merit.
- To get considered of promotion to the upper level, an employee must score at least 89 out of 100.
- No employee will be considered to be promoted if the score is less than 63.
- Promotion order gets cancelled if anyone fails to join the promoted post within one month.
- An Assistant Director in order to get promoted to Deputy Director must work for five years.
- A Deputy Director has to work for three years to get promoted to Joint Director. A Joint Director must work for three years to get promoted to Deputy General Manager.
- In case sufficient number of employees are not available for promotion from amongst those completing the general qualifying period of service, the service period may be reduced to three years for the position of Assistant Director and two years for Joint Director and Deputy General Manager.

3.1.1.2 Transfer

Working for three years in a particular department generally makes an employee eligible for getting a transfer call. Two types of transfers include-

3.1.1.2.1 Inter Departmental Transfer within head office

This transfer occurs within the headquarter. Transfer calls in this case, pass through special considerations and the bank authority is lenient to implement hard rules.

3.1.1.2.2 Transfer to Out Station

For this kind of transfer, the bank authority is very rigid. Most of the employees must be transferred for at least two years to work outside Dhaka. Hence, the basis for transferring to out station is the seniority to other stations where post has been getting excess. Generally, employees who are more than 56 years old are not considered to be transferred out of Dhaka.

Some other things of PPT wing include –

- Job Related Deputation
- Lian
- Approval of employees to work outside of the organization as part time teachers

3.1.2 Recruitment and Outsourcing Wing (RO)

Recruitment and Outsourcing Wing is possibly the busiest wing in HRD -1. Two of the core functions of it include-

1. Direct Recruitment
2. Outsourcing

3.1.2.1 Direct Recruitment

The wing at first analyzes the annual forecast done by PPT wing which is approved by the honorable Governor earlier. Next to that, the required competencies for the particular posts are figured out by RO wing and this one has to be approved by the honorable Governor once again.

After that, IT division is instructed to prepare the server from which applicants can apply for the jobs. From the confirmation of RO wing, IT also has to publish the circular in the website. In the meantime, recruitment advertisements are also published in two daily newspapers, usually one in an English newspaper and one in a Bengali newspaper. At the same time, advertisements are found to be publicized in the official website of Bangladesh Bank.

When applications are received through online, recruitment exams are taken. To take the recruitment exam, Bangladesh Bank is assisted by some external institutes. Those help Bangladesh Bank take the exams in different exam venues. To ensure that the right institutions are taking the exams, a committee is formed to judge the eligibility and feasibility of the institutions. After selecting the institution, it is called to prepare the list of the center where the exams would take place. At the same time, IT division comes in action to prepare admit cards for the applicants within 21 days before the exams. Wherever the exam takes place, officials from Bangladesh Bank stay there and continuously monitor whether everything is going alright or not.

3.1.2.1.1 Internal Process of the Recruitment System

A very sophisticated process is maintained in the recruitment system. While qualified applicants from MCQ test seat for the written examination, the areas consisting applicants' names are torn out from the scripts. Each of those areas have a script codes which is also found in the main scripts. The reason behind doing this is to ensure that the script checkers do not understand which scripts of which applicants they are evaluating. For the sake of fair evaluation, those scripts are checked twice. After the evaluation of the written exam is done, scripts are compiled based on the codes. Then, a certain cut marks is determined to select how many and which applicants will be called for the viva. Usually, the authority reviews the applicants who have managed to score ten marks less than the cut up marks.

Once it is determined which applicants will be called for viva, a certain time is fixed for the interview sessions. Usually, the number of interviewees are found three or five times more than the posts vacant. However, there are four viva boards which are determined randomly by the honorable Governor around fifteen minutes before the viva sessions. For each viva boards, there is one chairman which is the Deputy Governor of Bangladesh Bank. Under the supervision of Deputy Governor, each viva board consists of an Executive Director of Bangladesh Bank, one civil service officer from the Ministry of Finance and a professor from the public university.

3.1.2.1.2 Marks Distribution for the exams

There are two basic sides of working in Bangladesh Bank. One is the General Side in which students from any discipline can apply. Another one is the special side for which applicants from certain disciplines are eligible to apply. Those certain disciplines usually include Statistics for the Statistics Department, Economics for the Research Department, Doctors for the Medical Department, Engineers for IT Department etc. Mark distribution of two sides are given below-

<i>General Side</i>	<i>Marks</i>	<i>Special Side</i>	<i>Marks</i>
MCQ Test	100	MCQ	Null
Written Test	200	Written Test	200
Viva Voce	25	Viva Voce	25

3.1.2.2 Outsourcing

Outsourcing does not only mean hiring specialists for specific purposes but also it involves recruiting human resources to work in the staff level. Generally, Bangladesh Bank outsources

security guards, gardeners, data entry control operators, desk officers and receptionists. Usually, ORNATE Securities Services Ltd. helps Bangladesh Bank recruit these kinds of human resources. Final appointments for these human resources are given by Bangladesh Bank authority. Two ways of outsourcing done by Bangladesh Bank are-

- Regular Outsourcing
- Contractual Outsourcing

The general tasks regarding outsourcing activities involve -

- ✓ Publishing advertisements to attract potential third party recruiting agency and then lowest bidder is chosen with some specific criteria.
- ✓ Bangladesh Bank authority has to form a contract with the agency selected.
- ✓ Physical fitness of the selected people is checked up.
- ✓ Final Appointment is given.

3.1.3 Organization and Development Wing (OD)

Organization and Development Wing of Bangladesh Bank was created in 2011. Two of the most crucial units of this wing are Enterprise Resource Planning Implementation Unit and Branch Office Services Unit. This wing has the right to opine on the increase or reduction of posts and creation of new organizational unit.

Some of the key functions that Organization and Development Wing has to perform are-

- ✓ Analysis on organizational matters and structure related issues of different departments, wings, units and sections of the bank.

