

Participation of Citibank,N.A. in the Call Money Market of Bangladesh

Internship Report on

**“Participation of Citibank,N.A. in the Call Money Market of
Bangladesh”**



Prepared for:

Samina Haque
Lecturer
BRAC Business School
BRAC University

Prepared by:

Maria Badi (ID – 08104123)
BRAC Business School
BRAC University

Submitted on:

March 19, 2012

Letter of Transmittal

March 19, 2012

Samina Haque
Lecturer
BRAC Business School
BRAC University
66 Mohakhali, Dhaka 1212

Subject: Submission of Internship Report

Dear Madam

I gladly present to you my Internship Report titled "*Participation of Citibank,N.A. in the Call Money Market of Bangladesh*". I finished my internship program in the Treasury Operations department of Citibank,N.A. Motijheel Branch, 23, Motijheel C/A, Dhaka-1000, under your prudent supervision.

I believe the knowledge and experience I gathered during the internship period will be extremely helpful in my future professional life. I will be grateful to you if you accept the report.

Your support in this regard will be highly appreciated.

Thanking you.

Maria Badi

Maria Badi
ID – 08104123

Acknowledgement

There are many people without the support of whom this report could not have been completed. I gracefully thank **Ms. Samina Haque**, Lecturer, BRAC University, for her proper guidance and feedback. She was there whenever I needed her help and gave me opportunity to learn about this topic. I thank Citibank,N.A. for allowing me to complete my internship in the organization. I am also very grateful to **Mr. Riyadh Siddiqui**, Head of FICC Operations Unit, Treasury Operations, Citibank,N.A.; **Mr. Shafiul Azim Faruqui**, Officer, FICC Operations, Citibank,N.A.; **Mr. Mozammel Hossain**, Officer, FICC Operations, Citibank,N.A.; **Mr. Shahidur Rahman**, DGM, HR Department, Bangladesh Bank; **Ms. Masuma Begum**, Programmer (ED), ISDD, Bangladesh Bank for providing me valuable information and guidance for making this report. My special thanks go to these people for helping me gladly even during their busiest moments.

Table of Content

Content	Page
1. Introduction	1
1.1 Objective of the report	1
1.2 Scope of the report	1
1.3 Methodology	1
1.4 Limitations of the report	1
2. Overview of the Organization	2
3. My experience with Treasury Operations of Citibank, N.A.	4
4. Call Money Market	6
4.1 Origin	6
4.2 Major Characteristics	7
4.3 Participants	7
4.4 Functions	7
4.5 Risks	8
5. Call Money Market in the context of Bangladesh	9
5.1 Participants of the market	9
5.2 Scope	9
5.3 Basic features	10
5.4 Recent changes	13
5.5 Islamic Interbank Fund Market	14
6. How Citibank, N.A. ensures its secured participation in the call money market of Bangladesh	15
6.1 Customer Base	15
6.2 Funding and Liquidity Management Limits	16
6.3 Risk Identification	17
6.4 Risk Management and Approval process	17
6.5 Functions of Treasury	20

6.6 Functions of Treasury Operations/Cash management Operations	21
6.7 Functions of ICU	25
6.8 Accounting and Tax approvals	26
7. Participation of Citibank,N.A. in the Call Money Market of Bangladesh in 2011	27
7.1 Lending	27
7.2 Borrowing	28
7.3 Volume of transactions	29
8. Participation of some other multinational banks in the market in 2011	30
8.1 HSBC	30
8.2 Standered Chartered Bank	30
8.3 Commercial bank of Ceylon	31
8.4 Woori Bank	31
8.5 Habib Bank	32
8.6 State Bank of India	32
9. Comparison of Citibank,N.A.'s participation with other multinational banks in the country for the year 2011	33
9.1 Lending	33
9.1.1 First Quarter	34
9.1.2 Second Quarter	35
9.1.3 Third Quarter	36
9.2 Borrowing	37
9.2.1 First Quarter	37
9.2.2 Second Quarter	38
9.2.3 Third Quarter	39
10. Loopholes of the market and Recommendation	40
11. Conclusion	42
Reference list	43
Appendix	44

List of Tables

Title	Page
Table 1: <i>Call Money Market Data of Citi for each quarter of 2011</i>	27
Table 2: <i>Transactions by Citi in Call Money Market for each quarter of 2011</i>	29
Table 3: <i>Call Money Market Data of HSBC for each quarter of 2011</i>	30
Table 4: <i>Call Money Market Data of SCB for each quarter of 2011</i>	30
Table 5: <i>Call Money Market Data of CBC for each quarter of 2011</i>	31
Table 6: <i>Call Money Market Data of Woori Bank for each quarter of 2011</i>	31
Table 7: <i>Call Money Market Data of Habib Bank for each quarter of 2011</i>	32
Table 8: <i>Call Money Market Data of State Bank of India for each quarter of 2011</i>	32
Table 9: <i>Data of Money Lent by the banks for each quarter of 2011</i>	33
Table 10: <i>Data of Money Borrowed by the banks for each quarter of 2011</i>	37

List of Charts

Title	Page
Figure 1: <i>Treasury Operations' Organogram</i>	4
Figure 2: <i>Composition of total Money Lent by Citi in 2011</i>	28
Figure 3: <i>Composition of total Money Borrowed by Citi in 2011</i>	28
Figure 4: <i>Composition of total Volume of Transactions by Citi in 2011</i>	29
Figure 5: <i>Composition of Money Lent by the banks in the first quarter of 2011</i>	34
Figure 6: <i>Composition of Money Lent by the banks in the second quarter of 2011</i>	35
Figure 7: <i>Composition of Money Lent by the banks in the third quarter of 2011</i>	36
Figure 8: <i>Composition of Money Borrowed by the banks in the first quarter of 2011</i>	38
Figure 9: <i>Composition of Money Borrowed by the banks in the second quarter of 2011</i>	39
Figure 10: <i>Composition of Money Borrowed by the banks in the third quarter of 2011</i>	39

List of Acronyms

Abbreviation	Full Form
BB	Bangladesh Bank
CBC	Commercial bank of Ceylon
CRR	Cash Reserve Ratio
EVS	Economic Value Sensitivity
FICC	Fixed Income Currency and Commodity
IRE	Interest Rate Exposure
MAR	Market Access Report
NBFI	Non Bank Financial Institutions
SBI	State Bank of India
SCB	Standard Chartered Bank
WAR	Weighted Average Rate

Executive Summary

This internship report is based on the twelve weeks long internship program that I have successfully completed in Citibank, N.A. under Treasury Operations Division from 30th November, 2011 to 29th February, 2012. It is a requirement for the BBA program in BRAC University. I worked in the FICC Unit. My faculty advisor and the on-site supervisor helped me choose the topic-“*Participation of Citibank,N.A. in the Call Money Market of Bangladesh*”. It is a very important mechanism for the money market and as well as for banks. The value of the knowledge attracted me the most. The call money market offers a means of securing finance for credit needs to the large financial institutions, such as banks, mutual funds and corporations. It allows banks to adjust their liquidities. In our country, a good number of players from the banking as well as the non-bank financial sector actively participate in the Call money market on a regular basis. Citibank, N.A. is one of the participants in the Call Money Market of Bangladesh. It borrows and lend at call in the money market to maintain the cash reserve ratio. In recent years, call money rate rose abnormally due to high demand for cash by some banks and financial institutions. In the beginning of 2005, the interest rate in the call money market has suddenly jumped to abnormal level reflecting high demand for cash of the banks and financial institutions. To ensure its secured participation in the market, Citibank, N.A. go through a flow of actions, like generating and regularly revising the regarding reports, maintaining all the required documentation, reconciling the process etc. To analyze the participation of the bank in the call money market I emphasized on the data of 2011 only. While analyzing the quarterly performance of Citi only, in the market, I found that, Citibank, N.A. made its best performance in the first quarter of the year, when it made highest lending, although the rate was not the highest; the second quarter was at the lowest point, when the maximum borrowing was made and lowest amount of lending was made as the rate was a bit higher than that of first quarter. The third quarter positioned in between of these two. Comparing Citibank, N.A.’s participation in the form of lending with the other multinational banks in the country, it was found that Citi performed the best among all the banks in the first quarter of the year, when Citi made the highest amount of lending of the quarter, although it could not

manage to get the highest WAR. The bank could not perform that well, as it did in the first quarter, comparing to other banks in the second quarter but in the third quarter Citi made the highest amount of lending and experienced higher WAR. For the borrowing purpose, Citi made greater percentages of borrowings and had to pay at a higher rate throughout the year, compared to the other banks. In the recent years, the call money market of our country is fluctuating with an abnormal trend for both the transaction volume and transaction rates. The market should be well taken care of by the government and other relevant authority for the betterment of the country's economy.

1. Introduction

1.1 Objective of the report

The main objectives of the report are to cover the degree requirement of BRAC University, to know about the very important mechanism of call Money Market and enhance the knowledge by looking at Citibank, N.A.'s participation in the market.

1.2 Scope of the report

This report mainly talks about the participation of Citibank, N.A. in the Call Money Market of Bangladesh. This report has been prepared using utmost caution, but the hugeness of the market is very well known. The report can be a primary reading for anyone who wants to know about Call Money Market in the context of Bangladesh. Under no circumstances can this report be the sole material for anyone who wants to know the ins and outs of the market or work with the topic.

1.3 Methodology

I have prepared the report using various sources which include face to face interview, BBK guideline, various websites, newspaper articles, research papers and etc. I did not attend any seminar regarding the topic. My own research and thirst for knowledge has been my primary source of understanding.

1.4 Limitations of the report

This report contains the basic overview of Call Money Market and does not cover the whole banking industry of Bangladesh. As I have not attended any seminar on Call Money Market and page limitation is to be honored, the absolute details are absent from this report.

2. Overview of the Organization

Citi is the leading global financial services company with some 200 million customer accounts and does business in more than 140 countries. Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services and wealth management. On June 16, 1812, with \$2 million of capital, Citibank of New York opened for business in New York City. Through many different leaders and economic environments over the course of its rich history, Citibank continues to grow and prosper

Mission Statement

Mission statement of Citi is “We are your global bank; we are Citi”.

Principles

The four key principles that guide Citi to perform its mission are:

- Common Purpose- One team, with one goal, serving clients and stakeholders.
- Responsible Finance- Conduct that is transparent, prudent and dependable.
- Ingenuity- Enhancing the clients’ lives through innovation that harnesses the breadth and depth of the information, global network and world class products.
- Leadership- Talented people with the best training who thrive in a diverse meritocracy that demands excellence, initiative and courage.

