
LOAN NUMBER 2952-BAN (SF)

LOAN AGREEMENT
(Special Operations)
(Second Capital Market Development Program)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 29 NOVEMBER 2012

BAN 43477

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 29 November 2012 between PEOPLE'S REPUBLIC OF BANGLADESH ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 6 September 2012 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's capital market sector ("Program");

(B) the Borrower has applied to ADB for a loan for the purposes of the Program;

(C) by an agreement of even date herewith entered between ADB and the Borrower ("Ordinary Operations Loan Agreement"), ADB has agreed to provide to the Borrower a loan from ADB's ordinary capital resources for an amount of ninety five million Dollars (\$95,000,000);

(D) by another agreement of even date herewith entered between ADB and the Borrower ("Special Operations Loan Agreement - Hard Term"), ADB has agreed to provide to the Borrower a loan from ADB's Special Funds resources for an amount of thirty two million eight hundred fifty one thousand Special Drawing Rights (SDR32,851,000); and

(E) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Program Agreement of even date herewith between ADB on the one part and Securities and Exchange Commission ("SEC") and Bangladesh Bank ("BB") on the other;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(24) is deleted and the following is substituted therefor:

24. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended

from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(26) is deleted and the following is substituted therefor:

26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "ADF Hard Term Loan" means the loan referred to in Recital D of this loan agreement;

(b) "Bangladesh Bank" or "BB" means the central bank and apex financial regulatory authority of the Borrower, established under the Bangladesh Bank Order, 1972;

(c) "Bank Company Act" means the Bank Company Act, 1991 of the Borrower;

(d) "BFID" means the Bank and Financial Institutions Division of the Ministry of Finance of the Borrower;

(e) "Counterpart Funds" means the local currency generated from the Loan proceeds under the Program and referred to in paragraph 10 of Schedule 4 to this Loan Agreement;

(f) "Deposit Account" means the account referred to in paragraph 3 of Schedule 3 to this Loan Agreement;

(g) "Eligible Imports" means the total imports of the Borrower during the relevant period minus the following imports during the same period:

(i) imports from countries which are not members of ADB;

(ii) imports of ineligible items specified in Attachment 1 to Schedule 3 to this Loan Agreement; and

(iii) imports financed by official international or bilateral aid agencies or any other loans or grants made by ADB;

(h) “Eligible Items” means the Eligible Imports and services in connection with the delivery and installation of such imports and consulting services;

(i) “First Tranche” means the portion of the proceeds of (a) the Loan in an amount of SDR19,711,000, (b) ADF Hard Term Loan in an amount of SDR16,426,000 and (c) OCR Loan in an amount of \$95,000,000 to be withdrawn pursuant to and subject to the provisions of paragraph 4 of Schedule 3 to this Loan Agreement;

(j) “IDRA” means the Insurance Development and Regulatory Authority of the Borrower, established under the IDRA Act, 2010 of the Borrower;

(k) “Income Tax Ordinance” means the Income Tax Ordinance, 1984 of the Borrower;

(l) “Insurance Act” means the Insurance Act, 2010 of the Borrower;

(m) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(n) “OCR Loan” means the loan referred to in Recital C of this Loan Agreement;

(o) “Policy Actions” means the actions to be met by the Borrower and the Program Executing Agency for the release of the First Tranche and the Second Tranche, as applicable;

(p) “PPMS” means program performance monitoring system;

(q) “Program Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means BFID or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;

(r) “Program Steering Committee” or “PSC” means the program steering committee referred to in paragraph 2 of Schedule 4 to this Loan Agreement;

(s) “SEC” means the Securities and Exchange Commission of the Borrower;

(t) “SEC Act” means the Securities and Exchange Commission Act, 1993 of the Borrower;

(u) “SEC Fund” means a fund created under the SEC Act which receives all revenues of SEC and from which all operations of SEC are financed;

(v) “Second Tranche” means the balance of the proceeds of the Loan and ADF Hard Term Loan after the utilization of the First Tranche, to be withdrawn pursuant to and subject to the provisions of paragraph 5 of Schedule 3 to this Loan Agreement;

(w) “Stamp Act” means the Stamp Act, 1899 of the Borrower;

(x) "TA" means the technical assistance in the amount of \$750,000 provided by ADB to the Borrower for supporting the Second Capital Market Development Program;

(y) "Taka" means the currency of the Borrower; and

(z) "Tracking Committee" means the tracking committee referred to in paragraph 2 of Schedule 4 to this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to one hundred one million eight hundred thirty nine thousand Special Drawing Rights (SDR101,839,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement and the Program Agreement.

Section 3.02. The proceeds of the Loan shall be withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

- (a) are produced in, and are supplied from, such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2014 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and the carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and the carrying out of the actions set out in the Policy Letter.