- ✓ Giving advises and opinions regarding current manpower strengths, current manpower demands, future manpower demands, specialized manpower demands etc.
- ✓ Consulting with other departments regarding creation of new posts, post up gradation, transfers of posts, changes in existing abolition etc.
- ✓ Preparation of different development planning and policies.
- ✓ Implementation of new online systems.
- ✓ Performing any other task for organizational development.

3.1.3.1 Enterprise Resource Planning (ERP)

The very crucial unit of OD wing is ERP implementation which has the direct interrelation with each wings of the department. The basic function of ERP system is to plan and manage all the resources effectively. To ensure the effective resource planning, a software called System Applications and Products in Data Processing (SAP) is used. Three modules of SAP are

- HR and Payroll
- Finance and Control (FICO)
- Materials Management (MM)

Some of the key activities that ERP implementation unit performs are –

- ✓ Implementation of SAP to automate Bangladesh Bank HR related business process.
- ✓ Updating employee data.
- ✓ Leave Management System.
- ✓ Data Warehouse Maintenance.
- ✓ Document Management System.
- ✓ Easing HRM practices such as recruitment, promotion, salary selection etc.
- ✓ Analysis of level of activities.
- ✓ Assistance in decision making.
- ✓ Internet and Intranet Maintenance. Performing BPR when necessary.

- ✓ Mitigating the problems associated with each desk.

Among all the activities mentioned above, Document Management System and Leave Management System are quite crucial ones. The way how these two work are explained below-

3.1.3.1.1 Document Management System (DMS)

Document Management System is introduced to track down the documents or representations received and issued by the bank. Any document received by the bank or document particulars such as number, date, sender are recorded in the automated software. Moreover, the software records the assigned official approval and resolution process of the document.

3.1.3.1.2 Leave Management System

Applications for casual leave and its approval or rejection are tracked down by this software. The software also keeps records of the past casual leaves taken by the employees. In addition, it maintains the casual leave balance this replace the manual casual leave register.

3.1.3.1.3 How ERP works with PPT and RO Wing

Possibly the most important function of Human Resource Department is recruitment and prior to the recruitment, a proper planning is required. Quite interestingly, ERP can help the recruitment and planning unit using its software. In Bangladesh Bank, ERP Unit plays a vital role to provide information automated in it's software. Generally, it helps PPT and RO wing in four phases.

3.1.3.1.3.1 Sanction

Sanction is the number of orders which has to be approved by the system. This order is the order of number of required employees.

3.1.3.1.3.2 Actual

The software, in this phase, look back the current number of officials are there in the particular post.

3.1.3.1.3.3 Vacant

In this phase, the software looks up the number of posts vacant. Vacant posts are found when sanction phases determine more number of employees than actual number of employees.

3.1.3.1.3.4 Excess

Finally, the ERP software searches whether actual phase is greater than sanction phase. If number of officials are greater than the number sanctioned, then there will be excess.

3.1.3.2 Branch Office Services Unit (BOSU)

Branch Office Service Unit is established to ensure there is quick response of headquarter with the branch offices. It maintains relationship among other branches and departments of Bangladesh Bank. If any department requires additional assistance, it seeks advice from BOSU.

The general functions of BOSU are –

- ✓ Providing fast services to the branch offices and other departments.
- ✓ Dealing with the cases which remained pending.
- ✓ Providing services on the basis of e-mail.

3.1.4 Recognition and Reward Wing (RR)

In order to enhance qualitative tasks and enhance employee skills, Bangladesh Bank rewards employees as per Recognition and Reward Policy. The wing is introduced to foster a culture of acknowledgement and build distinctive competency among all the employees.

Two kinds of reward system of Bangladesh Bank are-

- Bangladesh Bank Employees Recognition Award
- Bangladesh Bank Award

3.1.4.1 Bangladesh Bank Employees Recognition Award

This award is for the internal employees of Bangladesh Bank. Employees or departments are awarded for certain reasons. Those include-

- Showing Excellency of merit and skills in qualitative or quantitative consideration to perform certain duties and true leadership.
- Contribution in saving banks from danger or risks.
- Contributing in bank development and easement.
 - Proving certain skills for certain project.
 - Solving problems using proper planning.
 - Finding out unfairness which are not figured out before.
 - Exemplary contribution over resource and financial management.
 - Special contribution over foreign exchange and financial sectors.
 - Consistent contribution in working career proving skills, honesty and merit.
 - Special contribution in bank, society, state in the consideration of bank authority.

3.1.4.1.1 The process of nomination

In order to be nominated for this award, HRD 1 has to publish a circular in Bangladesh Bank server. From that, any department or the head of any department can endorse any individual or any department or any team which can be eligible to be awarded. More importantly, any employee can apply for this reward if he/she is not endorsed by the department or the higher authority. In the website, applicant for receiving the award has to mention the name or department title, index no., ID no., designation, reason to be awarded etc. In order to select ten employees or teams to be awarded, HRD -1 places a conference.

3.1.4.1.2 Recognition and Reward Committee

The committee, in order to reward employees consists of -

Title	Duty in the committee
Deputy Governor - 1	Chairman
Other Deputy Governors	Member
HR Executive Director	Member
Deputy General Manager	Member – Secretary

Exhibit: Recognition and Reward Committee

Source: HRD 1, BB

3.1.4.2 Bangladesh Bank Award

Bangladesh Bank awards intelligential for researches and contribution in the economy. The requirement for this award is to have a publication of journal on any side of economics.

Basically, this award is only for the economists who have unique thoughts which can call for a drastic change in the economy. The awards which are given are -

- Cash Two Lac Taka
- One Gold Medal worth of 22 carats, weighting 50-60 gram
- Bangladesh Bank Crest

3.1.4.2.1 Selection Process

Bangladesh Bank authority encourages participations for this award through newspapers. People can apply through the nomination paper published in the newspaper or they can nominate any institute or anyone else for the award.

