AN INTERNSHIP REPORT

ON

"Corporate Governance Practices of Jamuna Bank Ltd."

This report is submitted to the Department of Accounting, Hajee Mohammad Danesh Science and Technology University as a partial Requirement for the fulfillment of Degree of Master of Business Administration (MBA) Program.

PREPARED BY

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Department of Accounting

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DEPARTMENT OF ACCOUNTING

HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY UNIVERSITY

DINAJPUR-5200

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Md. Reiazul Haque	**Saiful Islam**
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DEPARTMENT OF ACCOUNTING

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July-2016

Dedicated to

My Beloved Parents

Letter of Transmittal

July, 2016

To

Md. Reiazul Haque
Assistant professor
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur.

Subject: Submission of Internship Report under "Corporate Governance Practices of Jamuna Bank Ltd."

Dear Sir,

With due respect, I hereby submit my Internship report on **"Corporate Governance Practices of Jamuna Bank Ltd."**. I have tried my best to prepare good report with providing all of my effort. The entire report is based on my working experience with Jamuna Bank Ltd. Mazar Road Branch, Mirpur, Dhaka. During my internship period I have tried to my best to use my theoretical knowledge into practical work.

I sincerely believe that this internship program will help me to enrich my adaptability quality in the long run when I will involve myself in practical field.

I am grateful to you for your guidance and kind cooperation at every step of my endeavor on this report. I shall remain deeply grateful if you accept the report and evaluate my performance.

Yours sincerely,

Md. Tariqul Islam
Student ID: 1505123
MBA-major in Accounting & Information Systems (MBA-AIS)
Department of Accounting,
HSTU, Dinajpur.

Students Declaration

The discussing report is the terminal formalities of the internship program for the degree of Master of Business Administration (MBA), Department of Accounting from Hajee Mohammad Danesh Science and Technology University, Dinajpur which is compact professional progress rather than specialized. This report has prepared as per academic requirement after the successfully completing of 90 days internship program under the supervision of my honorable supervisor **Md. Reiazul Haque**, Assistant Professor, Department of Accounting. It is my great pleasure and privilege to submit my report titled **"Corporate Governance Practices of Jamuna Bank Ltd."** as the presenter of this report; I have tried my level best to get together as much information as possible to enrich the report. I believe that it was fascinating experience and it has enriched both my knowledge and experience.

However, after all this, as a human being, I believe everyone is not beyond of limitation. There might have problems regarding lack and limitation in some aspects and also some minor mistake such as syntax error or typing mistake or lack of information. Please pardon me for that mistake and clarify these of my further information on those matters.

Md. Tariqul Islam
Student ID: 1505123
MBA-major in Accounting & Information Systems (MBA-AIS)
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HSTU, Dinajpur.

Declaration of Supervisor

This is to certify that **MD. Tariqul Islam**, student of MBA (major in Accounting and Information Systems), Department of Accounting, Faculty of Post Graduate Studies, and Session 2015, bearing Roll No. 1505123 under an internship program entitled on **“Corporate Governance Practices of Jamuna Bank Ltd**” under the supervision of me.

I also certify that I have gone through the draft copy of the report. Thoroughly found it satisfactory for submission to the department as a part of partial fulfillment of MBA degree.

I recommend the report to submit for awarding the degree of Master of Business Administration (MBA), HSTU, Dinajpur.

I wish him every success for the days to come.

Md. Reiazul Haque
Assistant Professor
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur.

<u>Declaration of Co-Supervisor</u>

I hereby declare that the concerned report entitled **"Corporate Governance Practices of Jamuna Bank Ltd**" is an original work made by Md. Tariqul Islam, student of MBA (major in Accounting and Information Systems), Department of Accounting, Faculty of Post Graduate Studies, Session 2015, bearing Roll No. 1505123, completed his internship under my co-supervision and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration (MBA) at Hajee Mohammad Danesh Science and Technology University, Dinajpur.

I recommend the report to submit for awarding the degree of Master of Business Administration (MBA), HSTU, Dinajpur.

I wish him every success for the days to come.

Saiful Islam
Assistant Professor
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur.

Acknowledgement

For the very first of all I would like to express my gratefulness and harmony to the Almighty Allah, the supreme authority of the universe. Next I would like to express my kindness to my beloved parents whose continuous inspiration & support encourages me to make a right move in my life.

