

Capital adequacy in accordance with BASEL II

Basel accords are the international standards for creating regulations about how much capital is needed to put aside to guard against the types of financial and operational risks that Financial Institutions (FIs) face. In line with that and following the best practices in the world, Bangladesh Bank issued a road map in August 2010 on Implementation of Basel Accord in the FIs. Being well pursuant with the road map guidelines namely 'Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)' had been introduced from January 01, 2011 on test basis. During the test process, several quantitative impact studies were conducted, which validated the well of position of the FIs for implementing Basel Accord. As per the Road Map and as per the preparedness of the FIs, Basel Accord regime has been started and the guidelines on CAMD came fully into force from January 01, 2012.

From the very beginning of BASEL II implementation Fareast Finance & Investment Limited played pivotal role. The Chief Financial Officer of Fareast Finance & Investment Limited was one of the members of BASEL II working group constituted by Bangladesh Bank. Fareast Finance & Investment Limited already established a BASEL II implementation committee and submitted its quarterly report to Bangladesh Bank within the stipulated time frame.

According to BASEL II accord, capital adequacy ratio (CAR) of Fareast Finance stood at 20.55% as well as Tier-1 (Core Capital) was Tk.1,879.00 million and Tier-2 (Supplementary Capital) was Tk.115.02 million. The capital adequacy ratio exhibits our capital strength in terms of maintaining adequate capital for minimum capital requirement.