3.1.4.2.2 Committee for Bangladesh Bank Award

Title	Duty in the committee
Governor	President
Two members selected from Management	Members
President, Bangladesh Economics Forum	Member
An Economist selected from Management	Member – Secretary
One Renowned Economist	Referee

Exhibit: Bangladesh Bank Award Committee

3.1.5 Performance Management Wing (PM)

The name of this wing expresses what it does. Its objective is to measure employee performance. The wing considers each employees as resources. The simple viewpoint of this wing is that any employee can turn out into precious goldmine of manpower through fair evaluation and judgment. In the past, Bangladesh Bank used to follow ACR (Annual Confidential Report) to measure employee performance. At present, it follows PMS (Performance Management System). Some phases are involved in measuring employee performance. Those are-

- Performance planning for the job considered as goal setting
- Performance EBR (Event, Behavior & Result)
- HYR (Half Yearly Review)
- APF (Annual Performance Appraisal Form) added to ACR (Annual Confidential Report)

3.1.5.1 Evaluation of Annual Performance Appraisal Form

- ✓ An employee is evaluated by first and second appraiser (designated immediate upper level of the employee)
- ✓ Final Evaluation by the moderation committee

- ✓ Different colors are used in the forms for evaluation of employees from different designations
- ✓ Marks Distribution between goals and competencies vary from different designations of the employees.

Designations	Allocated Marks for Goals	Allocated Marks for Competencies
Officers and Assistant Directors	120	80
Deputy Directors and Joint Directors	100	100
Deputy General Managers	100	100
General Managers and Executive Directors	80	120

Exhibit: Evaluation of Annual Performance Appraisal Form

Source: HRD, BB

- ✓ Second appraiser evaluates the evaluation done by the first appraiser.
- ✓ Moderation Committee does have the power and the authority to change the evaluations made by first two appraisers. The judgment given by moderation committee is the final evaluation.
- ✓ Ultimate score is calculated by accumulating the total marks of Goals and Competencies
- ✓ Performance of the employees are graded based on the marks mentioned below –

Marks	Grade
91-100	Excellent
81-90	Very Good
71-80	Good
61-70	Satisfactory
60 or less	Dissatisfactory

Exhibit: Grading System

- ✓ If an employee is transferred before a year ended and if he/she works on a department for more than sixty days, then their evaluation will be assessed and sent within ten working days which will be counted from the release day of that employee.
- ✓ If an employee gets transferred before a year ended and if he/she works in the department for less than sixty days, then evaluation is not necessary.
- ✓ A year of an Annual Appraisal Form starts from April 1st and ends at 31st March of the next calendar year. After that, each departments gets 30 days to submit appraisal forms of their employees.
- ✓ Calculation for goal and final grading goes like –

3.1.5.2 Individual Goal

Marks Allocated for Individual Goal*Average of Individual Goal Achievement

100

For instance, an employee goals having allotted marks 30, achieved at the level weighted 100, 90 and 80 respectively. The marks for that goal will be

30*Average of 100, 90 and 80

$$= \frac{30 * \text{Average of } 100, 90 \text{ and } 80}{100}$$

= 27

3.1.5.3 Final Grading

Total Marks for Goals + Total Marks for Competencies

2

3.1.6 Benefits and Administration Wing (BA)

Benefit and Administration Wing carries out activities related to employee compensation, benefits, allowances, PRL, accommodation, leave etc. It also takes care of welfare segments that applied from various departments. This wing is divided into several desks which are –

3.1.6.1 PRL Desk

It is the desk for post-retirement leave. As per public servant retirement act, employees of Bangladesh Bank have to retire at the age of fifty-nine. During the period of PRL, employees will keep getting all the benefits that a full time permanent employee receives.

3.1.6.2 Leave Encashment Desk

An employee can use maximum one year leave for encashment. In this time, they would get Basic*20% of Honorarium for twelve months which is equal to one year leave.

3.1.6.3 Pension and Gratuity Desk

Only General Provident Fund (GPF) would be able to enjoy pension benefit. This rule is applicable for the employees who joined in 1983, those who joined before 1983 would get the benefit of Contributory Provident Fund (CPF). Also, there is option to convert the benefit from CPF to GPF.

The general procedure that is followed in Bangladesh Bank in order to calculate pension is –

Net Pension = Basic Pay * 80%

2

3.1.6.4 Welfare Desk

The desk is developed mainly for employee welfare. In order to ensure employee welfare, three other desks are formed under welfare desk. Those include –

3.1.6.4.1 Medical Desk

Employees are entitled to receive medical facilities from this desk. As an allowance, each employee receives seven hundred Taka per month. Moreover, annually each can receive the medicine of one thousand Taka from the medical center. Also, employees can be treated from the medical center of the head office.

3.1.6.4.2 House Allocation Desk

This desk is created for the employee accommodation facilities. Employees who are willing to stay at Bangladesh Bank Colony, can be allotted there along with their families. There are six colonies situated in Mintu Road, Faridabad, Motijheel, Banani, Mirpur and R.K. Mission Road. Any kind of task related to house allocation desk has to be approved by General Manager or Executive Director.

3.1.6.4.3 Foreign Leave Desk

Employees who want to go abroad have to be permitted by Welfare Desk. Usually, for four reasons employees are allowed to go abroad. Those are –

- Medical Treatment – on the basis of employee needs
- Religious Purpose – for maximum 30 days
- Tour/Visiting - for maximum 15 days
- Meeting up family members – for maximum 15 days

Two important things to follow up here are -

- In case of abroad trip for medical treatment, application will be judged and verified by the medical committee.
- Employees are not permitted to go abroad once in every two years, but in case of meeting family members outside Bangladesh, the rule is once in each year.

3.1.6.5 Leave Desk

Leave Desk of Bangladesh Bank plays the role of Leave Management. There are different kinds of leave employees are entitled for. Those are –

3.1.6.5.1 Ordinary Leave

This can be full paid or half paid. Each employee earns one fully paid ordinary leave in eleven days of duty. The number of days for ordinary leave in a year is 33 days. Also, half paid ordinary leave can be earned in 12 days of working.