I am grateful towards some respected persons for their advice, directions and cooperation, which enable me to get an experience in the real work environment.

Than I would like to thank my honorable supervisor **Md. Reiazul Haque**, Assistant Professor, Department of Accounting, HSTU, Dinajpur. Without his help, advice and cooperation the report will be valueless.

I am also grateful to my honorable co-supervisor **Saiful Islam**, Assistant Professor, Department of Finance and Banking, HSTU, Dinajpur, for his important advice and cooperation to prepare this report.

I express my heart full thanks to all the branch members of especially **Md. Rafiqul Alam,** SAVP and Manager, Jamuna Bank Limited, Mazar Road Branch, Mirpur, Dhaka. Their overwhelming support for my internship gave me the inspiration to do a better report.

I would like to thank from the deep of my heart to those people who are related with making of this report and make it a success.

At last but not the least, the Hajee Mohammad Danesh Science and Technology University, Dinajpur for giving me an opportunity to complete my MBA degree and give me a scope to gather practical experience and enrich my knowledge.

Author

Executive Summary

As a part of Post Graduate (MBA-AIS) students, Internship program, each of the students' needs an organizational attachment. Being attached with Jamuna Bank Limited, this study has been undertaken to fulfill the internship purpose. During a specified period of internship, the students are required to prepare a report on the organization from where he has completed his internship.

Jamuna Bank Limited is a private commercial bank, which is operating its business last 15 years. The bank has achieved a tremendous success during this short span of time and established itself as a progressive and dynamic financial institution in the country. The bank is widely acclaimed by the business community, starting from small businessmen or entrepreneurs to the big traders or industrial group, including the top rated corporate clients who hold pragmatic outlook and financial solution. Mainly secondary data have been used to gather information which is necessary to prepare this study.

Corporate Governance is based on several critical principles. They include an independent, active and engaged Board of Directors which has the skill to properly evaluate and oversee the business process, business and financial performance, internal control and compliance structure and direct management on strategic and policy issues. On the other hand, the Board has to ensure that the management headed by Chief Executive Officer (CEO) fully discharge their day to day administrative responsibilities prescribed by BB and the Board itself and necessarily refrain themselves from micro management of the management affairs. JBL recognizes the importance of good corporate governance as a major factor in enhancing the efficiency of the organization. The Bank therefore seeks to encourage the conduct of its business to be in line with the principles of good corporate governance, which form a basis for sustainable growth.

Author

Acronyms &Abbreviations

JBL	Jamuna Bank Limited
CG	Corporate Governance
BB	Bangladesh Bank
SWIFT	Society for Worldwide Interbank Financial Telecommunication
WTO	World Trade Organization
FDI	Foreign Direct Investment
OECD	The Organization for Economic Co-operation and Development
CEO	Chief Executive Officer
BSEC	Bangladesh Securities and Exchange Commission
EC	Executive Committee
MANCOM	Management Committee
ALCO	Asset Liability Committee

CONTENT

CHAPTER ONE

INTRODUCTION

1.1 PRELUDE

Corporate Governance is the system by which business corporations are directed and controlled. Its structure specifies the distribution of rights and responsibilities among company's different actors such as board, management, share holders and other stake holders.

Corporate governance has also been defined as "A system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers."

Corporate Governance is concerned with holding the balance between economic and social goals and between individuals and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. In recent years, corporate stakeholders across the globe have become more concerned than ever about the quality of corporate governance practices and a series of recent corporate collapses in different parts of the world has contributed to their interested concern. Governance is a mechanism for monitoring the actions, policies and decisions of corporations. Sound Corporate Governance practices are the foundations upon which the trust of investors (stakeholders, banks, and nonbank financial institutions) and other stakeholders is built; whereas poor Corporate Governance practices lower the confidence level of a company's stakeholder, especially that of investors as Sound corporate governance is a prerequisite to develop a well functioning capital market and it improves access to capital for both public and private entities. It makes the decisions takers more accountable to respective authorities.

1.2 BACKGROUND OF THE STUDY

Knowledge and learning become perfect when it is associated with theory and practice. Theoretical knowledge gets perfection with practical application. For that, this report has been prepared for practical requirement of M.B.A. Program after completing the Theoretical knowledge and academic courses; a student has to complete 90 days organizational attachment. So, after completion of 90 days organizational attachment at Jamuna Bank Limited (Mazar Road Branch, Mirpur, Dhaka), this report has been prepared.