Products and Services

Transaction Banking

- Cash Management Services
- Payable At Par
- Electronic Fund Transfer
- Pay Orders And Demand Drafts
- Complementary Cash Delivery And Cheque Pick Up

- Anywhere, Anytime Account Access

Foreign Exchange Services

- Inward And Outward Remittances
- Multi Currency Account
- Hedging Products
- Foreign Currency Draft
- Foreign Currency Cash And Travelers Cheque

Export Services

- Export Bill Collection Services
- Export Packing Credit (Pre Shipment Finance)
- Export Bills Negotiation (Post Shipment Finance)
- Export LC Advising
- Export LC Confirmation Services
- Export Document Scrutiny Services

Import Services

- Import Letter Of Credit
- Import Payment Services
- Supplier And Buyer Credit
- Bank Guarantee
- Domestic Trade

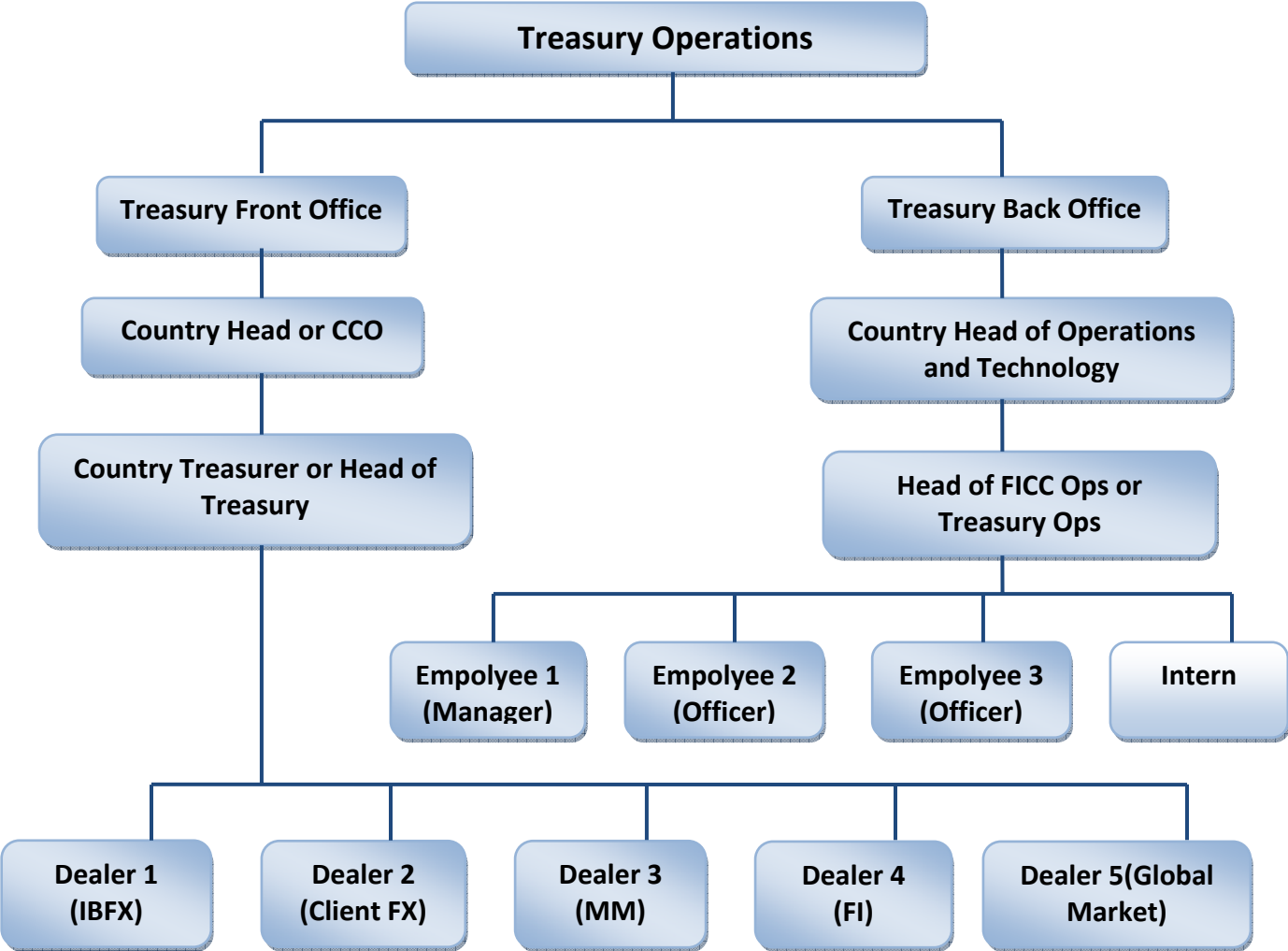
Working Capital And Term Loan

- Secured Term Loan
- Quick Loan
- Overdrafts
- Drop Line Overdraft
- Non Fund Based Lines
- Short Term Financing Options

3. My experience with Treasury Operations of Citibank, N.A.

Treasury Operations is a crucial part of Citibank, N.A.'s operations. There are many wings under the department. A diagram can show this better:

Figure 1: Treasury Operations' Organogram



I worked in FICC Operations unit, under the supervision of the Head of FICC Operations. I was involved mostly in data retrieval and sorting for call money market transactions. Other than that I worked on some daily and weekly reports like daily interest earning calculation, nostro accounts' balance matching, calculation of deal delay exceptions etc and I also made some system inputs for over BBK transactions. Most of the works were done in Ms Excel.

It was a wonderful experience for me to work there for these three months. This was my very first experience to work in the corporate world. There, I got the opportunity to work in a friendly environment, under the supervision of some wonderful people who have always been helpful to me regarding all the issues.

4. Call Money Market

4.1 Origin

There are thousands of financial institutions in the world. These organizations need to have a minimum fund in their accounts in order to continue their functions and to secure their participations. The call money market offers a means of securing finance for credit needs. The call money market is a mechanism that allows large financial institutions, such as banks, mutual funds and corporations to borrow and lend money that can be used for investment needs.

The Call Money Market was named from the meaning of answering at once when calling (Called it). The necessity of the market rose because of the experience of the financial panic in 1901. This was a new introduction into the American financial market in the 1970s, and the first money market fund was established the following year. The creator of this new fund was Bruce Bent, who was then president of the Reserve Fund Inc. Call Money market funds gained popularity quickly because of their accessibility for small businesses who did not always have the funds to make large investments.

The funds located through the money market can be utilized to provide financing for the purchase of securities that can be added to the portfolio of the investment firm, or as a resource that will cover the margin accounts of the firm's clients. The loans in the call money market are very short, usually lasting no longer than a week and are often used to help banks meet reserve requirements.

The rate at which funds are borrowed in this market is called Call Money Rate. The interbank interest rates and interest rates in the traditional market are interconnected. If banks are short of liquidity they lend less to the market and cause interest rates to rise. When Central bank provides funds to the discount market, less attractive terms are offered by banks. Thus they may choose other markets to invest and will cause the drop in interest rates. Call Money Rates are generally slightly higher and more volatile than interest rates in the traditional market.

Unlike other instruments 'traded' in the money markets, interbank call money transactions are not negotiable, that is they do not have a secondary market. A lending

bank which wishes to retrieve its funds simply withdraws the deposit from the bank to which it was lent.

4.2 Major characteristics

The major characteristics of this market are:

- The transfer of immediately available funds;
- Short time horizons;
- Unsecured transfers.

4.3 Participants

Call Money market participants include mainly commercial banks, mutual funds, credit institutions and other non bank financial institutions. Ultimate lenders in the call money market are financial institutions that have financial surplus which they want to lend, while ultimate borrowers are financial institutions with a financial deficit which need to borrow.

4.4 Functions

Call Money Market is an important part of the economy. It plays very significant functions. As mentioned above it is basically a market for short term monetary transactions. Thus it has to provide facility for adjusting liquidity to the banks, business corporations, non-banking financial institutions (NBFs) and other financial institutions along with investors.

The major functions of call money market are given below:-

- To maintain monetary equilibrium. It means to keep a balance between the demand for and supply of money for short term monetary transactions.
- To promote economic growth. Money market can do this by making funds available to various units in the economy such as agriculture, small scale industries, etc.

- To provide help to Trade and Industry. Money market provides adequate finance to trade and industry. Similarly it also provides facility of discounting bills of exchange for trade and industry.
- To help in implementing Monetary Policy. It provides a mechanism for an effective implementation of the monetary policy.

4.5 Risks

The major risk regarding Call Money Market is the absence of collateral. To keep up the speed of the transfer and the costs of transfer down, the interbank market transfers are made unsecured, that is they are not backed by any collateral and don't have much protection against default by the borrowing bank. Again, the call money rates are usually higher more volatile than the traditional market rates.

5. Call Money Market in the Context of Bangladesh

Call money market in Bangladesh was basically developed under competitive environment of the financial market. The market experienced a tremendous growth since 1980's. In 1999, a total of about 6000 branches of the scheduled banks provided short-term credit throughout the country. The rates of interest are determined by the individual banks and as such the market is quite competitive. Each bank maintains its liquidity and supply of fund is arranged throughout the country with the help of an interconnected network of branches. BANGLADESH Bank as central bank of the country exercises its role in this market through the use of instruments such as bank rate, open market operations etc.

5.1 Participants of the market

Structurally, call money market in Bangladesh is composed of a number of institutions which include (up to 1999) the Bangladesh Bank at the apex, 4 nationalised commercial banks, 27 domestic and 12 foreign private commercial banks, 9 specialised (development) banks, 24 NON-BANK FINANCIAL INSTITUTIONS, a number of non-scheduled banks.

5.2 Scope

A good number of players from the banking as well as the non-bank financial sector actively participate in the Call money market on a regular basis. Initially, this market developed as an inter-bank market where the banks in temporary deficit of cash resorted to borrowing from other banks having surplus funds. As banks were in the public sector until the beginning of the 1980s, the Bangladesh Bank provided them with liberal refinance facilities at concessional rates. There was hardly any need for raising funds from the call money market during this period. Moreover, administered interest rate regime, easy availability of borrowing from central bank and its directive to provide credit to priority sectors were the major impediments in development of a call money market in the country. Notwithstanding the fact, banks participated in a limited scale in

the call money market mainly to wipe out the temporary mismatch in their assets and liabilities.