3.1.6.5.2 Casual Leave

In each calendar year, all the employees are entitled to get this leave for twenty days. If anyone misses this in a year, days for casual leave will not be added in the next year. Instead of that, another new twenty days will be added.

3.1.6.5.3 Recreation Leave

This leave is assigned for 15 days after three years of working. Being in recreation leave, employees receive monetary allowances which is 1.5 times of basic.

3.1.6.5.4 Maternity Leave

Maternity Leave is one of the very basic rights for every woman. This one is given for six months. This one is granted as full pay leave in Bangladesh Bank.

3.1.6.5.5 Study Leave

This is a leave without pay and this should not exceed thirty-six months. The approval for study leaves are given by the honorable Governor.

3.1.7 Performance and Discipline Wing (PD)

Performance and Discipline Wing handles employee's discipline, initiates disciplinary actions to enforce organizational standards. This wing discourages infractions, resolve conflicts and takes initiatives for arbitration and litigation processes according to Bangladesh Bank Regulations.

This wing is responsible for ensuring that all the employees abide by the regulations. However, if any exceptions are found, the following are the steps are taken by this wing-

- Reprimand
- Delay or stoppage of increment or promotion
- Demotion to the lower post
- Demand of Recovery payment for the harm done by the employee
- Compulsory Retirement
- Dismissal from Service

3.1.7.1 The process of Operation

Once the wing receives any complain against an employee from any department, activities start. Firstly, the person against whom the complaint is sent will be given the opportunity for self defense. After the time for self-defense is over, a justice from PD wing will be selected for the justification of the matter. If the employee is proven guilty, actions are taken. If the employee is Assistant Director and above, decision regarding disciplinary action is taken by the Governor. If the employee belongs to the B, C, D category, action is taken by the General Manager. However, offenders have the option to appeal against the decision or judgement. Appeal must be done within two months. Also, accused employees can go to court through Administrative Tribunal for fair judgement where court through a lawyer will ask the bank for the explanation. Then, bank would have a lawyer too to face the court. The final judgement in this case will be done by the court.

3.1.8 Training and Development Wing (TD)

This wing basically assesses training needs for the employees of Bangladesh Bank. In addition, it looks after the educational aspect of the employees. It provides training in order to ensure

employee development. Based on the employee requirement, two major kinds of training are provided. One is local and another one is foreign.

3.1.8.1 Local Training

Local trainings are conducted by Bangladesh Bank Training Academy and Bangladesh Institute of Bank Management. Employee nominations are received from various departments/branch offices for this kind of training. To make the employees more efficient, this training is required.

3.1.8.1.1 Bangladesh Institute of Bank Management (BIBM)

BIBM in affiliation with Bangladesh Bank arranges training for the employees of Bangladesh Bank. Some of its trainings are –

- Human Resource Management in Banks
- International Trade Payment and Finance
- International Control and Compliance of Bank
- Risk Management in Banks

3.1.8.1.2 Bangladesh Bank Training Academy (BBTA)

BBTA is situated in Mirpur. It also serves the purpose of employee development. Usually trainings organized by BBTA are for six months. Major topics of the trainings of BBTA include-

- Money Laundering
- Financial Inclusion
- Training on Fake Notes

3.1.8.2 Foreign Training

Foreign trainings work as employee motivation as it gives them a break from their tedious working lives. The primary purpose of this training is to make employees more efficient, effective, knowledgeable, skilled and productive. Training and Development Wing collects the list of suitable officers for foreign training from different departments/branch offices.

3.1.8.2.1 Training from AIT

One of the foreign trainings is provided by AIT. It provides both customized and own scheduled training for Bangladesh Bank employees in lower expenses. Office management by IT, SAP application and IT devices are the common areas of training provided by AIT. AIT also provides educational programs. Some of those are –

- Japan IMF Scholarship Program for Asia
- World Bank and International Monetary Fund
- Professional Masters of Bank Management

Bank supervision, Foreign Exchange Dealings, Foreign Exchange Policy, Accounts & Budgeting etc. are the major areas for foreign training. Besides, Bangladesh Bank employees can participate trainings arranged by other central banks of the world.

3.1.8.2.2 Education by Employees Own Will

Many of the employees from Bangladesh Bank seek to have a Master's degree since most of them are appointed after their undergrads. So, Bangladesh Bank offers them Master's degree in various foreign universities.

4. Chapter Four

Foreign

Exchange Transactions in Bangladesh

4.1 Foreign Exchange Transactions in Bangladesh

In Bangladesh, the major transactions of Foreign Currencies are done in the sectors of import, export, inward remittance, outward remittance and Foreign Direct Investment. Moreover, Foreign Exchange Transactions are made in the tourism sector and for the people who get outside of Bangladesh for the education purpose. All these transactions are conducted by the Authorized Dealer Banks followed by Foreign Exchange Transaction Act 1947. To ensure the fair transactions, Foreign Exchange Policy Department of Bangladesh Bank works as the biggest authority to control Foreign Exchange Market.

4.1.1 Foreign Exchange Market in Bangladesh

As Kindleberger said foreign exchange market is a place where foreign moneys are bought and sold. To put it simply, foreign exchange market is an institutional arrangement for buying and selling of foreign currencies where exporters sell foreign currencies and importers buy those.

There is a wide variety of dealers in foreign exchange market. The most important among those are banks. Banks dealing with foreign exchange have branches with substantial branches in different countries. Through branches and correspondents, the services of such banks are usually called “Exchange Banks” which are available all around the world.

These Banks sell and discount foreign bill of exchange. Also, these issue bank drafts, telegraphic transfers and other credit instruments. Other dealers in foreign exchange are bill brokers who help sellers and buyers in foreign bills to come together. These are intermediaries and unlike banks; those are not direct dealers.

Acceptance houses are another class of dealers in foreign exchange. Those aid foreign remittances by accepting bills on behalf of customers. The central bank and treasury of a country are also dealers in foreign exchange. Both of these might intervene in the market occasionally. In today’s world, these authorities manage exchange rates and implement exchange control in various ways.