This report on "Corporate Governance Practices of Jamuna Bank Limited" was initiated as a part of Internship Program for fulfilling M.B.A. degree under Department of Accounting, Hajee Mohammad Danesh Science & Technology University, Dinajpur, Bangladesh. This report is being submitted To Md. Reiazul Haque, Assistant Professor, Department of Accounting, Hajee Mohammad Danesh Science & Technology University Bangladesh, Dinajpur.

Since the M.B.A. Program is an integrated, practical, theoretical method of learning, the student of this program are required to have practical exposure in any kind of business organization.

1.3 BJECTIVES OF THE STUDY

The intention to prepare this report is stated below:

1. The main objectives of the report are to assemble knowledge and experience about the corporate governance of Jamuna Bank Ltd (JBL).
2. The specific objectives of this report are as follows:
    - To understanding the meaning of good corporate governance.
    - To know about the management style and organizational structure of JBL.
    - To know the product and services of JBL.
    - To analyze the corporate governance of JBL.
    - To put forward some recommendation based on findings.

1.4 SCOPE OF THE STUDY

The scope of the report is limited to the overall description of the bank, its services, its position in the industry and its competitive advantages. The scope is also defined by the organizational set-up, functions and performances. Corporate governance practices on JBL conforms the overall accountability, transparency, fairness, responsibility and protect the interest of the all stakeholders. The boards of directors design the different committees and agendas of different meetings & boards of JBL. Corporate governance practices approve policies, strategies & plans of JBL regarding with existing laws & regulations.

The report mainly emphasizes the disclosed information in the annual reports of the bank. Besides of this based on some internal information which is not disclosed in the annual reports, an empirical review has been conducted.

1.5 METHODOLOGY

The report has been written on the basis of information collected from:

1. Primary Sources of data
    - Experience gathered through working at office of the JBL.
    - Informal conversation with top management.
    - In-depth study of selected cases.

2. Secondary Sources of data
    - Annual Report of JBL.
    - Prospectus & Profile of JBL.
    - Books & Journals.
    - Websites of the JBL.

1.6 LIMITATIONS

The limitations, in preparing this repost, are given below:

- I had no previous experience to direct a survey program that's why this report might not bring the same result what the authority expect.
- There was a limited scope for me to deal with the banking activities directly.
- Relevant papers and documents were not available sufficiently.
- Due to the company policy of JBL, some confidential information might not be presented which could actually precise the report accordingly.
- Within the short period of time, it is not possible for me to study ever thing about the JBL.

CHAPTER TWO

COMPANY PROFILE

2.1 BACKGROUND OF JBL

Being a 3rd generation Bank of Bangladesh, it focuses on

- Remaining with time.
- Developing human capital.
- Creating true customer's value.
- Managing change.

JBL has implemented well structured online banking systems that make it easier to provide prompt services to the customer. The Bank is being managed and operated by a group of highly educated and professional team with diversified experience in finance and banking. The Management of the bank constantly focuses on understanding and anticipating customers' needs.

Jamuna Bank Limited (JBL) is a Banking Company registered under the Companies Act, 1994 of Bangladesh with its Head Office currently at Hadi Mansion, 2, Dilkusha C/A, Dhaka-1000, Bangladesh. The Bank started its operation from 3rd June 2001.

The Bank provides all types of support to trade, commerce, industry and overall business of the country. JBL's finances are also available for the entrepreneurs to set up promising new ventures.

The Bank offers both conventional and Islamic banking through designated branches. The Bank is being managed and operated by a group of highly educated and professional team with diversified experience in finance and banking. The Management of the bank constantly focuses on understanding and anticipating customers' needs. Since the need of customers is changing day by day with the changes of time, the bank endeavors its best to device strategies and introduce new products to cope with the change. JBL has already achieved tremendous progress within its past 14 years of operation. The bank has already built up reputation as one of quality service providers of the country.

