

PARTICIPATION AGREEMENT

Between

**BANGLADESH BANK
(Central Bank of Bangladesh)**

And

[Name of the Bank/Financial Institution in Bangladesh]

As participant in the

Refinance Scheme for Green Products/ Initiatives/ Projects

PARTICIPATION AGREEMENT

PARTIES

This Participation Agreement (hereinafter also referred to as “Participation Agreement” or ‘Agreement’) is signed on the day of, 20.....

Between

Bangladesh Bank (hereinafter also called as ‘BB’), established by the Bangladesh Bank Order, 1972 (President’s Order No.127 of 1972) having its Head Office at Motijheel C/A, Dhaka, Bangladesh represented by the **Sustainable Finance Department (hereinafter also called as ‘SFD’)**.

And

[Name of the Bank/Financial Institution] (hereinafter also called as “**Participating Financial Institution**” or ‘**PFI**’), duly established under the Companies Act 1994 and carrying on its business under the Bank Company Act 1991 (Amended up-to 2013)/ Financial Institutions Act 1993 (Amended up-to 2003), having license from Bangladesh Bank under BB License No..... dated, as participant in the **Refinance Scheme for Green Products/Initiatives/Projects**.

PREAMBLE

Whereas, (A) BB introduced a refinancing scheme (revolving fund) of Taka 400 (Four Hundred) crore to offer refinance facility against the Bank/Financial Institution’s finance to promote smooth financing in green products/initiatives/projects in Bangladesh.

(B) Ways of offering refinance facilities to the PFIs against their financing in green products/initiatives/projects identified/proclaimed by the Bangladesh Bank will be determined based on the terms and conditions set forth in the SFD Circular No. 02, dated 30 April 2020 and also as per the circulars/circular letters to be issued time to time by the BB.

(C) It is required for the PFI which is interested in availing refinance facilities under the BB’s Refinance Scheme for Green Products/Initiatives/Projects to enter into a participation agreement with the BB.

(D) The PFI that is willing to avail refinance facilities from the above-mentioned refinance scheme/fund will be determined based on the terms and conditions set forth in the SFD Circular No. 02, dated 30 April 2020 and also as per the circulars/circular letters to be issued time to time by the BB and also has to agree to comply with the terms and conditions of this participation agreement.

Now, therefore, the parties hereby agree as follows:

Article-I

Section-1: Definitions and Related Terms.

Unless the context otherwise requires, the terms defined in this section, for the purposes of this agreement and of any agreement supplemental thereto, have the respective meaning herein specified, as follows:

- a) 'BB' means Bangladesh Bank. This is the central bank of the Peoples Republic of Bangladesh established by the Bangladesh Bank Order, 1972 (President's Order No.127 of 1972) for the purpose of carrying out the functions of central banking in Bangladesh, as represented by its Governor.
- b) 'SFD' means Sustainable Finance Department of Bangladesh Bank.
- c) 'PFI' means Participating Financial Institution (Scheduled Bank/Financial Institution) that wishes to participate in the Refinance Scheme for Green Products/Initiatives/Projects.
- d) 'Bank' means any scheduled bank operating its business in Bangladesh having banking license from the Bangladesh Bank.
- e) 'Financial Institution' means any financial institution operating its business in Bangladesh having license from the Bangladesh Bank.
- f) 'Financing' means the lending of PFI to the beneficiary/ultimate borrower under the refinancing scheme.
- g) 'Refinancing' means the funding of the BB that will be provided to the PFI against their financing under the Refinance Scheme for Green Products/Initiatives/Projects.
- h) 'Beneficiary' means any person/institution that may get loan for green products/initiatives under the refinance scheme.
- i) 'Taka' (hereinafter also called as 'Tk') means the currency of the People's Republic of Bangladesh.
- j) 'Fund' means refinance scheme fund for green products/initiatives/projects.

Article-II

Section-1: Eligibility for availing Refinance Facilities under the Scheme.

- a) Only term loan will be considered for refinance facility under this scheme. Consultancy Costs, Repair/Maintenance Expenses and Working Capital related with the green products/initiatives/projects shall not be considered under the refinance scheme.
- b) Refinanced loan amount will be determined upon considering the production capacity and actual costs/expenses of the green products/initiatives ascertained. But the refinanced loan amount would not exceed the maximum loan limit for respective green product/initiative/project set by the Bangladesh

Bank.