The foreign exchange market of Bangladesh is confined to Dhaka city only. Fifty-six scheduled banks operating as authorized dealers in the inter-bank foreign exchange market are not permitted to run a position certain limits. In the event of speculation of the value, an authorized dealer may buy more foreign currency than required, but at the end of the day, it must maintain it’s limit by selling excess currencies either in the inter-bank market or to the customers.

Authorized Dealers maintain clearing accounts with Bangladesh Bank in dollar, pound sterling, mark and yen to settle their manual claims. If there is any excess foreign exchange in case the

issues of holding exist after the transactions, it is mandatory for all the Authorized Dealers to sell those to the central bank. In case of the shortfall of the limit, authorized dealers have to cover it either through purchase from the market or from Bangladesh Bank.

General functions of a foreign exchange market of Bangladesh include –

4.1.1.1 Transfer Function of Foreign Exchange Market

The very basic function of a foreign exchange market is to facilitate the conversion of one currency to another that is transfer of purchasing power between two countries. This power is effected through a variety of credit instruments which involve telegraphic transfers, bank drafts and foreign bills. In order to perform the transfer function, the foreign exchange market carries out payments internationally by clearing debts in both directions simultaneously.

4.1.1.2 Credit Function of Foreign Exchange Market

Another function of a foreign exchange market is providing credit, both nationally and internationally to promote foreign trade. While foreign bills of exchange are used in international payments, a credit for about three months till the maturity is required.

4.1.1.3 Hedging Function of Foreign Exchange Market

One more important function of a foreign exchange market is to hedge foreign exchange risks. In a free exchange market when exchange rate change, there may be gain or loss to any party. Under this condition, a person or a firm undertakes a great exchange risk if there are huge amounts of net claims or net liabilities which are to be met in foreign money. Exchange risk as such should be avoided. For this, the exchange market provides facilities for hedging anticipated or actual claims or liabilities through forward contracts in exchange. A forward contract which is normally for three months is a contract to buy or sell foreign exchange against another currency at some fixed date in the future at a price agreed upon now. No money passes at the time of the contract, but the contract makes it possible to avoid any likely changes in exchange rate. This existence of a

forward market thus makes it possible to hedge an exchange position. To carry out hedging function, foreign bills of exchange, telegraphic transfer, letter of credit, bank drafts etc. are used.

4.1.2 Types of Foreign Exchange Market in Bangladesh

Different types of foreign exchange market work as the tools for determining exchange position with the Authorized Dealers. Three major types of foreign exchange market in Bangladesh include-

4.1.2.1 Spot Market

Spot Market is the market where exchange of one currency with another takes place on the spot.

4.1.2.2 Forward Market

Another kind of a market where actual delivery of the currency is about to happen at a future date as per agreement of a present date.

4.1.2.3 Option Market

A market wherein a contract is made specifying the right to buy or sell a standard amount of foreign currency within a specific date at a certain price.

5. Chapter Five

Role of Foreign Exchange Policy Department in Foreign Exchange Transactions in Bangladesh

5.1 Role of Foreign Exchange Policy Department

Foreign Exchange Policy Department is responsible for formulating and implementing policies related to foreign exchange transactions. At the same time, it makes institutional arrangements for receipts and payments. The general functions of Foreign Exchange Policy Department include-

- ✓ Setting criteria and conditions for holding and dealing in foreign exchange by resident entities and issues licenses to Authorized Dealers and Money Changers.
- ✓ Monitoring guidelines for offsite and onsite supervision of foreign exchange transactions along with formulating and implementing instructions on inflows and outflows on external settlements on both current and capital accounts including external borrowings and amortization payments.
- ✓ Policy formulation and institutional arrangements regarding exchange rates.
- ✓ Maintaining liaison between the government and foreign bilateral/multilateral agencies on the issue of external trade, receipt and utilization of official grants, loans and private inflow of remittances.
- ✓ Initiating legal proceedings to address violations of Foreign Exchange Regulation Act 1947.
- ✓ Observing the reporting of foreign exchange receipts against exported goods and receipts of goods against payment from Bangladesh.
- ✓ Supervising and monitoring Authorized Dealers to ensure compliances of Authorized Dealer Banks with prudential supervisory limits on their exchange positions.

Foreign Exchange Policy Department performs its tasks through following sections:

- Accounts & Non-Fund Business Policy Section
- Discount Policy Section
- Import Policy Section

- Export Policy Section
- Legal Compliance & Enforcement Section
- External Debt & Guarantee Policy Section
- Licensing and Drawing Arrangement Section
- Remittance Policy Section
- Market Policy Section
- Human Resource Management Section

5.1.1 Accounts and Non- Fund Business Policy Section

This section mainly deals with the bank guarantees, accounts of foreign currencies and Exporters Retention Quota. The major things that it does are -

- ✓ Approving, renewing and disposing the bank guarantee
- ✓ Examining probable liabilities from guarantee issuance statement
- ✓ Making quarterly report of Non Funded Business Operation
- ✓ Disposal of cases regarding cash Foreign Currency issues, approval of Inward Remittances, permission of undeclared Foreign Currency form, Permission of unauthorized Foreign Currency sent by post
- ✓ Giving Permission for opening transaction in Foreign Currency accounts
- ✓ Disposal cases related to Exporters Retention Quota Accounts
- ✓ Approving bank guarantee of General Sales Agent (GSA) and Omrah Agent

5.1.2 Discount Policy Section

All cases of discounts claimed by the importers on account of discrepancies in documents, short shipments, late-shipments, quality issues etc. are covered in this section. To run its operations, a discount policy committee is formed which consists of nine members from different business organizations. This committee is the only authority in Bangladesh which can allow discounts for exporters. Some key functions performed by this section are –