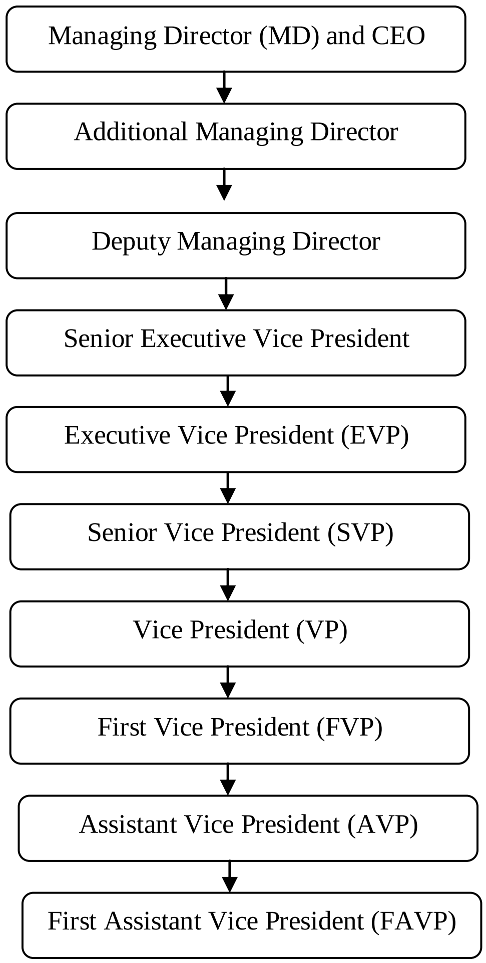
2.2 CORPORATE INFORMATION OF JBL

Name of the Company Jamuna Bank Ltd. (JBL) Legal "Form A" public ltd. company incorporated in Bangladesh on May 20,2001 under the companies Act 1994, the Bank Company Act 1991 and Act 12of 1999, Date of Commencement June 02, 2001.

Name of the bank	JAMUNA BANK LIMITED
Incorporation Date	May 20,2001
Date of commencement	June 02,2001
Corporate Address	Hadi Mansion, 2, Dilkusha C/A, Dhaka-1000, Bangladesh.
SWIFT	JAMUBDDH
Chairman	Mr. Gazi Golam Murtoza
Managing Director	Mr. Md. Shofiqul Alam
Secretary	Mr. Md. Malik Muntsir Reza
Deputy Managing Director	Mr. Md. Mozammel Hossain
Auditors	M. J. Abedin & Co.
Number of Branches	84 as of 2015
Total number of Employee	1839 as of 2015
Listing Status	Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd.
Authorized Capital	TK.8000 million
Paid-up capital	Tk. 6,110.75 million

2.3 ORGANIZATIONAL STRUCTURE OF JBL

The organization structure of JBL strongly reflect its determination to establish, uphold and gain a stronger footing as an organization which is customer- oriented and transparent in its management.



2.4 VISIONS

To become a leading banking institution and to play a significant role in the development of the country.

2.5 MISSION

The Bank is committed for satisfying diverse needs of its customers through an array of products at a competitive price by using appropriate technology and providing timely service so that a sustainable growth, reasonable return and contribution to the development of the country can be ensured with a motivated and professional work-force.

2.6 CORPORATE SLOGAN

Your partner for growth.

2.7 OBJECTIVES OF JBL

Strategic Objectives:

- To increase shareholder's value.
- To achieve economic value addition.
- To be market leader in product innovation.
- To be one of the top three financial institutions in Bangladesh in terms of efficiency.
- To introduce fully automated systems through integration of information technology.
- To ensure an adequate rate of return on investment.
- To keep risk position at an acceptable range.
- To ensure optimum utilization of all available resources.

Financial objectives:

- To achieve 20% return on shareholder's equity or more, on average.

2.8 CORE VALUES

- Customer Focus.
- Integrity.
- Quality.
- Teamwork.
- Respect for the individual.
- Harmony.
- Fairness.
- Courtesy.
- Commitment.
- Respectable Citizenship.

- Business Ethics.
- Unique Culture.

2.9 ETHICAL PRACTICES

- We strictly comply with all rules and regulations.
- We provide fair treatment to all stockholders.
- We maintain strict secrecy of customers accounts.
- We listen to our customers and work for their requirement.
- We provide adequate disclosure of corporate information and operation results to shareholder for taking suitable investment decision.
- We ensure work under highly motivated team spirit and fellowship bond.
- We do not encourage projects which are not environment friendly.