A turning point was the denationalisation of Uttara and Pubali Bank in 1983 and 1984 respectively and the government decision to allow private banks to operate in the country. Formation of private banks during the 1980s provided new opportunities to develop this segment of money market. In 1985, two investment companies and in 1989, one leasing company were allowed to participate in the call money market. At present, all banks including specialised ones and non-bank financial institutions are allowed to participate in this market.

5.3 Basic features

The call money market in Bangladesh is not strongly organized and in terms of transaction is not very large. From the very beginning all the scheduled commercial banks and the two specialized banks were involved in this market. In 1985 two investment companies (Bangladesh Bank, 1985-86) and in 1989-90 one leasing company were allowed to participate in this market to widen its scope of operation (Bangladesh Bank, 1988-89). At present all the banks and financial institutions are participating in this market. Despite this, the volume of transaction, the market did not expand significantly.

The transactions of call money market are mainly Dhaka based. Since, the head offices of all banks and financial institutions are located in Dhaka, the branches of the banks and financial institutions from all over the country remit their excess funds to their respective head offices at Dhaka for investment. The head offices, after meeting their usual liquidity requirement invest the surplus funds in the call money market.

As there is no brokerage house or intermediary organisation, the transactions in call money market usually take place on the basis of bilateral negotiations. Since call loans are made on clean basis that is without any security lending institutions/banks are always cautious in the selection of borrowing banks/institutions.

Foreign banks are the main source of liquidity in the call money market. Costs of funds for foreign banks are very low as compared to the indigenous banks and as such they can hold a substantial amount of excess liquidity for lending in the call money market. In case of borrowing they are also at a very advantageous situation as compared to the local banks. Foreign banks have in their portfolio lower amount of non-performing loans compared to domestic private banks and nationalised banks. Local private banks appear to be the regular borrowers in the call money market.

Information systems of banks in Bangladesh are outdated. Market players therefore, do not know much about the demand for and supply of fund. Banks and financial institutions having surplus funds take advantage of the market imperfection of domestic deficit banks.

Bangladesh Bank has circulated some guidelines to the lending and borrowing banks and financial institutions regarding operations in the call money market. Although it is not compulsory for banks to participate in the call market, they are advised to provide call loans considering liquidity, solvency and sources of repayment of borrowings by the borrowing institutions.

The demand for and supply of funds in the call market remains volatile throughout the year with some occasional turbulence. The transactions and the rate of interest are largely linked with government treasury bill market, seasonality in demand for bank loans, central bank's monetary policy, variation in discount rate, open market operations, changes in statutory reserve requirements, excess liquidity position of the banks etc. The transactions and the variations of the rate of interest in call money market normally remain high during November to April and as such the rate of interest during this period also goes up.

The underdeveloped nature of the inter-bank market in Bangladesh is evident from the large spread between the highest and lowest rates in the call money market. The lowest call money market rate always remained higher than the Bank Rate during the period from September 1985 to June 1992. One notable feature of the call money market is

that the spread between lowest and highest call money market rate has been larger during the reform period. It is because of the fact that with the implementation of FSRP, the need for funds of banks other than the Bangladesh Bank increased with abolition of easy refinance facility from the central bank. Thereafter, the lowest inter-bank call money rate remained lower than the bank rate. The inter-bank call money rate varied with rise in excess cash reserves of banks.

Experience suggests that when there was sufficient excess reserves with banks, the inter-bank rate came down but the rate denoted increase with the accentuation of short-fall in reserves position of banks. Compared to nationalised banks and domestic private banks, the foreign banks in general, and Islami banks in particular, held higher excess reserves with them. Foreign banks are the major sources of supplier of funds to the inter-bank market in recent years. Before the introduction of financial sector reforms, foreign banks preferred preserving excess liquidity to lending to inter-bank market partly because of lack of confidence and partly because of instructions from their head office. In addition, the information gap between borrowing and lending banks also discouraged transactions in the inter-bank market.

The rate of interest in the inter-bank call money market reached a maximum of 21% in November 1997. During the first half of 1998, there was a tremendous pressure in the call money market of the country. The rate of interest reached 27% in February 1998. A large number of domestic private and foreign banks borrowed at the rates of 20% and above up to April 1998. During 1997-98, Bangladesh Bank followed a restrictive monetary policy. In view of expansion of domestic credit, bank rate was raised to 8% from 7.5% in November 1997 and tightened the discount window for the banks. The government also borrowed substantial amount of funds from the banking sector to meet its budgetary shortfall in the second half of 1997-98. Total outstanding treasury bill holding by the scheduled banks which was only Tk 11.48 billion at the end of June 1997, reached the level of Tk 25.11 billion at the end of January 1998, and further to Tk 27.94 billion at the end of June 1998. However, during 1998-99, the pressure in call money market eased substantially.

The rates of interest amidst fluctuations reached a maximum of 17% during 1998-99. Due to prolonged and devastating floods at the beginning of 1998-99, the country's monetary policy was relaxed to enable banks to provide necessary credit for early recovery of economic activities. Easy access of the scheduled banks to the discount window of the Bangladesh Bank helped them holding liquidity position at a comfortable level. The banks borrowed an amount of Tk 9.15 billion from the Bangladesh Bank during 1998-99 as compared to a much lower amount of Tk 1.13 billion during 1997-98. Moreover, excess reserve position of the banks increased by Tk 4.96 billion during 1998-99 as compared to an increase of Tk 9.78 billion in the preceding year. As a result, the call money market witnessed a lower pressure during 1998-99.

5.4 Recent Changes

In recent years, call money rate rose abnormally due to high demand for cash by some banks and financial institutions. In the beginning of 2005, the interest rate in the call money market has suddenly jumped to abnormal level reflecting high demand for cash of the banks and financial institutions. The weighted average interest rate for borrowing of call money market stood at 32 percent and the highest rate was nearly 63 per cent during that period. The rate reached a new high of 180 percent at the end of 2011 beating the old record of 175 percent. There were many factors which contributed to the increase in interest rate in such unusual way. Some of the reasons are: weak performance of the banks in case of deposit mobilization, loan disbursement, investment etc; availability of fund; greater participation of NBFIs; and application of central bank's monetary policy. Moreover, the cash demand for financially weak banks and NBFIs played an important role for pulling up the interest rate by others. Some well recognized, financially sound banks played as intermediaries in the money market and also helped to increase the interest rate abnormally high. Seasonal cash demand by the public also influenced the banks to borrow money from call money market.

5.5 Islamic Interbank Fund Market

The central bank has introduced a new call money market, Islamic Interbank Fund Market (IIFM), for shariah-based banks and financial institutions at the end of 2011. Bangladesh Bank (BB) laid out a set of rules for it. The decision to introduce the IIFM has been taken to discipline the liquidity management of all shariah-based banks, financial institutions and Islamic banking branches of the traditional financial institutions and banks operating in Bangladesh. It said the transactions would be based on profit instead of interest. According to the rules, if a bank has excess funds, it will invest the amount in the IIFM for a day, allowing another cash-starved Islamic bank to borrow for the same period.

6. How Citibank, N.A. ensures its secured participation in the Call Money Market of Bangladesh

Citibank, N.A. is one of the participants in the Call Money Market of Bangladesh. It borrows and lend at call in the money market to maintain the cash reserve ratio. If the bank is negatively gapped, the Treasury can fund the position of the bank by borrowing term money for a tenor matching the gap. Alternatively, the Treasury can expose itself to the day to day money market movements and cover the gap on a daily basis. Also, even if the bank is square or surplus, the Treasury may further borrow longer term money in expectation of higher overnight rates and lend it for shorter tenors. Similarly, if the bank is positively gapped, the Treasury can lend when money is dear. Apart from these, the treasury can borrow or lend on its own and square the position possibly at a better rate. The process flow and programs that Citibank, N.A. follows to ensure its secured participation in the market is discussed in this chapter.

6.1 Customer Base:

The major participants in this market are as follows:

Nationalized Banks:

Nationalized banks like Sonali Bank, Agrani Bank, Janata Bank, are the major participants in the market given the size of their deposit base and consequently their reserve requirements. Deal settlements are done through BBK cheques for these banks.

Foreign Banks:

The foreign banks like Standard Chartered Bank, Woori Bank are also the participants for which deal settlements are done through BB cheques as well.

Private Banks:

There are a number of private banks, like Mutual Trust bank, Prime Bank, Southeast Bank etc, that are operating actively in the market. Although some of them don not have their credit ratings up to the mark, but as a whole their contribution to the liquidity of the money market is significant. For these banks, deal settlements are done through BB cheques.

NBFI:

Some Non Bank Financial Institutions like ICB and others are also the participants of the market.

6.2 Funding and Liquidity Management Limits:**Market Access Report (MAR):**

Liquidity risk is created when the tenor of assets exceeds the tenor of liabilities so that there is the risk that maturing liabilities can not be rolled over in order to fund the portfolio and represent the borrowings from the markets (internal or external) required to replace the maturing liabilities. Liquidity risk may exist independently of price risk. Market Access Reports (MAR) are to be monitored daily and currency wise against the liquidity limits.

Interest Rate Exposure (IRE):

Interest rate exposure measures the potential pre-tax earning impact, over a specified reporting period, for the accrual positions, from a defined change in the yield curve. It is a forward looking measure, analogous to Factor Sensitivity on the trading portfolios.

Total Return:

Total return is made up of the change-in-Value-at-Close, Accrued Revenue and Gains/Losses on Asset Sales or Liability Cancellations. Value-at-Close is the economic or 'fair' value of a position, analogous to the 'mark-to-market' on a trading portfolio.

Placement Limit:

The maximum quantum of placement that may be made with a specific counterparty for a specific tenor.

Economic Value Sensitivity (EVS):

Economic Value Sensitivity (EVS) measures the potential change in economic value of the accruals portfolio for a pre-defined change in interest rates. The pre-defined changes may either be 'standard' shifts or 'stress' shifts. Changes in 'economic value' are defined as either change in market value, or change in future financial income on a present value basis.

6.3 Risk Identification:

Credit Risk

Credit risk is the risk of a counterparty in a placement transaction being unable to settle its obligation. The risk runs from the day of placement, until receipt of repayment can be verified.