- ✓ Arranging meeting with discount committee

- ✓ Noting different type of discount and stock-lot cases
- ✓ Providing prior and post facto approval of discount rates
- ✓ Providing prior and post facto approval off stock-lot discount cases

5.1.3 Import Policy Section

Import Policy Section deals with the issues related to imports of goods in Bangladesh regulated by Ministry of Commerce Import and Export Control Act 1950. The instructions containing this section is applicable to sales of foreign exchange or transfers to non-resident taka accounts against imports of goods in Bangladesh. General functions of the section include-

- ✓ Making decision on issues related by banks in connection with Foreign Exchange Transactions on Import
- ✓ Disseminating decision on import without L/C and revalidation of Letter of Credit Authorization Form
- ✓ Advance payments approval
- ✓ Approval of deferred payment L/C and Back to Back L/C against deferred payment L/C
- ✓ Disseminating decisions regarding incorporation of realization clause in L/C, approval of standby and revolving L/C
- ✓ Issuing and reissuing different government circulars according to the request of Ministry of Commerce and Chief Controller of Import & Export
- ✓ Taking action of the complains regarding non-payment of Bill of Entry.
- ✓ Taking action of complains regarding Pre-Shipment Inspection
- ✓ Giving permission of different matters and suggestions to EPZ companies
- ✓ Suggesting different queries of Government bodies
- ✓ Permitting of payment of freight charge
- ✓ Giving permission of re-export and re-import
- ✓ Circulating policies related to ban of product and service

5.1.4 Export Policy Section

Foreign Exchange Regulations Act prohibits exports of any good until any declaration is announced to the Collector of Customs or to such person as Bangladesh Bank can specify in this behalf that foreign exchange representing full export value of the goods which have been or would be disposed in a manner and within a period specified by Bangladesh Bank. Export Policy Section performs some of the crucial central banking activities. Those involve -

- ✓ Formulating policies to facilitate external sector in collaboration with several government bodies like Ministry of Finance, Ministry of Commerce etc
- ✓ Formulating policies for taking loan under Exporter Development Fund (EDF)
- ✓ Formulating policies for receiving cash incentives in favor of the exporters after getting the export proceeds
- ✓ Formulating policies for receiving under Long Term Foreign Currency Fund (LTFF) to manufacturing companies
- ✓ Preparing and presenting quarterly report of different export related activities
- ✓ Collecting Bonded Warehouse facility related information, reprinting directions and sending to banks
- ✓ Appointing foreign agents to increase remittance and giving permission of agency commission
- ✓ Permitting for paying service charge
- ✓ Giving permission for taking loan under Green Transformation Fund (GTF) to textile and leather manufacturing businesses
- ✓ Notifying Foreign Exchange Operation Department if the commission of the export agents rises above 5% on Freight on Board (FoB) value
- ✓ Approving the banks for exporting goods that are not prescribed in Export Policy 2015-18

5.1.5 Legal Compliance & Enforcement Section

This section deals with the special cases related to legal actions or steps which can be taken in order to stop illegal foreign exchange transactions. Other functions include -

- ✓ Taking legal actions for non-submission of bill of entry, non-repatriation of export proceeds, non-entrance of imported goods and non-repatriation of indenting commission
- ✓ Arranging meeting with Anti-Corruption Commission and Authorized Dealer Banks regarding counterfeiting of Foreign Currency
- ✓ Correspondence with Anti-Corruption Commission and Centre Intelligence
- ✓ Receiving and putting up investigation reports
- ✓ Appealing Anti-Corruption Commission for confidential final report and draft complain
- ✓ Maintaining Foreign Exchange Tribunal Cases
- ✓ Permission for filing cases for reserving Foreign Currency in self custody

5.1.6 External Debt & Guarantee Policy Section

This section basically performs loan relate activities. Major functions that it performs are -

- ✓ Tasks related to different state loans, soft loans, grants etc
- ✓ L/C opening permission funded by ADB, IDA
- ✓ Providing opinion on different loan arrangements
- ✓ Monitoring credit taken from government, NGO and Private loan providing organization
- ✓ Considering application, providing authorization, cancellation of aid related cases
- ✓ Giving suggestions on bilateral trade, regional co-operation, joint economic commission
- ✓ Considering application, providing authorization, cancellation of loans from Hard Term Loan Committee

5.1.7 Licensing and Drawing Arrangement Section

Main activity of this section is issuing licenses to other financial institutions. It's functions in details include -

- ✓ Issuance of Authorized Dealer License, Limited Authorized Dealer License for bank branches, Limited Money Changer License for different institutions.
- ✓ Permitting banks to establish drawing arrangements with foreign exchange to facilitate inward wayer earning remittances

- ✓ Renewal and cancellation of drawing arrangements, reduction of bank guarantee and security deposits kept under drawing arrangement
- ✓ Preparing statement of inward wage remittance
- ✓ Providing information on inward wage remittance to different Ministries, Secretariat and Bangladeshi Embassies on a regular basis
- ✓ Dealing with any complains related to inward wage remittance
- ✓ Issuance and cancellation of money changer license

5.1.8 Remittance Policy Section

This section performs some important functions of both inward and outward remittances. Some of it's key functions involve -

- ✓ Considering application, providing authorization, cancellation of discounting/disposal of foreign exchange beyond permitted limit
- ✓ Considering application, providing authorization, cancellation of foreign exchange payment for membership fee, registration fee etc
- ✓ Considering application, providing authorization, cancellation for foreign exchange payment for advertisement expenses
- ✓ Dealing with credit card related issues
- ✓ Issuance of circular letter regarding Hajj
- ✓ Making decisions on V-SAT and VOIP charge related cases
- ✓ Preparing and presenting quarterly report of V-SAT Charge related remittance
- ✓ Making decisions of Legal Fees related remittance cases
- ✓ Preparing & presenting quarterly report of Legal Fees related remittance cases
- ✓ Considering application, providing authorization, cancellation of ISO certificate related remittances
- ✓ Permitting banks to enhance the limit of SBLCs of banks
- ✓ Giving permission after the payment of tax and VAT of e-delivery of software
- ✓ Permitting for purchasing data bandwidth