- c) PFI is not allowed/permitted to extend loan facility in favor of loan defaulted customers according to the provisions of the Bank Company Act/ Financial Institution Act as well as existing provisions of the circulars/ circular letters issued by Bangladesh Bank. So, application for refinance facility against the loans of defaulted customers will not be considered. PFI will ensure before submission of refinance application to Bangladesh Bank that recent CIB Report of the PFI's client (including allied/sister concerns) is positive or unclassified.
- d) According to this agreement, the PFI will issue a separate Demand Promissory Note (DP Note) favoring the Bangladesh Bank before disbursement of approved refinanced loan to the PFI to ensure repayment of refinanced loan with interest.
- e) "Credit Purchase/ Loan Taken Over" on reasonable ground by the PFI will be considered for refinance facility. But before submission of application for refinance facility against such financing, the PFI has to ensure that the loan is not adversely classified/ rescheduled due to adverse classification/ interest waived. The client having history of loan written-off will be disqualified for refinance facility.
- f) Financing in green products/initiatives/projects under "Syndicated Financing" will be considered for refinance facility. But only Lead Bank/Financial Institution under the syndicated financing will be allowed to submit refinance application to the Bangladesh Bank. Approved refinanced loan amount will be disbursed in favor of the Lead Bank/Financial Institution and quarterly installments of repayment will be realized from its current/principal account maintained with the Bangladesh Bank. Lead Bank/Financial Institution will be responsible for distributing refinance facility in pro-rata basis among other member Banks/Financial Institutions under syndication and also to collect installments from the member Banks/Financial Institutions. Lead Bank/Financial Institution will also perform all other responsibilities related with syndicated financing.

Article-III

Section-1: Rate of Interest under Refinance Scheme for Green Products/Initiatives/Projects.

Section-1.1: Rate of Interest at the PFI End.

Bangladesh Bank will realize interest at Bank Rate on refinanced loan amount to be disbursed in favor of the PFI against their lending/financing under this scheme.

Section-1.2: Rate of Interest at the Customer/Beneficiary End.

- a) Bank Rate will be considered as base rate in determining the rate of interest at the customer/beneficiary end.
- b) PFI may impose/charge margin in addition to the base rate to determine the rate of interest (Bank Rate + Margin) at the customer/beneficiary end for their direct financing to green products/initiatives.
- c) If the PFI enjoys refinance facility in any green products/initiatives/projects before circulation of SFD Circular No. 02, dated 30 April 2020 issued by the BB, interest rate of that products/initiatives under the scheme will be continued.

Article-IV

Section-1: Application Procedure under Refinance Scheme for Green Products/Initiatives/Projects.

- a) In case of the green products/initiatives/projects for which trial runs are required, the PFI will submit refinance application at a time to the Bangladesh Bank within 90 (ninety) days after completion (trial run) of the project against its direct disbursed loan.
- b) PFI will submit refinance application addressed to the General Manager, Sustainable Finance Department, Bangladesh Bank, Head Office, Dhaka, signed by the MD/CEO of the PFI. PFI will provide necessary statement/information in prescribed formats during submission of refinance application.
- c) PFI can get up-to 100% refinance facility against their disbursed loan amount under this scheme. In this regard Bangladesh Bank's decision will be considered as final.

Article-V

Section-1: Recovery of Refinanced Loan.

- a) Refinanced loan amount with interest will be repayable by the PFI in quarterly installments basis as per specific repayment schedule to be determined by the BB considering the loan disbursement date.
- b) Total loan amount with interest will be repayable by the beneficiary/ultimate borrower within the stipulated time as per the terms and conditions of the refinance scheme.
- c) Quarterly installments of refinanced loan with interest will be deducted in a fixed date from the PFI's "Current/Principal Account" maintained with the BB as per specific repayment schedule.
- d) Loan amount with interest will be repayable by the beneficiary/ultimate borrower in quarterly installments basis as per fixed repayment schedule.
- e) Tenure of loan recovery will be calculated from the date of disbursement at the customer/beneficiary end and duration of refinanced loan will start from the date of disbursement of the refinanced loan at the PFI's end.
- f) Interest Rate calculation, allowing grace period, charging Schedule of Charges and realization of Govt. Tax/Duty will be ascertained as per the instructions of SFD Circular No. 02, dated 30 April 2020 and also as per the circulars/circular letters to be issued time to time by the BB.
- g) If any borrower adjusts/settles the loan before maturity of loan tenure, the refinance facility for the PFI will be up-to that time being for which the ultimate borrower enjoyed the loan. But if the PFI desires, they may adjust the refinanced loan before the loan tenure. In such case, PFI will instantly inform the BB about the borrower's loan adjustment along-with the borrowers' loan account statement. No charge/fee will be realized at the borrower's end for such type of early settlement of loan account.

Article-VI

Section-1: Eligible Green Products/Initiatives/Projects under Refinance Scheme.