ARTICLE V

Effectiveness

Section 5.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the Deposit Account shall have been opened as provided in paragraph 3 of Schedule 3 to this Loan Agreement;

(b) the Ordinary Operations Loan Agreement shall have been duly authorized, executed and delivered on behalf of, the Borrower, and all conditions precedent to its effectiveness, other than a condition requiring effectiveness of this Loan Agreement, shall have been fulfilled;

(c) the Special Operations Loan Agreement - Hard Term shall have been duly authorized, executed and delivered on behalf of, the Borrower, and all conditions precedent to its effectiveness, other than a condition requiring effectiveness of this Loan Agreement, shall have been fulfilled; and

(d) all conditions for the release of the First Tranche of the Program as specified in the Policy Matrix and as set out in Attachment 2 to Schedule 3 to this Loan Agreement shall have been completed in a manner satisfactory to ADB.

Section 5.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Ordinary Operations Loan Agreement and Special Operations Loan Agreement - Hard Term have been duly authorized, executed and delivered on behalf of, the Borrower, and are legally binding upon the Borrower in accordance with their terms.

Section 5.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Senior Secretary or Secretary, or any Additional Secretary, Joint Secretary or Joint Chief, Deputy Secretary or Deputy Chief, Senior Assistant Secretary or Senior Assistant Chief, Assistant Secretary or Assistant Chief of the Economic Relations Division of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar
Dhaka-1207, Bangladesh

Facsimile Number:

+880 2 918-0788.

For ADB

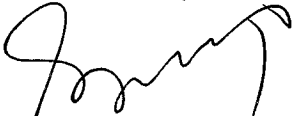
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

+63 2 636-2444
+63 2 636-2337.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

PEOPLE'S REPUBLIC OF BANGLADESH

By 

IQBAL MAHMOOD
Senior Secretary
Economic Relations Division
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 

M. TERESA KHO
Country Director
Bangladesh Resident Mission

SCHEDULE 1**Description of the Program**

1. The principal objective of the Program is to enhance capacity and size of the capital market as a highly efficient conduit for resource mobilization and the scope includes (i) strengthened market stability, (ii) enhanced market facilitation, and (iii) development of liquid bond market and catalyzing institutional investor demand. The Program is described in more detail in the Policy Letter.
2. The Program is expected to be completed by 30 June 2014.

SCHEDULE 2**Amortization Schedule****(BAN: Second Capital Market Development Program)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2021	3,182,469
15 October 2021	3,182,469
15 April 2022	3,182,469
15 October 2022	3,182,469
15 April 2023	3,182,469
15 October 2023	3,182,469
15 April 2024	3,182,469
15 October 2024	3,182,469
15 April 2025	3,182,469
15 October 2025	3,182,469
15 April 2026	3,182,469
15 October 2026	3,182,469
15 April 2027	3,182,469
15 October 2027	3,182,469
15 April 2028	3,182,469
15 October 2028	3,182,469
15 April 2029	3,182,469
15 October 2029	3,182,469
15 April 2030	3,182,469
15 October 2030	3,182,469
15 April 2031	3,182,469
15 October 2031	3,182,469
15 April 2032	3,182,469
15 October 2032	3,182,469
15 April 2033	3,182,469
15 October 2033	3,182,469
15 April 2034	3,182,469
15 October 2034	3,182,469
15 April 2035	3,182,469
15 October 2035	3,182,469
15 April 2036	3,182,469
15 October 2036	3,182,461
Total	101,839,000

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3**Withdrawal of Loan Proceeds**

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.
2. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal applications shall be accompanied by a certificate of the Borrower confirming that with respect to each year during which the proceeds of the Loan are expected to be disbursed, the value of the Eligible Imports is expected to be greater than the amount of the Loan expected to be disbursed during such year.

(c) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.
3. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (the Deposit Account) at the Bangladesh Bank into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.
4. The First Tranche shall be disbursed upon effectiveness of this Loan Agreement.
5. Notwithstanding any other provisions of this Loan Agreement and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account for the Second Tranche unless ADB is satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; (b) the policy actions that were met for the release of the First Tranche continue to be complied with by the Borrower; and (c) the Borrower has met the policy actions for the release of the tranche specified in Attachment 3 to this Schedule.