Liquidity Risk

The ability of the market to support placement and borrowing needs of the bank is known as liquidity risk. That is, the risk of inability to borrow funds to fund the bank's position when required and vice versa, if sizable amounts are involved.

Operations Risk

It can occur if an error in the input of a deal or an error by Operations results in late settlement or deal being held over as a "not through" thus breaking a limit.

Legal Risk

Legal risk can mainly arise from inadequate or incomplete documentation and/ or dealing with counterparties in products for which they do not have the legal capacity or power to contract.

Price Risk (Interest Rates)

Interest rates fluctuate, giving rise to interest rate exposure in the process of CRR and cash flow management. Also, the bank's inherent asset- liability gaps across various tenors have an exposure to movements in interest rates.

6.4 Risk Management and Approval Process:

Risk Management Process

i) Credit Risk

Credit risk is managed through placement lines for each bank in the market line approvals for NCB's, local private banks and financial institutions are made by the Financial Institutions Group in concurrence with the Credit Risk Manager. Applications for new lines or for extension/ modification of lines are put up by Treasury to the Financial Institutions Group who arrange for the necessary credit lines. The lines are in place once the Credit Risk Manager also approves the same in accordance with CMB Credit Policy.

Once lines are in place they are input into the FLEXCUBE system by CRMS. Lines input into the FLEXCUBE system will be sufficient evidence that the lines are in place for the traders to act on.

Tenor wise placement line utilization report as of the previous day's closing is made available to the traders. Line availability for the requisite tenor is verified by the dealer, prior to concluding a placement transaction with counterparty. Treasury dealer has excel based spreadsheet, which contains all the current placement lines. The excel spreadsheet on Counterparty limit is based on the report provided by the Credit Risk Management Services.

Excesses over approved lines would be referred to CRMS by TROPS through the formal OT process. Such transactions would be taken up on an offering basis, upon approval as per institutional requirements governing extension of credit.

ii) Liquidity Risk

The MAR limit is a measure of liquidity risk that aims to manage the liquidity exposure created by the asset-liability structure of the bank. This involves the total portfolio of the bank and hence MAR is monitored at the country level. The MAR is a country limit managed by the Country Treasurer. Responsibility for generation of daily MAR reports is with Product Control Group, India.

iii) Price Risk

Interest rate exposure arising out of mismatches in the overall asset-liability structure of the bank is monitored and controlled through IRE limits. The IRE is a country limit managed by the Country Treasurer. Responsibility for generation of daily IRE reports is with the Product Control Group, India.

Any excess/ increase for liquidity and price risk will be requested, reported and regularized as per Market Risk Policy for CMB.

Monitoring Risks/ Limits

The risks to be monitored are identified as:

<u>Risk</u>	<u>Associated limit</u>
Liquidity Risk	MAR Limit
Price Risk	IRE Limit, Total return, EVS
Credit Risk	Placement Limit

Methodology for Monitoring:

All the risks identified, with the exception of Operational Risk, will be monitored through daily and periodic reports. Operational Risks will be monitored through the perpetual review of transactions.

Daily and periodic reports:

Daily and periodic reports that will be used for monitoring purposes will include:

- Treasury Limits Report
- MAR, IRE Report
- Total return
- Printout of Excess over limit

Treasury Limits Report

The Treasury Limits Report [TLR], which will be prepared daily by TROPS, will be used to monitor adherence to Funding Limits. Information required for monitoring this limit will be obtained from the appropriate FLEXCUBE reports.

MAR/ IRE/ Total Return Report

The Market Access Report, Earnings at Risk, Total Return will be monitored using the MAR/ IRE/Total Return report which will be prepared by the Product Control Group on a daily basis. Information required for this report will be obtained from the FLEXCUBE database. The report will be forwarded to treasury. Excesses over approved limits will be brought to the attention of Country Treasurer. The procedure for approval of excesses over established limits will be as stipulated in Market Risk Policy for CMB.

Report from FLEXCUBE

This report, directly generated from FLEXCUBE, will be used for the monitoring of placement lines. This report will contain the following information in relation to each counterparty.

- Placement and Clearing Lines
- Balance outstanding
- Balance available.

A copy of this report will be provided to Treasury at the beginning of the day.

Daily Report to Treasury

Everyday TROPS and cash management operations will inform Treasury of all movements in the BB DDA account. Any request received by another department within the bank and/ or customers that affects the DDA balance will be immediately updated to Treasury by Operations over telephone and followed-up in writing through the Daily Report to Treasury [DRT]. DRT will be prepared by the cash management operations and will also include the daily clearing activity report.

Perpetual Reviews:

The Treasury Operations Unit will verify signature on each transaction to ensure that the transaction has been initiated by a person [Trader] who is authorized to do so.

6.5 Functions of Treasury:

Money Market placement/ borrowing:

The process that Treasury follows in closing placement/ borrowing transactions in the Money Market is discussed here.

Prior to closing a placement transaction, the trader will ensure that all applicable lines for the counterparty are available.

Monitoring of lines will be facilitated by the FLEXCUBE Limit excess report which will be forwarded daily by CRMS. The report will indicate the following details for each counterparty:

- Placement and Clearing Lines

- Balance outstanding
- Balance available.

The process flow in handling both placements and borrowings is identical. The transaction may be closed on Reuters Dealing System, phone or telex.

The following steps will be taken to record the transaction:

- Enter transaction in money market blotter
- Inform Treasury Operations through email
- Prepare deal slip in duplicate.
- Time stamp deal slip
- If available, attach copy of Reuters Dealing System conversation or telex to the original deal slip
- Forward both copies of deal slip to Treasury Operations, who will acknowledge receipt of original deal slip by signature on duplicate
- Receive duplicate of deal slip and file in date or other appropriate order

Liquidation of Money Market Placement/ Borrowing:

Where a transaction is concluded for a fixed maturity date, entries for liquidation are generated automatically by the system. If however a transaction is booked as an overnight call transaction, appropriate liquidation instructions would need to be provided by the trader.

A transaction on call could be either rolled over or liquidated. Where a transaction is rolled over, repayment of principal does not take place. Rollover at new rate could be done either by changing the rate effective from rollover date without any cash flow or by settlement of outstanding interest payment without movement of principal. On liquidation, both principal and interest [or balance interest] will be settled. Recording of the transaction will be as in the case of booking.

6.6 Functions of Treasury Operations/ Cash Management Operations:

Everyday TROPS and cash management operations will inform Treasury of all movements in the BB DDA account. Any request that affects the DDA balance will be immediately updated to Treasury by TROPS/ cash management operations over

telephone and followed-up in writing through the Daily Report to Treasury [DRT]. DRT will also include the daily clearing activity results.

Booking of transactions:

The following steps will be adopted in booking transactions:

- Obtain a printout of the email containing transaction details
- Ensure that the email is sent by authorized dealer
- Book transaction in FLEXCUBE [entries will be automatically generated] and have transaction authorized
- In the case of local currency placements:
 - Prepare Bangladesh Bank cheques, in favor of each counter party, for the amount placed. Payments to the same counterparty may be amalgamated
 - Handover checks to representatives of counterparties against acknowledgment (money receipts)
- In the case of local currency borrowings, cheques for amounts borrowed would need to be collected from respective counterparties:
 - Print manifold through FLEXCUBE. Keep original of second manifold as register copy and forward duplicate of second manifold to ICU
 - Dispatch authorized messenger with the bank's confirmation copy to counterparty and collect the cheques at the same time
 - On receipt of cheques, review same to confirm that amount is correct and that the cheque is properly drawn
 - Complete BB deposit slips, have cheques endorsed and forward cheques together with deposit slips for deposit into our account with BB
 - File acknowledgment received from BB, along with related register copy
 - File register copies by transaction type [placement/ borrowing] by currency and booking date

- Receive deal slips [in duplicate] from Treasury
- Time stamp deal slip
- Officer will acknowledge receipt on duplicate and return same to Treasury
- Verify signature of trader

- Verify that sequence number for the deal slip is maintained [mark bar sheet]
- Ensure that canceled deal slips [if any] are forwarded to the department - forward these to ICU for filing

Liquidation of transactions:

All transactions with fixed maturity dates will be automatically liquidated by FLEXCUBE. Local currency transactions committed on a call basis will be either liquidated or rolled over as appropriate, on receipt of a deal slip from the Treasury. In the event of a roll over, the existing transaction will be liquidated, and a new transaction will be booked.

The process for the booking of the new transaction will be as outlined in the section above on booking.

- In the case of local currency borrowings, cheques for interest/ principal plus interest [as appropriate] need to be prepared
 - Prepare BB cheques, in favor of each counterparty
 - Handover cheques to representatives of counterparties, against acknowledgment. The borrowing receipt [advice copy of our manifold] should be returned duly discharged by the counterparty
- In the case of local currency placements, cheques for interest/ principal plus interest [as appropriate] would need to be collected from counterparties. Prepare a reversal ticket for the amount to be received from counterparty, since the amount will be booked in the placement clearing account automatically on liquidation
 - Discharge counterparty's borrowing receipt, indicating that payment has been received
 - Dispatch authorized messenger to collect such cheques. The messenger will carry discharged receipt and hand over to counterparty
 - On receipt of cheques, review same to ensure that the amounts are correct and that the cheques are properly drawn
 - Complete BB deposit slips, have checks endorsed and forward cheques together with deposit slips to BB for deposit to our account with them

- Cheques received from counterparties are deposited with BB immediately (efforts will be made to deposit before 12 noon, assuming such cheques are received in time)
 - Treasury is advised of dishonoring of cheques as soon as this is known by telephone followed immediately by a memo from operations
 - File acknowledgment received from BB along with register copy and reverse out the entry from the placement clearing account.
- File paid register copies together with all attachments in a “Paid” file, by currency and counterparty in order of maturity date
 - TROPS will initiate follow up for confirmation on the basis of report from ICU of non-receipt of confirmation. Weekly follow up will be maintained till the receipt of counterparty confirmation, or receipt of counter value, whichever is earlier

Dishonor of cheques:

In the event that the cheque is not honored by the end of the day, TROPS will advise the Treasurer, SCOO & the related treasury trader immediately, so that appropriate action may be initiated.

Amounts unsettled may remain in the Placement Clearing Account only upto the validity of the Clearing Line. For example, if the Clearing Line has a “3 day” validity, transactions outstanding that have been earmarked against this line should be reversed on the 3rd day from date of booking.