5.1.9 Market Policy Section

Market Policy Section is very crucial among all the sections of Foreign Exchange Policy Department. This section receives letters of account reconciliations from different authorized dealers. General functions of it include-

- ✓ Setting position limits in foreign exchange to all Authorized Dealer banks
- ✓ Compiling and analyzing daily exchange position statements received from all Authorized Dealers as well as monitoring deviations from prescribed limits to take necessary actions
- ✓ Analysis of the status of NOSTRO account reconciliation
- ✓ Providing IMF information for the publications of IMF
- ✓ Analyzing the exchange rates of different Authorized Dealers from the statements of BAFEDA
- ✓ Compilation of inter – bank foreign exchange transactions
- ✓ Policy formulation on special foreign exchange transactions
- ✓ Tasks related to updating foreign exchange regulations
- ✓ Making Agreement with sovereign credit rating agencies for annual rating review according to public procurement regulation
- ✓ Making payment to sovereign credit rating agencies according to agreement
- ✓ Collecting and analyzing daily exchange position statement
- ✓ Sending data, report to different publications of government like Economic Review, functions of banks and financial institutions, Annual Budget speech for honorable Finance Minister etc.

5.1.10 Human Resource Management Section

Managing internal employees as the organizational resources is what this section does. General activities of it are –

- ✓ Putting up the weekly outstanding cases to the GM section

- ✓ Managing all types of IT instruments such as computer, printer, photocopy machine, scanner etc.
- ✓ Disposal of casual and ordinary leave cases
- ✓ Transferring, posting and officer selection for training
- ✓ Submission of list of pending cases to EMT
- ✓ Petty cash management
- ✓ Submission of monthly statement on export performance, inward remittance and foreign exchange reserve L/C opening and settlement
- ✓ Compliance of audit report
- ✓ Sending information to IT Department to publish in the website
- ✓ Providing Secretary Department, the half- yearly report
- ✓ Providing EMD, Audit and ED section the statement of late sitting and overtime

5.2 Exchange Position Limit

For an individual currency, exchange position means assets denominated in that currency subtracting liabilities denominated in that currency. A foreign exchange position of zero is referred as a closed foreign exchange position or square position. Squared position is not exposed of any exchange rate risk.

5.3 Open foreign Exchange Position

A long or short foreign exchange position is referred to as an open foreign exchange position.

“Long position” means an open foreign exchange position for an individual foreign currency where assets denominated in that currency exceed liabilities denominated in that currency.

“Short position” means an open foreign exchange position for an individual foreign currency where liabilities denominated in that currency exceed assets denominated in that currency.

Open position in Foreign Exchange means the position in any particular currency which is open or not hedged from protecting any movement from exchange rate. In other way this is the position (asset or liability) which is exposed to exchange rate risk.

Overall foreign exchange position means the higher in absolute terms of either the sum of all short foreign exchange positions or the sum of all long foreign exchange positions.

5.4 Role of Foreign Exchange Policy Department in Exchange Positioning

Foreign Exchange Policy Department sets Exchange Position Limit for each bank on the basis of total capital (Tier-1, Tier-2 and Tier 3) and some other quantitative and qualitative judgment. An authorized dealer may remain overbought or oversold in foreign exchange only to the extent of the prescribed open position limit. Presently, Foreign Exchange Policy Department has set open position limits of the banks at 20% of their respective capital. Above this FEPD always holds the prime control on the AD banks for maintenance records of their exchange position in foreign currencies as at the close of business on each working day in the prescribed pro-forma. The currency wise daily exchange position statements shall be submitted to Bangladesh Bank on the following working day.

6. Chapter Six

Tasks Performed as an Intern

As an intern, I performed my activities in two different departments of Bangladesh Bank. The first one was Human Resource Department and the second one was the Foreign Exchange Policy Department. However, for successful completion of my internship, I had to perform the following activities:

6.1 Information Collection

In day to day basis, information had to be collected from different sections/wings of the departments. Being in Human Resource Department, I had to learn how an administration is properly maintained. In order to learn that, I had to talk to different officials from different wings. In addition, I had to observe how the employees perform their tasks. Mainly, HR Department used to do everything that happens within the organization.

Since I was posted to Foreign Exchange Policy Department later, I had been given the opportunity to learn how central bank deals with the external world. My biggest observation over here is that its activities are more responsive and sensitive. I have come to realize this when I have started to communicate with the different sections of the department. Each section performs different tasks from each other.

6.2 Departmental File Analysis

Luckily, I have been given the opportunity to analyze couple of letters sent from different organizations. I have also observed couple of letters sent as reply from Bangladesh Bank to different institutions. There i followed the process, the official language and the pattern of communicating persons/institutions.

6.3 File Preparation

As an intern, I had the opportunity to prepare the files of possible initiatives which can be taken by Bangladesh Bank in order to remove the barriers related to NRB Bond investment. To prepare these files, I had to analyze the letters received from the commercial banks which mention their demands and requirements. Basically, commercial banks send those letters containing recommendations for enhancing investment in NRB Bonds.

6.4 Circular Summarization

For the Bangladesh Bank Authorized Dealer Forum, interns had to be given the tasks to summarize the foreign exchange policy circular and to make those information as a presentable form.

6.5 Case Solving

There were some case studies that interns had to do. Mostly, the cases were about L/C opening and payment of import.

6.6 File Arrangement

It was a very simple task that interns were given in the file section. In order to assist the junior officers, files from different banks had to be serialized in proper order

7. Chapter Seven

Findings and Recommendations

7.1 Findings on Human Resource Management Practices in Bangladesh Bank

Human Resource Department of Bangladesh Bank is very organized which brings effectiveness out of all the employees of the department. Moreover, it ensures that right employees work in the right department. However, as an intern, there are few mentionable things I have noticed being in the department.