2.10 FUNCTIONS OF JBL

- JBL performs all types of functions of a modern commercial bank, which generally includes flowing-
- Mobilization of savings of the people and safe keeping of all types of deposit account.
- Making advances especially for productive activities and for the other commercial and socio-economic needs.
- Providing banking services to common people through the branches.
- Introduce modern Banking services in the country.
- Discounting and purchasing bills.
- Various information, guidance and suggestions for promotion of trade and industry keeping in view of the overall economic development of the country.
- Finance for both capital machinery and working capital.
- Finance under small business of self-employed clients.
- Finance of farming and non-farming activities to rural people including purchase of agricultural equipment’s.
- Developing new products Market surveys before making any finance.
- Finance for small transport.
- Monitoring and forecasting.
- Developing marketing campaigns.
- Finance for household durables.
- Work simplification studies.
- Monitoring diversification of portfolio among different sectors.

CHAPTER THREE

CORPORATE GOVERNANCE

3.1 INTRODUCTION

Corporate Governance is the system by which business corporations are directed and controlled. Its structure specifies the distribution of rights and responsibilities among company's different actors such as board, management, share holders and other stake holders. Transparency and accountability are its major attributes. Beyond this there is a growing recognition that a good Corporate Governance system actively adds value to the long run. Viewed in this context, Corporate Governance is the enhancement of the long term shareholders value while at the same time protecting the interest of other stake holders. Corporate Governance principles had its origins in the 19th century although the term Corporate Governance itself came into vogue in the latter part of the 1980s. The need to focus on good practices of Corporate Governance mainly arose as a response to the separation of ownership and control following the formation of joint stock companies. The owners or shareholders of these joint stock companies, who were not involved in day to day operational issues, required assurances that those in control of the company, the directors and managers, were safeguarding their investments and accurately reporting the financial outcome of their business activities. Thus, directors were the original targets of Corporate Governance, and practices and principles were designed to protect the interests of the shareholders from misdemeanors' of directors. However, current thinking recognizes a company's obligations to society more generally in the form of all stakeholders, and it has been this new thinking that has driven the study and practice of good Corporate Governance to the levels it has reached today. Perhaps it is also such thinking that accounts for the hectic pace at which developments have taken place and are taking place in the practice as well.

3.2 UNDERSTANDING CORPORATE GOVERNANCE (CG)

The word 'Corporate Governance' has become a buzzword due to the Asian financial crises in 1997-98, the activities of the corporate sector affected entire economies, and deficiencies in CG endangered the stability of the global financial system. In general, CG deals with laws, procedures, practices and implicit rules that determine company's ability to take managerial decisions vis-à-vis its claimants—in particular, its shareholders, creditors, customers, the State and employees. However, a somewhat broader definition would be to define CG as a set of mechanisms through which a single country or firms within a country operates when ownership is separated from management. Therefore, corporate governance is the system by which companies are directed and controlled. There is a global consensus about the objective of 'good' corporate governance: maximizing long term shareholder value.8 Since shareholders are residual claimants, this objective follows from a premise that, in well performing capital and financial markets, whatever maximizes shareholder value must necessarily maximize corporate prosperity, and best satisfy the claims of creditors, employees, shareholders, and the State. Since the concept of government controlling the economy is gradually eroding, it has made the market a decisive factor in settling economic issues. This has also coincided with the thrust given to globalization because of the setting up of the WTO and every member of the WTO trying to bring down the tariff barriers.

Globalization involves the movement of four economic parameters namely, physical capital in terms of plant and machinery, financial capital in terms of money invested in capital markets or in FDI, technology, and labor moving across national borders. The pace of movement of financial capital has become greater because of the pervasive impact of information technology and the world having become a global village. 9 When investments take place in emerging markets, the investors want to be sure that not only are the capital markets or enterprises with which they are investing, run competently but they also have good corporate governance. CG represents the value framework, the ethical framework and the moral framework under which business decisions are taken. In other words, when investments take place across national borders, the investors want to be sure that not only is their capital handled effectively and adds to the creation of wealth, but the business decisions are also taken in a manner which is not illegal or involving moral hazard.

Corporate governance therefore calls for three factors:

- Transparency in decision-making;
- Accountability which follows from transparency because responsibilities could be fixed easily for actions taken or not taken, and;
- The accountability is for the safeguarding the interests of the stakeholders and the investors in the organization.