In any event, interest will be claimed from the counterparty for the period from original due date of the placement, upto the date on which settlement is finally received. The penalty interest rate to be charged will be approved by the Treasurer. In the absence of the Treasurer the acting treasurer will approve such rates.

Cancellation of Contracts:

Contracts may be cancelled by mutual agreement with the counterparty and requires the approval of a designated officer not connected with money market trading. Country Treasurer will review such transaction. Exception will be in cases where Treasurer is absent and there is no Deputy Treasurer. Such deals including the ones done by

Treasurer, if cancelled, will also be reviewed by the CCO. All penalty rates are provided by Treasury and reviewed by Treasurer.

6.7 Functions of ICU:

ICU will perform the following functions in relation to money market transactions:

- (1) Monitoring and escalating of control copies
- (2) Receipt, review and filing of confirmations.
- (3) Monitoring of “Our account” statements for proper receipt of funds.

Monitoring and escalating of control copies:

The sequence of activity is as follows:

- ICU will download XGFCTR01 report from BD-PB-FCBAT folder of ROD and make a list for which confirmation not received by ICU.
- On the day following the booking of the transaction, ICU will notify Treasury operations with a copy to SCOO, the list of contracts for which confirmations have not been received. If confirmations are not received within 3 days of booking, TROPS will initiate follow up for confirmation. Weekly follow up will be maintained till the receipt of counter party confirmation, or receipt of counter value, whichever is earlier. All correspondence will be appended to the related register copy.

Confirmation:

An acceptable confirmation would be either the counterparty’s acknowledgement on the confirmation copy dispatched by the Bank, or the counter party’s advice of the transaction. In the local market, the money market confirmation is in the form of a “money receipt” issued by the counterparty signed by its authorized signatories, which is exchanged at the time the cheque is collected.

The handling of confirmations received will involve the following steps:

- Check whether Time stamp is in place on confirmation
- Check whether the verification is done and signed by an officer other than ICU.
- If the document is the advice of the counter party, verify details of the transaction against control copy. Bring any discrepancies to the attention of the SCOO.

- Attach confirmation to related control copy and file in "Confirmed" file. The confirmed file will be maintained in booking date order.
- Matched hard copy confirmation marked in the Flexcube and for which confirmation not received are tracked through the xl file prepared manually. Aged of unconfirmed FX to be escalated to TROPS and Citi service as mentioned in point 1

Proof vs. General Ledger:

Daily, movements over placement/ borrowing related general ledger accounts and the clearing account will be proved to control copies. Any exceptions will be brought to the attention of the SCOO.

6.8 ACCOUNTING & TAX APPROVALS:

Accounting policies for Money Market products are in accordance with APM (section 2.30.20 - Accounting for Deposits at Interest with Banks and 20.30.410 - Accounting for Funds Borrowed). Accounting entries are passed automatically by the FLEXCUBE.

Taxes are applicable only on the net income of the branch and not on the income from placements. Applicable taxes are calculated and paid only after preparation of P&L statements. Any taxes deducted at source on interest on term placement would be adjusted accordingly.

7. Participation of Citibank, N.A. in the Call Money Market of Bangladesh in 2011

Citibank, N.A. is a regular participant in the call money market of Bangladesh. In this report, I emphasized on the data of 2011 to analyze the bank's participation in the market. Following table shows the quarterly data regarding the banks participation.

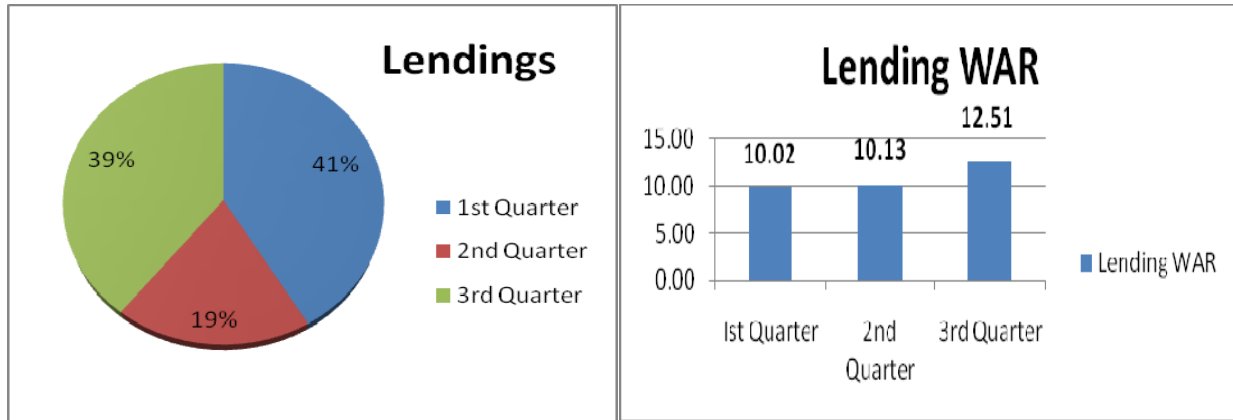
Table 1: Call Money Market Data of Citi for each quarter of 2011

Year 2011	Lending Amount (Cr)	Percentage	WAR	Borrowing Amount (Cr)	Percentage	WAR
1st Quarter	38,625.00	41%	10.02	680.00	39%	9.54
2nd Quarter	18,090.00	19%	10.13	783.00	45%	8.10
3rd Quarter	36,611.00	39%	12.51	264.00	15%	13.30
	93,326.00	100%		1,727.00	100%	

7.1 Lending

In the year 2011 Citibank, N.A had total amount of Tk.93, 326 crore as its lending amount to other banks. The major percentage of that (41%) which includes Tk.38, 625 crore was made in the first quarter although the weighted average rate for the transactions was lowest then. The third quarter had 39 % of the total lending which includes Tk.36,611 crore, with the highest weighted average rate of 12.51%. The second quarter of the year had the lowest amount of Tk.18,090 which is only 19% of the total amount of lending for the year.

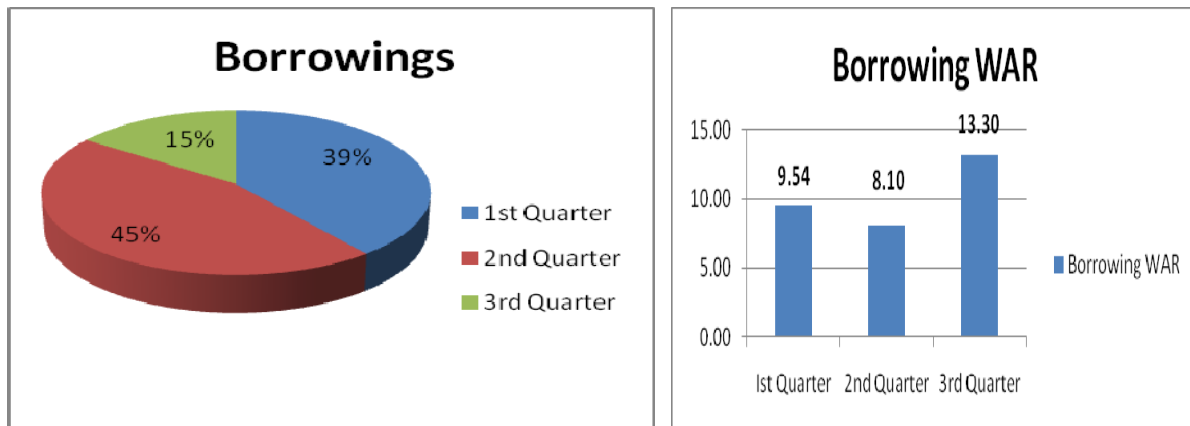
Figure 2: Composition of total Money Lent by Citi in 2011



7.2 Borrowing

Citi made its major portion of borrowing in the second quarter of the year which was of Tk.783 crore that is the 45% of the total borrowing and paid the lowest rate of the year. The next major borrowing was made in the first quarter. The third quarter of the year had the lowest amount of borrowing with highest rate for its borrowings of that year.

Figure 3: Composition of total Money Borrowed by Citi in 2011



7.3 Volume of Transactions

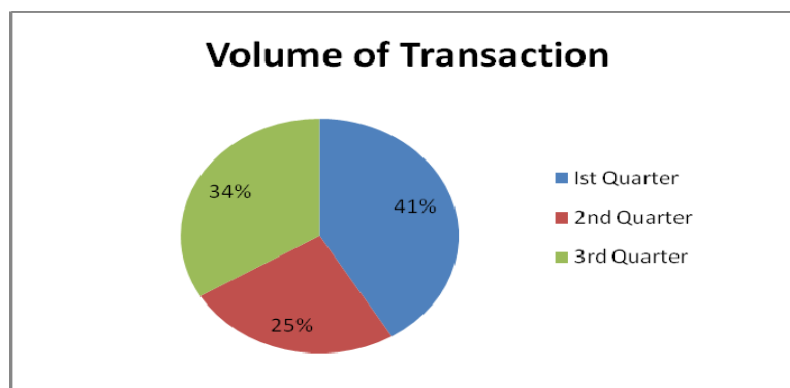
The following table represents the total volume of Citi's transactions in the call money market for each quarter of 2011.

Table 2: Transactions by Citi in Call Money Market for each quarter of 2011

Year 2011	Volume of transactions	Percentage
1st Quarter	1099	41%
2nd Quarter	668	25%
3rd Quarter	892	34%
Total	2659	100%

For the year 2011 Citi made most of its transactions in the Call Money market in the first quarter when the maximum lending by the bank was made. The third quarter of the year also made a good number of transactions. But the lowest number of transactions was made in the second quarter when the bank made most of its borrowings of the year.

Figure 4: Composition of total Volume of Transactions by Citi in 2011



Analyzing the overall situation, it can be said that, Citibank, N.A. made its best performance in the first quarter of the year, when it made highest lending, although the rate was not the highest. The second quarter is at the lowest point, when the maximum borrowing was made and lowest amount of lending was made as the rate was a bit higher than that of first quarter. The third quarter positions in between of these two.

8. Participation of some other multinational banks in the Call Money Market in 2011

Other than Citibank, N.A. there are some other multinational banks who are also the regular participants of call money market in Bangladesh, which can easily be understood from the following tables. For my analysis, I used the data of 2011 of the following multinational banks.