Negative List

No withdrawals shall be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Policy Actions for Release of the First Tranche**Market Stability**

1. The Borrower shall submit to its parliament amendment of the SEC Act, 1993 to enhance SEC's operational and financial efficiency, including (a) composition of SEC, (b) delegation of the authority to appoint officers and employees to SEC on benefits comparable to that of Bangladesh Bank, and (c) providing access to SEC to SEC Fund without government approval of its budget.
2. The Borrower shall cause a memorandum of understanding to be signed among key financial sector regulators to strengthen the existing financial regulators' committee to preserve financial stability and to identify potentially systemic financial firms for enhanced surveillance and supervision.
3. The Borrower shall achieve consolidated supervision of banks and their capital markets subsidiaries by (a) causing BB to require banks to report their balance sheet, income statement and key prudential exposures on a solo and consolidated basis; (b) requiring regular coordination meetings between BB and SEC; and (c) establishing mechanism for working-level exchange of supervisory information and cooperation.
4. The Borrower shall submit to its parliament amendments to the Banking Companies Act to contain risks posed by equity markets through consolidated supervision of banks.
5. The Borrower shall cause (a) SEC to issue a circular establishing margin lending requirement of 1:0.5 (advances of no more than 50% of the value of the collateral) for all margin loan providers; and (b) BB to issue a circular requiring full compliance with the SEC circular on margin lending.
6. The Borrower shall cause SEC to procure and initiate the installation of SEC's electronic market surveillance.

Market Facilitation

7. The Borrower shall cause SEC to formulate and approve a long term capital market master plan to guide the direction and implementation of capital market development reforms.
8. The Borrower shall submit to its parliament a bill to amend section 25B of the Securities and Exchange Ordinance for the creation of a special tribunal to hear capital market-related disputes.
9. The Borrower shall cause SEC to adopt amendments to SEC's existing code of corporate governance to require (a) compulsory adherence to the existing code; (b) establishment of audit committee within the listed companies; and (c) increasing the percentage of independent directors from 10% to 20% of the board.

10. The Borrower shall complete cabinet approval of the draft bill on demutualization.

Supply Measure

11. The Borrower shall cause SEC to introduce simplified regulations for private placements of corporate bonds, which shall include (a) criteria for eligible investors; and (b) a requirement that the SEC shall approve corporate bond issues within 7 days after submission of supporting documentation.

Demand Measures

12. The Borrower shall, to support a more efficient price discovery mechanism in the auctioning of government securities, cause BB to issue circulars, as necessary, such that (i) BB only devolve at a yield which is the average of all submitted bids by the primary dealers and non-primary dealers in an auction, excluding outliers; (ii) allocation of issuance across primary dealers should include the pro-rata share of bank liabilities (specifically their deposit base); and (iii) positive bids submitted by a primary dealer in an auction would receive offset/credit provision (volume based) while calculating the devolvement liability on the remaining bids of that primary dealer in the auction.

13. The Borrower shall cause the debt management department of BB to prepare a medium term plan for managing the government debt portfolio and submit it to the Ministry of Finance.

14. The Borrower shall prepare and submit to its cabinet a white paper to strengthen the insurance sector by agreeing to a timetable for recapitalizing all insurance companies in accordance with the Insurance Act and adopting investment regulations as required under Section 41 of the Act covering: (a) formulation of the advisory committee; (b) management of the Insurance Development and Regulatory Authority fund; (c) formulation of the central rating committee; (d) appointment of the chief executive officer; (e) fees and registration rules; (f) obligations of insurers to rural and social sectors; (g) fees for licensing of branch and office of insurer; (h) dispute resolution committee; and (i) application for grant of license of branch and office of insurer.

Policy Actions for Release of the Second Tranche**Market Stability**

1. The Borrower shall cause BB to introduce guidelines to reduce the banks' equity risk exposure by putting a limit on the total direct and indirect exposure to equity risk as a percentage of capital, to be applicable on solo and consolidated basis.
2. The Borrower shall cause SEC to undertake a review of the capital requirements for intermediaries through a risk-based supervision approach.
3. The Borrower shall cause SEC to make reports generated from its market surveillance system to be part of the improved monitoring of the capital markets.

Market Facilitation

4. The Borrower shall submit to its parliament a bill on financial reporting, which shall include provisions for (a) establishment of an independent financial reporting council to adopt international accounting and auditing standards for public interest entities, and to monitor and enforce them; (b) licensing of auditors and accountants; and (c) establishment of independent administrative tribunal to hear appeals on the decisions of the financial reporting council.
5. The Borrower shall ensure that SEC has established and staffed its office of the chief accountant and has adopted guidelines for the accountants and auditors to practice before the SEC.
6. The Borrower shall establish a special tribunal to adjudicate capital market-related disputes and issue regulations to provide for (a) powers, functions and jurisdiction of the tribunal, (b) status of appeals and adjournments, and (c) appointments of judges and their training.
7. The Borrower shall submit to its parliament the bill on demutualization.