Details of eligible green products/initiatives/projects, product features, maximum loan limit, loan coverage area, loan tenure, grace period, eligible criteria to get refinance facility under the refinance scheme and other

specified terms & conditions mentioned in the SFD Circular No. 02, dated 30 April 2020 and also as per the circulars/circular letters to be issued time to time by the BB will be as an integral part of this agreement. PFI must comply with all the terms and condition mentioned in the existing circulars/circular letters under the “Refinance Scheme for Green Products/Initiatives/Projects”.

Article-VII

Section-1: Proper Utilization of Refinanced Loan and Other Specified Conditions.

Section-1.1: Proper Utilization of Refinanced Loan.

- a) PFI will provide/furnish information/statement to the BB regarding end-use/proper utilization of the refinanced loan in the prescribed forms and manner asked by the BB. Bangladesh Bank will preserve the right to conduct onsite inspection (if required) at any time to verify proper utilization of the refinanced loan.
- b) If the following circumstances arise, the PFI is bound to return the refinanced loan to the BB at a time with 5.00% penal interest in addition to existing bank rate and punishment will also be taken against the PFI as per Bangladesh Bank Order 1972, Bank Company Act 1991 or Financial Institution Act 1993:
 - i) If the PFI receives refinance facility under the scheme on the basis of false or incorrect statement/information;
 - ii) If it is found during BB's onsite inspection that the disbursed refinanced loan is not utilized properly.
 - iii) If the PFI does not instantly inform the BB about adverse classification of the client’s loan account against which refinanced facility is availed from the BB.

Section-1.2: Other specified conditions.

- a) PFI should ensure the equity contribution by the entrepreneur for financing under this scheme and the ratio of **debt:equity** will be determined by the PFI as per the relationship with its customers. But the minimum ratio of **debt:equity** would be 80:20.
- b) Selection of borrower, loan sanction, taking securities against loan, disbursement, documentation, determination of debt-equity ratio, proper utilization of loan and monitoring will be decided on the basis of existing circulars/circular letters of the Bangladesh Bank, own rules/guidelines of the PFI and Bank/Financial Institution-Customer relationship.
- c) Total responsibility regarding loan risks and loan recovery of disbursed loan at the client’s end will be vested at the PFI’s end. PFI will ensure proper risk management (Credit Risk, Environmental and Social Risk etc.) of refinanced loans.
- d) Repayment of refinanced loan to the BB will not be correlated with the recovery of loan from the beneficiaries/ultimate borrowers.
- e) The running green products/initiatives/projects financed by the PFI or financed by the PFI within maximum period of 06(six) months of commercial operation due to reasonable ground will be considered for refinance facility.

- f) If the disbursed loan account becomes adversely classified at the beneficiary/ultimate borrower's level, the refinance facility will be considered as void. PFI must instantly inform the BB about adverse classification of such loan. Bangladesh Bank will recover the outstanding refinanced loan amount with interest at a time.
- g) PFI will ensure duly compliance of required/applicable directions/provisions imposed/circulated by the Department of Environment, Bangladesh Fire service and Civil Defense Authority, Sustainable and Renewable Energy Development Authority (SREDA) and other regulatory bodies at regular interval during project implementation or before loan disbursement.
- h) Bangladesh Bank will take appropriate/necessary steps according to the laws and regulations, if the PFI does not provide necessary information/statement sought by Bangladesh Bank regarding refinanced loan within due time.
- i) Application for refinance facility against the PFI's finance for green products/initiatives/projects will not be considered, if such finance by the PFI was made before the period refinance facility for those green products/initiatives/projects was circulated by the BB.
- j) The refinance facility under the scheme will be continued up-to the availability of the fund until further instruction.
- k) Bangladesh Bank preserves the right to change/amend or any addition/deletion regarding the products/products' features and also terms and conditions of the refinance scheme/fund. Circulars/Circular Letters to be issued time to time by the Bangladesh Bank regarding such amendment will be integral part of this agreement.

IN WITNESS WHEREOF, the [*Name of the PFI*] has caused this agreement to be executed in its name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, and the Bangladesh Bank as the administrator of the fund, has caused this agreement to be executed, all as of the date first above written.

[Name of the PFI]

[PFI SEAL]

[Signature]

[Name of the authorized PFI representative]

[SEAL]

BANGLADESH BANK

[BB SEAL]

[Signature]

General Manager
Sustainable Finance Department

[SEAL]

WITNESS:

1. [Signature]

[Name and designation of witness from BB]

[SEAL]

2. [Signature]

[Name and designation of witness from PFI]

[SEAL]