8.1 HSBC

Table 3: Call Money Market Data of HSBC for each quarter of 2011

Year 2011	Lending Amount (cr)	Percentage	WAR	Borrowing Amount (cr)	Percentage	WAR
1st Quarter	10,419.00	23%	9.04	285.00	35%	5.96
2nd Quarter	18,546.00	40%	8.92	462.00	57%	9.09
3rd Quarter	17,003.00	37%	11.48	62.00	8%	8.75
Total	45,968.00	100%		809.00	100%	

HSBC Bank made total lending of Tk.45,968 crore of which Tk.10,419 crore was made in first quarter, Tk.18,546 crore was made in second quarter and Tk.17,003 crore was made in the third quarter and total borrowing of Tk.809 crore of which Tk.285 crore was made in first quarter, Tk.462 crore was made in second quarter and Tk.62 crore was made in the third quarter, in the year 2011.

8.2 Standard Chartered Bank

Table 4: Call Money Market Data of SCB for each quarter of 2011

Year 2011	Lending Amount (cr)	Percentage	WAR	Borrowing Amount (cr)	Percentage	WAR
1st Quarter	3,563.00	49%	11.87	51.00	21%	4.63
2nd Quarter	1,693.00	23%	10.32	195.00	79%	10.33
3rd Quarter	2,078.00	28%	11.92	-	0%	0.00
Total	7,334.00	100%		246.00	100%	

Another participant of the market, Standard Chartered Bank made total lending of Tk.7,334 crore of which Tk.3,563 crore was made in first quarter, Tk.1,693 crore was made in second quarter and Tk.2,078 crore was made in the third quarter and total borrowing of Tk.246 crore of which Tk.51 crore was made in first quarter, Tk.195 crore was made in second quarter and the bank made no borrowing in the third quarter, in the year 2011.

8.3 Commercial Bank of Ceylon

Table 5: Call Money Market Data of CBC for each quarter of 2011

Year 2011	Lending Amount (cr)	Percentage	WAR	Borrowing Amount (cr)	Percentage	WAR
1st Quarter	3,208.00	30%	9.92	622.00	47%	7.71
2nd Quarter	2,651.00	25%	9.31	644.00	49%	10.80
3rd Quarter	4,672.00	44%	12.11	49.00	4%	16.57
Total	0,531.00	100%		1,315.00	100%	

Commercial Bank of Ceylon made total lending of Tk.10,531 crore of which Tk.3,208 crore was made in first quarter, Tk.2,651 crore was made in second quarter and Tk.4,672 crore was made in the third quarter and total borrowing of Tk.1315 crore of which Tk.622 crore was made in first quarter, Tk.644 crore was made in second quarter and Tk.49 crore was made in the third quarter, in the year 2011.

8.4 Woori Bank

Table 6: Call Money Market Data of Woori Bank for each quarter of 2011

Year 2011	Lending Amount (cr)	Percentage	WAR	Borrowing Amount (cr)	Percentage	WAR
1st Quarter	694.00	56%	6.41	-	0%	0.00
2nd Quarter	338.00	27%	8.00	151.00	70%	11.81
3rd Quarter	209.00	17%	10.13	66.00	30%	10.94
Total	1,241.00	100%		217.00	100%	

Woori Bank made total lending of Tk.1,241 crore of which Tk.694 crore was made in first quarter, Tk.338 crore was made in second quarter and Tk.209 crore was made in the third quarter and total borrowing of Tk.217 crore of which Tk.151 crore was made in second quarter and Tk.66 crore was made in the third quarter and no borrowing was made in the first quarter, in the year 2011.

8.5 Habib Bank

Table 7: Call Money Market Data of Habib Bank for each quarter of 2011

Year 2011	Lending Amount (cr)	percentage	WAR	Borrowing Amount (cr)	percentage	WAR
1st Quarter	913.00	8%	9.36	746.00	89%	10.53
2nd Quarter	3,176.00	27%	10.82	96.00	11%	11.35
3rd Quarter	7,658.00	65%	13.04	-	0%	-
Total	11,747.00	100%		842.00	100%	

Habib Bank made total lending of Tk.11,747 crore of which Tk.913 crore was made in first quarter, Tk.3,176 crore was made in second quarter and Tk.7,658 crore was made in the third quarter and total borrowing of Tk.842 crore of which Tk.746 crore was made in first quarter, Tk.96 crore was made in second quarter and no borrowing was made in the third quarter, in the year 2011.

8.6 State Bank of India

Table 8: Call Money Market Data of State Bank of India for each quarter of 2011

Year 2011	Lending Amount (cr)	Percentage	WAR	Borrowing Amount (cr)	Percentage	WAR
1st Quarter	5,570.00	29%	9.13	40.00	100%	8.67
2nd Quarter	4,520.00	24%	10.05	-	0%	0.00
3rd Quarter	8,833.00	47%	12.40	-	0%	0.00
Total	18,923.00	100%		40.00	100%	

State Bank of India, another participant of the market made total lending of Tk.18,923 crore of which Tk.5,570 crore was made in first quarter, Tk.4,520 crore was made in second quarter and Tk.8,833 crore was made in the third quarter and total borrowing of Tk.40 crore only, which was made in first quarter, in the year 2011.

9. Comparison of Citibank, N.A.'s participation with other multinational banks in the country for the year 2011

Citibank, N.A. get itself attached to the call money market to have a balance at its cash reserve ratio, along with the other multinational banks in the country. In this report, I have tried to sort the call money market data of some of these multinational banks to compare Citi's participation compared to them, in the market, for the year 2011. The following table represents the quarter wise data of money that have been lent by some of the significant multinational banks in the country.

9.1 Lending

Table 9: Data of Money Lent by the banks for each quarter of 2011

Lending									
	1st Quarter			2nd Quarter			3rd Quarter		
Bank Name	Amount (cr)	Percentage	WAR	Amount (cr)	Percentage	WAR	Amount (cr)	Percentage	WAR
CITI	38,625.00	61%	10.02	18,090.00	37%	10.13	36,611.00	48%	12.51
CBCL	3,208.00	5%	9.92	2,651.00	5%	9.31	4,672.00	6%	12.11
HABIB	913.00	1%	9.36	3,176.00	6%	10.82	7,658.00	10%	13.04
HSBC	10,419.00	17%	9.04	18,546.00	38%	8.92	17,003.00	22%	11.48
SCB	3,563.00	6%	11.87	1,693.00	3%	10.32	2,078.00	3%	11.92
SBI	5,570.00	9%	9.13	4,520.00	9%	10.05	8,833.00	11%	12.40
WOORI	694.00	1%	6.41	338.00	1%	8.00	209.00	0%	10.13
Total	62,992.00	100%		49,014.00	100%		77,064.00	100%	

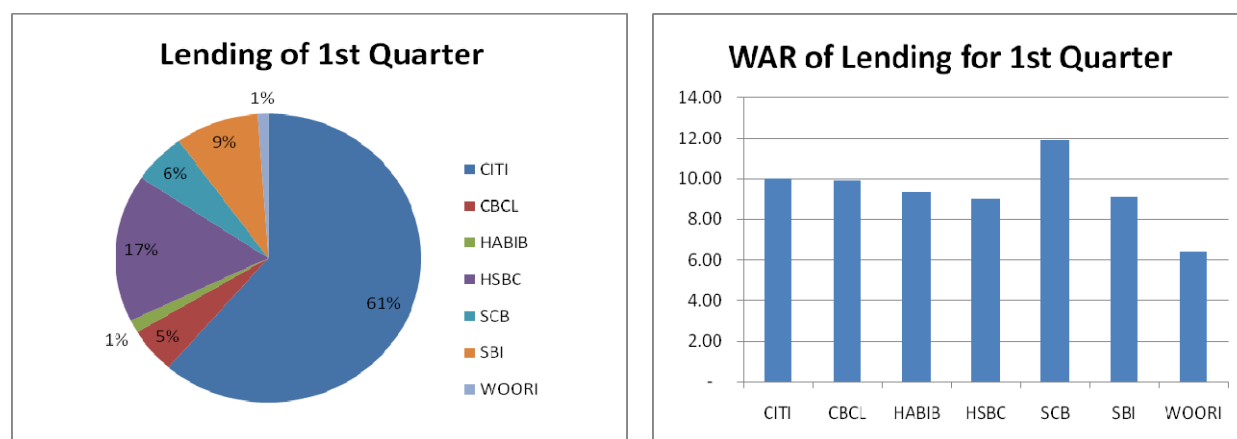
In the year 2011, there was total lending of Tk.1,89,070 crore by these multinational banks of which Tk.62,992 crore was made in the first quarter, Tk. 49,014 crore, the lowest amount among the three quarters was made in the second quarter and Tk.77,064 crore, the highest amount among the three quarters was made in the third quarter, although the highest WAR was in that quarter.

9.1.1 First Quarter

As I have mentioned above, in the first quarter of the year, the banks made a total lending of Tk.62,992 crore. Of this total amount, the highest amount of money was lent by Citibank, N.A. which covers 61% of the total amount. HSBC made 17% of total lending and State Bank of India made 9% of it. SCB and CBC contributed the percentages of 6% and 5% respectively. The lowest lending was made by both Woori Bank and Habib Bank. Both of the banks contributed the same percentage, only 1% of the total amount.

SCB got the highest and Citi got the second highest WAR of the quarter. Woori Bank has got the lowest one and the other banks stood at the middle of these banks with having almost similar WARs.