3.3 IMPORTANCE OF CORPORATE GOVERNANCE

Governance may be said to be all about effective, transparent and accountable administration of affairs of an institution by its management, while protecting the interests of its stakeholders including shareholders, creditors, regulators and the public. Modern Corporate Governance practices have evolved over time and different codes of Corporate Governance have been developed by various organizations such as the OECD code of Corporate Governance, the Basel code of Corporate Governance for banks and financial institutions, etc. At the same time, several fundamental Corporate Governance Principles have now evolved and have received worldwide acceptance, and guidelines under each such principle have been comprehensively developed by Corporate Governance activists, practitioners, researchers, and others.These principles generally relate to the responsibilities of the Board, Directors, Chairmen, CEOs, senior management, Board appointed committees, auditors, shareholders and regulators. Accountability, internal controls, related party transactions, conflicts of interest, information disclosures have also been extensively dealt with and targeted in the formulation of these principles.

The Banking and financial sector is easily distinguishable from the others. A few distinguishing features stand out:

- Unlike normal business entities which are funded mainly through shareholders' funds; banks' business involves funds raised mainly through deposits. The business of raising public deposits places greater fiduciary responsibilities on the institution and its managers, since depositors' funds need to be safeguarded in a special way.
- Banks perform as financial intermediaries by lending and investing the funds mobilized and funding economic activities of others.
- Banks are the agents of the payments system where they facilitate payments domestically and internationally, through various instruments such as bank accounts, fund transfers, credit cards, etc.
- Banks are able to undertake all such business operations as a result of public trust and faith in the stability and soundness of the banks in particular and the system in general. The history on bank failures in many countries indicates that loss of public confidence in banks could be contagious and could easily lead to systemic banking crisis situations.

Overall, the banking business is the key for monetary conditions in a country. Bank deposit and lending business determines the supply, cost and availability of money. Money is created by the banking system through the legal tender issued by the Central Banks and Monetary Authorities. Since sight money created is payable by banks at any time through legal tender and technically, the banking system does not have funds adequate for meeting all such created money at any particular point of time. Banking business thus casts a huge responsibility on the monetary authorities to facilitate, regulate, and protect the banking and payments system.

As we all know, the Basel code of Corporate Governance for banks and financial institutions covers 8 principles. These are:

- Principle 1: Board members should be qualified for their positions, have a clear understanding of their role in Corporate Governance and be able to exercise sound judgment about the affairs of the bank.
- Principle 2: The board of directors should approve and oversee the bank's strategic objectives and corporate values that are communicated throughout the banking organization.
- Principle 3: The board of directors should set and enforce clear lines of responsibility and accountability through the organization.
- Principle 4: The board should ensure that there is appropriate oversight by senior management consistent with board policy.
- Principle 5: The board and senior management should effectively utilize the work conducted by the internal audit function, external auditors, and internal control functions.
- Principle 6: The board should ensure that compensation policies and practices are consistent with the bank's corporate culture, long-term objectives and strategy, and control environment.
- Principle 7: The bank should be governed in a transparent manner.
- Principle 8: The board and senior management should understand the bank's operational structure, including where the bank operates in jurisdictions, those that may impede transparency (i.e. "know-your-structure").

It is very clear today, more than ever, that Regulators also have a key role to play in achieving good Corporate Governance. In general, all regulations, in the Banking System, are intended in one way or another, to enforce prudential requirements on key areas of affairs of institutions to mitigate identified risks. Regulations on ownership, related party transactions, and fitness and propriety tests for directors are directly based on modern Corporate Governance principles. However, the Basel Committee goes further and describes the role of supervisors in Corporate Governance by adding new parameters as well. These are:

- Supervisors should provide guidance to banks on sound Corporate Governance and the pro- active practices that should be in place.
- Supervisors should consider Corporate Governance as one element of depositor protection.
- Supervisors should determine whether the bank has adopted and effectively implemented sound Corporate Governance policies and practices.
- Supervisors should assess the quality of banks' audit and control functions.
- Supervisors should evaluate the effects of the bank's group structure.
- Supervisors should bring to the board of directors' and management's attention, problems that they detect through their supervisory efforts.
- According to Basel recommendations, Corporate Governance should be promoted by other stakeholders as well. For instance, Shareholders – through the active and informed exercise of shareholder rights;
- Depositors and other customers – by not conducting business with banks that are operated in an unsound manner;
- Auditors – through a well-established and qualified audit profession, audit standards and communications to boards of directors, senior management and supervisors;
- Banking industry associations – through initiatives related to voluntary industry principles and agreement on and publication of sound practices;
- Professional risk advisory firms and consultancies – through assisting banks in implementing sound Corporate Governance practices;
- Governments – through laws, regulations, enforcement and an effective judicial framework;
- Credit rating agencies – through review and assessment of the impact of Corporate Governance practices on a bank's risk profile;

- Securities regulators, stock exchanges and other self-regulatory organizations – through disclosure and listing requirements; and
- Employees – through communication of concerns regarding illegal or unethical practices or other Corporate Governance weaknesses.