Supply Measures

8. The Borrower shall effect an amendment in sections 16E and 53L of the Income Tax Ordinance to exempt the 3% tax on initial public offerings.
9. The Borrower shall exempt bonds from transactions tax by amending Section 53BBB of the Income Tax Ordinance.
10. The Borrower shall ensure that sale of receivables to a special purpose vehicle in connection with the securitization of assets is exempted from stamp duty on conveyance of assets and that issuance of debt instruments through private placement of listed companies is exempted from the stamp duty on transfer of instruments, both by amending the Stamp Act, 1899.

11. The Borrower shall ensure that the circular aimed at supporting more efficient price discovery mechanism in the auctioning of government securities are implemented and fully operationalized.

12. The Borrower shall cause the SEC to amend the SEC's mutual fund rules to allow asset management companies to reduce their exposure to equity securities below the stipulated 75%, if so stated in the fund's prospectus.

13. The Borrower shall allow investors in private sector open-end mutual funds the same tax advantage as the one applicable to investors in the Investment Corporation of Bangladesh open-end mutual funds.

14. The Borrower shall cause the implementation of regulations on (a) IDRA Fund and (b) formulation of advisory committee for IDRA.

SCHEDULE 4

Program Implementation and Other Matters

Implementation Arrangements

1. BFID, as the Program Executing Agency, shall be responsible for (a) overseeing all Policy Actions to be taken in connection with the Program; and (b) ensuring that all Policy Actions set out in the Policy Letter and Policy Matrix are duly carried out in a timely manner. SEC and BB shall be implementing agencies and shall be responsible for undertaking the policy, legal and regulatory measures falling under their respective ambits.

2. The inter-agency Tracking Committee, chaired by the Joint Secretary of the Economic Relations Division and comprising of representatives from Finance Division, Bank and Financial Institutions Division and Internal Resources Division of the Ministry of Finance; BB; SEC; National Board of Revenue and Insurance Development Regulatory Authority shall be responsible for coordinating the First Tranche Policy Actions. After compliance with First Tranche Policy Actions, a Program Steering Committee comprising of the members of the Tracking Committee, but chaired by the Secretary of BFID, shall oversee the implementation of the Program. BFID shall also be responsible for the overall implementation of the Program, including reporting to ADB, administering and disbursing the Loan proceeds, and maintaining Program records and accounts.

3. In addition, BFID shall be responsible for:

- Actions;
- (a) overall coordination and monitoring of the Program, including the Policy
 - (b) preparing and submitting all required reports to the PSC and ADB;
 - (c) submitting the audited financial statements to ADB, and
 - (d) implementing the TA.

4. The Borrower and Program Executing Agency shall ensure that:

(a) the Program and the TA as applicable shall conform to all applicable ADB policies including those concerning safeguards, gender, anticorruption measures, procurement, consulting services and disbursement; and

(b) the recommendations of the TA as also other necessary actions shall be undertaken in a timely manner to ensure completion of the required Policy Actions and the Program on time.

Policy Actions and Dialogue

5. The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program.

6. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

7. The Borrower shall ensure that consolidated supervision of banks and their capital markets subsidiaries are effectively implemented, including by ensuring that the banks report balance sheet, income statement and key prudential exposures on a solo and consolidated basis, the coordination meetings are held regularly and the mechanisms for exchange of supervisory information is working.

8. The Borrower shall ensure that the amendments to the SEC's code of corporate governance are effectively implemented, including establishment of audit committees by listed committees and increasing the percentage of independent directors.

9. The Borrower shall ensure that the simplified regulations for private placements of corporate bonds are effectively implemented.

Use of Counterpart Funds

10. The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.

Governance and Anticorruption

11. The Borrower, the Program Executing Agency, and the implementing agency shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Monitoring and Review

12. Without limiting the generality of Section 2.06 of the Program Agreement, the Borrower, SEC, BB and ADB shall closely monitor the completion of the Program and its impact. The Borrower shall ensure that BFID is responsible for: (a) establishing and maintaining a PPMS in a form and with a composition acceptable to ADB within 3 months after the Effective Date; (b) carrying out monitoring and evaluation of the Program for at least 1 year after completion of the Program; and (c) maintaining all relevant monitoring data to evaluate the benefits of the Program.

13. The Borrower shall ensure that reporting on the progress of the Program through periodic meetings at least every 6 months is made by BFID to ADB in accordance with the performance indicators described in the preceding paragraph.

14. The Borrower and ADB shall jointly conduct periodic reviews of the macroeconomic and fiscal conditions of the Borrower's economy and assess the impact and

evaluate the benefits of the Program, in accordance with the PPMS. The BFID shall prepare and submit to ADB at least every 6 months a progress report on policy and institutional reforms implementation. In addition to the periodic reviews, a Program review shall take place prior to the Second Tranche release. BFID shall submit a Program completion report to ADB not later than 3 months after Program completion that assesses compliance with, and impact of, the agreed actions under the Program on each sector and describes lessons identified during the Program implementation period.