Figure 5: Composition of Money Lent by the banks in the first quarter of 2011



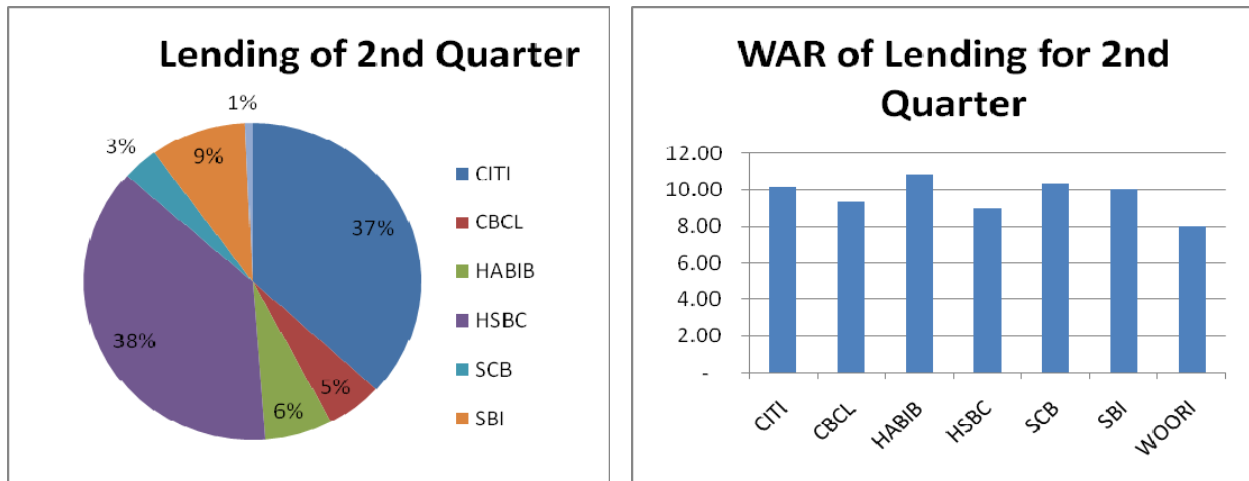
Citi made the highest amount of lending of the quarter, but it could not manage to get the highest WAR, and got the second highest rate. Although SCB managed to get the highest WAR but, the amount it lent was very small comparing to Citi. Thus it can be said that, Citi performed the best among these banks in the first quarter of the year.

9.1.2 Second Quarter

The banks made a total lending of Tk.49,014 crore in the second quarter of the year. Citibank, N.A. lent 37% of this total amount, which was very near to the highest one. And the highest amount of money was lent by HSBC which covers 38% of the total amount. State Bank of India made 9% of it. Habib, CBC and SCB contributed the percentages of 6%, 5% and 1% respectively. The lowest lending was made by Woori Bank, only 1% of the total amount.

There was not much difference in the WARs of the banks for lending in this quarter. Habib Bank got the highest and SCB got the second highest WAR of the quarter. Woori Bank has got the lowest one and the other banks stood at the middle of these banks with having almost similar WARs.

Figure 6: Composition of Money Lent by the banks in the second quarter of 2011



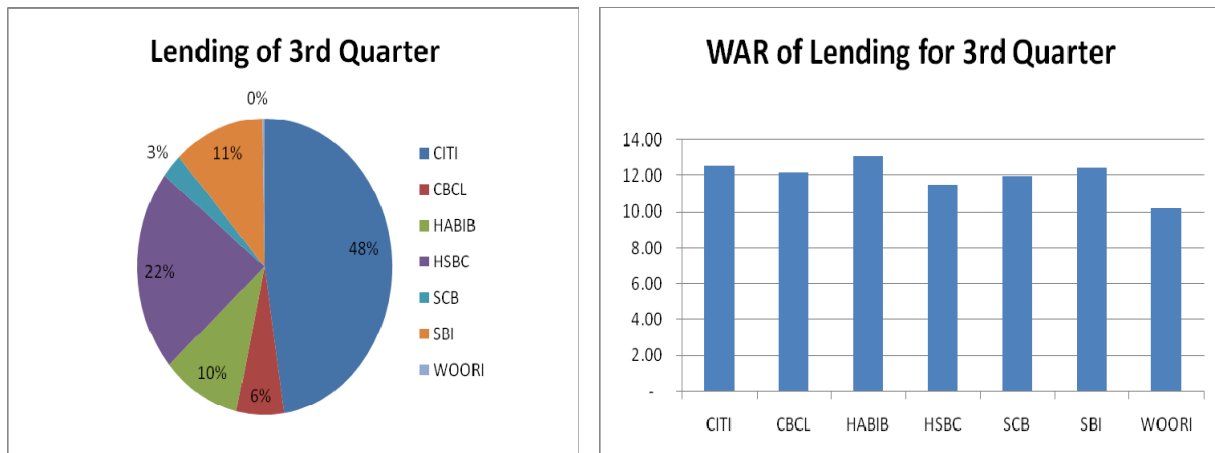
Analyzing the situation, it can be said that, Citi could not perform that well, as it did in the first quarter, comparing to other banks in the second quarter.

9.1.3 Third Quarter

Total lending of Tk.77, 046 crore, the highest amount was lent in the third quarter of the year. Just like the first quarter, the highest amount of money was lent by Citibank, N.A. which covers 48% of the total amount. HSBC covered 22% of the total amount. State Bank of India and Habib bank made 11% and 10% of it respectively. CBC and SCB contributed the percentages of 6% and 3% respectively. And Woori bank had no contribution.

The banks experienced the highest WAR of the year in this quarter. Habib Bank got the highest and SBI got the second highest WAR of the quarter. Woori Bank has got the lowest one and the other banks stood at the middle of these banks with having almost similar WARs.

Figure 7: Composition of Money Lent by the banks in the third quarter of 2011



Citi's contribution to the market was better than the second quarter. Compared to other banks, it performed well in this quarter, where it made the highest amount of lending and experienced higher WAR.

9.2 Borrowing

The following table represents the quarter wise data of money that have been borrowed by some of the significant multinational banks in the country.

Table 10: Data of Money Borrowed by the banks for each quarter of 2011

Borrowing									
	1st Quarter			2nd Quarter			3rd Quarter		
Bank Name	Amount (cr)	Percentage	WAR	Amount (cr)	Percentage	WAR	Amount (cr)	Percentage	WAR
CITI	680.00	28%	9.54	783.00	34%	8.10	264.00	60%	13.30
CBCL	622.00	26%	7.71	644.00	28%	10.80	49.00	11%	16.57
HABIB	746.00	31%	10.53	96.00	4%	11.35	-	0%	-
HSBC	285.00	12%	5.96	462.00	20%	9.09	62.00	14%	8.75
SCB	51.00	2%	4.63	195.00	8%	10.33	-	0%	-
SBI	40.00	2%	8.67	-	0%	-	-	0%	-
WOORI	-	0%	-	151.00	6%	11.81	66.00	15%	10.94
Total	2,424.00	100%		2,331.00	100%		441.00	100%	

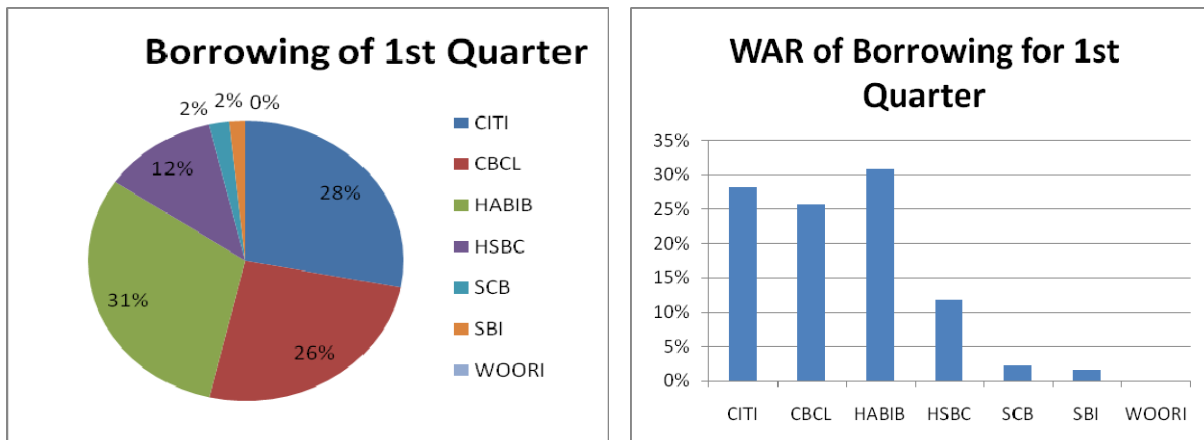
In the year 2011, there was total borrowing of Tk.5,196 crore by these multinational banks of which the highest amount of Tk.2,424 crore was made in the first quarter, Tk. 2,331 crore was made in the second quarter and Tk.441crore, the lowest amount among the three quarters was made in the third quarter. The banks had to pay the highest WAR in the third quarter.

9.2.1 First Quarter

The banks made a total borrowing of Tk.2,424 crore in the first quarter of the year. Citibank, N.A. borrowed 28% of this total amount. Habib Bank made the highest borrowing of the quarter which is of 31% of the total amount. CBC also made a huge borrowing which was of 26% of total borrowing. HSBC made 12% of total borrowing. Both SCB and SBI made 2% of total borrowing. Woori Bank made no borrowing in this quarter.

Habib Bank had to pay the highest WAR for its borrowing in this quarter, where Citi had to pay the second highest.

Figure 8: Composition of Money Borrowed by the banks in the first quarter of 2011

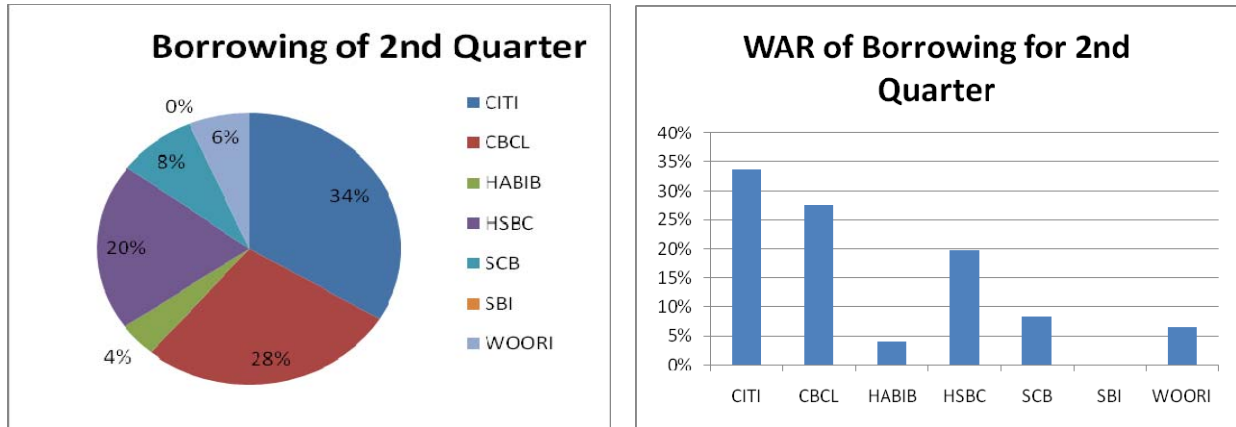


Citi made greater percentage of borrowing and had to pay at a high rate in this quarter, compared to the other banks.