3.4 OECD PRINCIPLES

Over the last few years different country groups have been establishing their own common set of benchmarks for corporate governances, for instance, the OECD Council called upon the OECD to develop a set of CG standards and guidelines and published in May 1999 a common set of guiding principles on corporate governance for all OECD member countries. To institutionalize CG practice, OECD has introduced following principles are:

1. Right of Shareholders
    - Recognition of basic Shareholders rights.
    - Shareholders have the right to participate in decisions concerning.
    - Fundamental corporate changes.
    - Voting rights of shareholders.
    - Disclosure of disproportionate voting rights of certain shareholders.
    - Shareholders should consider the costs and benefits of exercising.

2. Role of Stakeholder
    - Assure that rights of stakeholders are protected by law.
    - Stakeholders should have the opportunity to obtain effectiveness.
    - Permit performance-enhancing mechanisms for stakeholder participation.
    - Stakeholders should have access to relevant information in the corporate governance.

3. Disclosure and transparency
    - Scope of material information to be disclosed.
    - Information should be prepared in accordance with high accounting standard.
    - Annual audit should be conducted by an independent auditor.
    - Fair, timely and cost-effective means of disseminating information.

4. Responsibilities of the board

- Board members should act on the best interest of the company with due diligence and care.
- The board should treat all shareholders fairly
- The board should ensure compliance with the law and take account the interest of stakeholders.
- Definition of key functions of the board
- The board should exercise objectives judgments independent from management
- Board member should have access to accurate, relevant and timely information.

3.5 FORCES AGAINST AND FOR CORPORATE GOVERNANCE

In Bangladesh there is a tendency to make large investments in highly- capital intensive enterprises with an eye to price incentives through relationship. This leads to wastage of scarce capital resources. Many firms now need foreign capital to finance expenses that again can lead to demand for better CG. Political turmoil and vested interests are the key factors to hinder the process of good CG framework in Bangladesh. Thus, policy makers have to focus not only on regular or accurate financial accounts & transparency, but they have to address issues like whether a large business group should also be allowed to own a bank. In brief, following are the issues that hinder the enforcement of CG in Bangladesh.

1. Boards of Directors:
    - Inadequate examples of role in formulating vision and strategy.
    - Lack of independent representation.
    - Lack of power held by CEO.
    - Absence of accountability structure of management to the board/shareholders
    - When the Board Chairman is also a Cabinet Minister there may be a tendency to treat the SOE as a Government department.
2. Commercial focus:
    - Procedures are set and not easy to deviate from.
    - Price controls are not market driven.
    - Sometimes face unfair competition from the private sector.
3. Accountability and Monitoring:

- Access to accurate information is difficult.
- Ample of evidence of management collusion with trade unions.
- Control Audits of Internal Audit, Government Commercial Audit, and External Audit.
- Commercial Audits results are doubtful and not transparent.

4. Employee incentives
    - No genuine incentive for better performance.
    - Quality people not attracted to SOEs.
    - Pressure from trade unions.

CHAPTER FOUR

CORPORATE GOVERNANCE IN JBL

4.1 CORPORATE GOVERNANCE IN JBL

Corporate Governance is the process of practicing accuracy, accountability, smart stewardship, effective internal control, customary corporate behavior in an organization. It is the means, by which an organization is operated and controlled. It protects the interests of all stakeholders of an organization. Good Corporate Governance should be ensured in the banks, as they deal with huge public money and interests of the depositors. Fairness, Transparency, Accountability and Responsibility are the minimum standard of acceptable corporate behavior today. At JBL, the Board is committed to maintaining high standards of corporate governance with a view to enhancing stakeholder value, increasing investor confidence, establishing customer trust and building a competitive organization to pursue the Bank's corporate vision to be a financial services leader in the country. The Board's fundamental approach in this regard is to ensure that the right executive leadership, strategy and internal controls for risk management are well in place. Additionally, the Board is committed to achieving the highest standards of business integrity, ethics and professionalism across all of the Bank's activities. A key objective of our governance framework is to ensure compliance with applicable legal and regulatory requirements and with best governance practice as set out in the concerned Securities and Exchange Commission's Notification. JBL also examines developments in corporate governance standards of leading and reputable organizations and institutions in the region and around the world to ensure that its approach in Bangladesh and in countries the Bank has presence is in line with the latest international best practices. The Board continuously reviews its governance model to ensure its relevance and ability to meet the challenges of the future.