7.1.1 Organized Promotion

Quite possibly, Bangladesh Bank is the only government organization in Bangladesh where promotion is hundred percent fair. Promotion is given based on the merit, experience and seniority. One of the very exceptional things on its promotion is that employees from staff level can be promoted to the A Class officer level.

7.1.2 Digitalization

HR Department of Bangladesh Bank recently has taken some steps to get digitalized. It uses System Application and Products in Data Processing (SAP) in order to keep employee records. However, it does not have the E-filing system which is found in other government organizations.

7.1.3 No use of Training Need Analysis

HR Department of the central bank does provide training, but does not go for Training Need Analysis.

7.1.4 Imperfect Application of PMS

Bangladesh Bank uses Performance Management System in order to measure employee performances which later on work as the basis of their promotions. Previously, it used to have Annual Confidential Report (ACR) where employee performance records had to be kept secret. Quite surprisingly, now, here in the application of PMS, employee records are kept confidential too where those are supposed to be publicized. So, a huge discrepancy is found.

7.1.5 Recruitment and Selection Process

The biggest finding from HR Department is its recruitment. The recruitment in the central bank is outstandingly transparent. Examiners who check the scripts of the applicants do not find the names of the applicants in the exam scripts because of script coding. Furthermore, there is not even a chance to commit anything unfair in the viva board because the honorable Governor

randomly determines who are going to conduct viva session on which board just immediately fifteen minutes before the viva exam.

7.1.6 Comprehensive HR Planning

Recently, Human Resource Department of Bangladesh Bank has taken a long term initiative to implement comprehensive Human Resource Planning. Couple of major aspects which are prioritized in this initiative are-

- a. Workforce Planning
- b. Replacement Planning
- c. Succession Planning

7.2 Findings on Foreign Exchange Transactions in Bangladesh

Foreign Exchange Policy Department is one of the core departments of Bangladesh Bank. It's functions and activities develop the policies for the economy. Pretty much all the employees in this department are very much active and devoted to their tasks, but they sometimes face different obstacles to perform their works properly. In the findings section, those issues are highlighted which arise as employee obstacles as well as economic barriers.

7.2.1 Non-compliance of regulations by Authorized Dealer Banks

Most of the commercial banks of Bangladesh have not been abiding the rules and regulations set by Bangladesh Bank. Some cases are found where banks did not follow the regulations regarding force loan creation, Nostro reconciliation and L/C Opening & payment. FEPD took those into consideration and initiated necessary action.

7.2.2 Exchange Rate

Exchange rate in Foreign Exchange Market of Bangladesh is not totally free floating. Bangladesh Bank intervenes the foreign exchange market at times to retain market stability.

7.2.3 Remittance Flow

The flow of remittances has been decreasing due to high differentials in different banks and the predominance of unofficial channels.

7.2.4 Pressures on Commercial Banks

The rise in foreign loans inflow has put pressure on local banks to cut their lending rates as entrepreneurs are being attracted to the overseas financiers.

7.3 Recommendations for Human Resource Management Practices in Bangladesh Bank

As I have mentioned earlier, Human Resource Department of Bangladesh Bank is very organized. However, I have some general recommendations that the department can listen to in order to make work structure more effective. My simple recommendations include-

7.3.1 Employee Incentive Package

In order to decrease the turnover rate, the department can include some employee incentive packages.

7.3.2 Match between desk jobs and training content

Training content for the employees can be designed in a way so that it can match with the employee desk jobs

7.3.3 Orientation Session

An orientation session for the new employees can be arranged by the department.

7.3.4 Training Need Analysis

Before appointing an employee to a training, Training Need Analysis can be conducted.

7.4 Recommendations for Foreign Exchange Transactions in Bangladesh

Foreign Exchange Policy Department is one of the most crucial departments in the entire banking sector of Bangladesh. As an intern, I have got only few recommendations for this department which might drive it into a better working place. In addition, some of my recommendations are for the government which intervenes Bangladesh Bank to formulate the economic policies of Bangladesh.

7.4.1 Initiatives for Backward Linkage

In order to minimize the imports of raw materials and intermediaries, initiatives to go for the backward linkage can be taken.

7.4.2 Control Over Transactions through Hundi

Bangladesh bank should find the ways to curb the unofficial channel like hundi of sending remittance

7.4.3 Enhancement of Foreign Direct Investment

BB may recommend government to initiate necessary policy support to enhance the flow of foreign direct investment in Bangladesh.

7.4.4 Authority for Central Bank

Central bank should be given the authority to operate independently with full automation.

7.4.5 Market Monitoring Policy

Market monitoring policies should be updated a regular basiss.

7.4.6 Update of Foreign Exchange related Rules and Regulations

Foreign Exchange related rules and regulations followed by the department should be updated in every year so that it can function with the demand of the time.

8. Chapter Eight

Conclusion

Central banking activities are very crucial since the economic development of a country depends a lot on it. Possibly the crucial most operation of central bank is Foreign Exchange as functions related to import, export, remittances, L/C, FDI etc. has direct involvement with it. At present, the way the department is running is supportive enough to bring contribution in economic aspect of the country.

Undoubtedly, Foreign Exchange Policy Department of Bangladesh Bank is quite contributive in Bangladesh economy. But how this department has been managed to be so crucial? The reason behind this is the department which post suitable people in the appropriate places. The department which does this is Human Resource Department. This department has nothing to do with what happens outside the organization, but it ensures properly that right employees are put in the right places which is a very important function to ensure that organization is going smoothly and in the right track.

Success of an organization firstly depends on its manpower planning. Once it is ensured that manpower is properly being utilized, focus can be given on the external operations. Human Resource Department of Bangladesh Bank ensures that manpower is utilized in the right manner which results right output. The general impact of Human Resource Department can be found in the performance of Foreign Exchange Policy Department since HR Department makes sure that all the skilled, competent and highly capable people perform Foreign Exchange Operations. As a result of that, Foreign Exchange Market is getting rapid day by day which brings out the total economic development of Bangladesh.

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