9.2.2 Second Quarter

In this quarter, the banks made a total borrowing of Tk.2,331 crore. Citibank, N.A. made the highest borrowing of the quarter which is of 34% of the total amount Habib Bank borrowed 28% of the total amount. HSBC also made a huge borrowing which was of 20% of total borrowing. The other banks made almost similar amounts of borrowings which was not much compared to the total amount. SBI made no borrowing in this quarter.

Figure 9: Composition of Money Borrowed by the banks in the second quarter of 2011

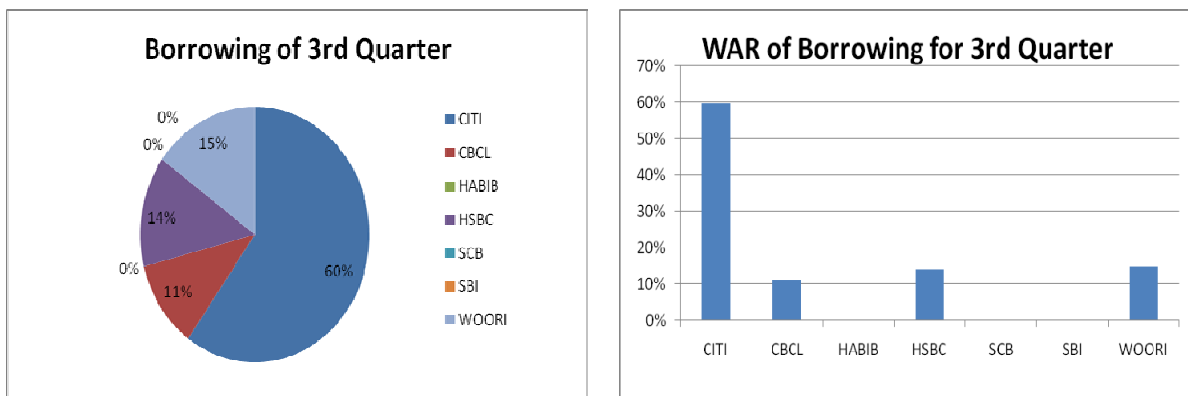


With borrowing the highest amount, Citi had to pay the highest WAR for its borrowing in this quarter.

9.2.3 Third Quarter

In this quarter, the banks made a total borrowing of Tk.441 crore, the lowest amount of borrowing for the year. Like other quarters, Citibank, N.A. made the highest borrowing of the quarter which is of 60% of the total amount. Woori Bank borrowed 15% of the total amount. HSBC made similar amount of borrowing as Woori Bank which was of 14% of total borrowing. CBC made 11% of the total borrowing. The other banks made no borrowing in this quarter.

Figure 10: Composition of Money Borrowed by the banks in the third quarter of 2011



With borrowing the highest amount, Citi had to pay the highest WAR for its borrowing in this quarter also.

10. Loopholes of the market and Recommendation

Call Money Market in Bangladesh was basically developed under a repressed financial structure where the call money rates were centrally controlled. However, the rates of interest in call money market were allowed to move freely. Despite this, the market could not be developed adequately but it was observed that the transactions in the market showed a wide range of fluctuations. The wide range of fluctuations in transactions reflects the inefficiency in the portfolio management of the banking system in Bangladesh. It also indicates that Management Information System (MIS) is not adequately developed in the banking sector and such market information remains cloudy both for the lender and the borrower. In this situation, some dealers, mostly private banks involved themselves in simultaneously buying and selling operations to take advantage of known price discrepancies.

Recommendation

- To develop a well organized and sound call market in Bangladesh its scope should be expanded. Now-a-days there are a good number of investment as well as leasing companies operating in the country with experience of utilizing money in variety of uses. Moreover, insurance companies also mobilize plenty of fund that can be utilized effectively if they are allowed to operate in the call market. Therefore, to broaden area of call market such institutions may be allowed to participate in the country's call money market.
- Bangladesh Bank, as a guardian of money market, may help in developing this market by formulating detailed rules and regulations covering the operations and obligations of participants in such market.
- The banks whose transactions fluctuate abnormally as well as those who borrow at a very high rate of interest, should be looked into separately to identify their problems.

- The rate of interest in this market reflects the market interest rate, and therefore, it may be taken as a useful indicator while changing Bank Rate to affect the cost of credit in the banking sector.
- Call money rate, maximum and minimum along with Bank Rate should be regularly published in the daily news papers.
- Seasonal credit demand might also be assessed on the basis of transaction in this market and further credit programme for the banking sector may be formulated accordingly.
- Monetary authority in Bangladesh can effectively use this market as an efficient means of mobilization and allocation of domestic resources.
- The current practice of maintaining liquidity ratio for the banks at 20 per cent may be gradually reduced to a minimum, so that more fund can be made available in this market.

11. Conclusion

The international community is now recognizing the importance of banking industry because if this industry is left to act on its own, it can take down the global economy. The call money is the mechanism of securing finance for credit needs. The mechanism in our country is being followed with enthusiasm. But in the recent years, the call money rates have risen rapidly with an abnormal trend. To ensure a healthy economic condition for the country, different components of the market should be well taken care of by the government and other relevant authority.

Reference list

WisegEEK, 2012. Call Money Market.[online] Available at:

<<http://www.wisegEEK.com/call-money-market.htm>> [Accessed 5 March 2012]

Ehow, 2012. History of Money Market.[online] Available at:

< http://www.ehow.com/about_5171321_history-money-market-funds.html> [Accessed 5 March 2012]

Scribd, 2012. Money Market.[online] Available at:

< <http://www.scribd.com/doc/50993913/32/Money-market>> [Accessed 5 March 2012]

Banglapedia, 2012. Call Money Market.[online] Available at:

< <http://www.banglapedia.org/call-money-market.html>> [Accessed 6 March 2012]

Bdresearch, 2012. Money Market of Bangladesh.[online] Available at:

< <http://www.bdresearch.org/money-market.html>> [Accessed 6 March 2012]

Citigroup, 2012. Citibank, Bangladesh.[online] Available at:

< www.citigroup.com> [Accessed 28 February, 2012]

Appendix

Call Money market data for different banks:

Citibank, N.A.

Month	Lending Amount (cr)	Number of Transactions	WAR	Borrowing Amount (cr)	Number of Transactions	WAR
January	6,568.00	272	11.02	345.00	14	10.39
February	9,450.00	262	9.23	-	-	-
March	12,743.00	267	10.6	140.00	10	10.4
April	9,864.00	261	9.18	195.00	13	7.96
May	5,447.00	172	7.9	177.00	15	6.81
June	6,249.00	223	10.34	152.00	11	8.23
July	3,293.00	129	10.58	172.00	7	8.39
August	3,101.00	95	13.08	282.00	16	9.08
September	6,610.00	145	9.95	111.00	2	17
October	8,406.00	235	8.78	-	-	-
November	11,072.00	244	12.6	14.00	3	10
December	10,523.00	248	17.45	139.00	15	13.47

HSBC

Month	Lending Amount (cr)	WAR	Borrowing Amount (cr)	WAR
January	2,425.00	9.67	-	-
February	1,741.50	8.42	175.00	3.91
March	2,175.50	9.58	110.00	8
April	4,077.00	8.44	-	-
May	3,512.50	6.99	57.00	5.85
June	1,932.50	9.39	389.00	8.91
July	2,994.00	9.83	7.00	7.5
August	10,107.00	9.49	9.00	15
September	4,425.00	8.99	44.00	5
October	4,445.50	8.58	-	-
November	4,308.50	12.15	-	-
December	3,824.00	16.23	18.00	12.5

SCB

Month	Lending Amount (cr)	WAR	Borrowing Amount (cr)	WAR
January	1,051.00	16.78	-	-
February	474.00	10.85	-	-
March	1,196.00	11.45	-	-
April	842.00	9.55	51.00	4.63
May	890.00	9.02	-	-
June	645.00	10.39	50.00	10
July	80.00	11.83	145.00	10.5
August	78.00	12.67	-	-
September	102.00	12.57	-	-
October	308.00	9.03	-	-
November	1,006.00	14.29	-	-
December	662.00	16.69	-	-

CBC

Month	Lending Amount (cr)	WAR	Borrowing Amount (cr)	WAR
January	398.00	11.73	215.00	6.91
February	967.00	9.25	64.00	9.87
March	1,258.00	10.38	133.00	6.97
April	585.00	8.73	210.00	7.48
May	911.00	8.45	100.00	6.14
June	260.00	9.89	474.00	11.75
July	665.00	9.83	37.00	8.85
August	815.00	9.16	33.00	13.63
September	1,179.00	8.92	28.00	8.16
October	1,547.00	8.81	-	-
November	992.00	12.12	-	-
December	954.00	17.18	21.00	16.57

Woori Bank

Month	Lending Amount (cr)	WAR	Borrowing Amount (cr)	WAR
January	247.00	8.72	-	-
February	175.00	3.91	-	-
March	160.00	7.5	-	-
April	112.00	5.41	-	-
May	127.00	5.67	-	-
June	190.00	6.82	28.00	12.00
July	-	-	24.00	10.88
August	21.00	11.5	99.00	12.37
September	44.00	5	40.00	11.50
October	-	-	26.00	10.57
November	12.00	10	-	-
December	153.00	12.76	-	-

Habib Bank

Month	Lending Amount (cr)	WAR	Borrowing Amount (cr)	WAR
January	624.00	11.17	-	-
February	264.00	6.92	3.00	12
March	10.00	12	392.00	10.98
April	15.00	6	351.00	9.89
May	452.00	8.23	-	-
June	68.00	8.72	96.00	11.35
July	1,150.00	11.55	-	-
August	1,506.00	12.58	-	-
September	1,910.00	11.18	-	-
October	2,339.00	9.59	-	-
November	1,754.00	13.81	-	-
December	1,655.00	18.85	-	-

State Bank of India

Month	Lending Amount (cr)	WAR	Borrowing Amount (cr)	WAR
January	769.00	7.85	35.00	12.5
February	1,020.00	8.94	5.00	1
March	1,878.00	10.05	-	-
April	1,903.00	9.34	-	-
May	1,509.00	7.83	-	-
June	1,087.00	10.36	-	-
July	1,439.00	10.88	-	-
August	485.00	12.92	-	-
September	1,610.00	8.83	-	-
October	1,902.00	9.22	-	-
November	2,110.00	11.71	-	-
December	3,211.00	18.15	-	-