4.2 MAIN PRINCIPLES OF JBL

To ensure Corporate Governance, JBL always sticks to the principles, which cover the following areas:

- Board of Directors, its formation, roles and responsibilities;
- Delegation of financial, business and administrative power to the Management;

- Accountability and Internal Control;
- Transparent and neutral Audit Function;
- All-out compliance in Legal Matters;
- Effective Communication with the Stakeholders.

The state and nature of corporate governance in Bangladesh are guided by several factors:

- Company law,
- Government regulations,
- Bangladesh Securities & Exchange Commission (BSEC) requirements (if listed).

The cumulative impact of these factors results in a corporate behavior which is followed in Bangladesh. Bangladesh Securities and Exchange Commission (BSEC) has issued guidance for corporate governance practice. The guidelines include areas like board size, independent directors, chairman and chief executive officer, internal control and audit function of company secretary, audit committee and appointment of external auditor.

4.3 THE BOARD OF DIRECTORS

1. Composition of the Board:

JBL's Board of Directors currently comprises 22 (twenty two) members, including the Managing Director & CEO. It is well-structured with a Chairman and Vice Chairmen. Mr. Mr. Gazi Golam Murtoza is the Chairman, while A. S. M. Feroz Alamare the Vice Chairmen of the Board. The Board is committed to ensure diversity and inclusiveness in its deliberations. The Directors bring to the Board a wealth of knowledge, experience and skills in the key areas of accountancy, law, international business operations and development, finance and risk management, amongst others.

2. Appointment of Board Members and their Remuneration:

There is a formal and transparent procedure for the appointment of Directors to the Board. The members of the Board are appointed each year in the Annual General Meeting (AGM) by the Shareholders of the Bank. The members of the Board are appointed in compliance with Central Bank's Guidelines and other applicable rules of the country. As per Bangladesh Bank's

Guidelines, the Board of Directors is paid remuneration as they compensate their valuable time and efforts.

3. Board Meetings and Agenda:

Board meetings are normally held to discuss and decide on major corporate, strategic and operational issues, as well as to evaluate major investment opportunities. The consent of the Board is normally given by majority votes at Board meetings. The agenda and materials for each Board meeting are provided to the Directors well in advance of the Board meeting for their convenience to take preparation on the agenda. They are provided substantial input and comments on agenda items. The Board Agenda is prepared by the Company Secretary as per directives of the Chairman of the Board. All Board papers are organized and circulated by the Company Secretary of the Bank. In 2014, 20 (twenty) Board Meetings were held wherein; policies and major business strategic decisions were formulated. Role and Responsibilities of the Board of Directors JBL's Board of Directors, the prime policy making Body always remains concerned to protect the interests of all Stakeholders, including the Depositors. The Board has the responsibility to periodically review and approve the overall strategies, business, organization, and significant policies of the Bank. The Board also sets the Bank's core values and adopts proper standards to ensure that the Bank operates with integrity and complies with the relevant rules and regulations.

Key Responsibilities of the Board of Directors:

- Determine the objectives and goals of the Bank; formulate strategies and work plans to achieve the goals;
- Determine the Key Performance Indicators for the Managing Director & CEO and other Executives in formulating annual plan of the Bank and apprise the performance indicators time to time;
- Approve policies, strategies and action plans for recovery of loans, rescheduling, interest rebates and write off abiding by existing laws and regulations;
- Formulate policy for risk management and scrutinize the implementation status of the policy;

- Review the report presented by the Audit Committee, regarding the implementation status of recommendation made by the Bangladesh Bank's inspection team, internal auditors and the external auditors;
- Formulate and approve policy regarding appointment, promotion, transfer, Code of Conduct, human resources development and job rules;
- Concentrate on sufficient training facilities for improving the efficiency of the employees, ensure that information systems and technology are sufficient to operate banking activities effectively and maintain competitiveness;
- Approve the Budget and Financial Statements of the Bank; review the achievement of Budget and modify the Budget as per varying economic and business environment;
- Review the income-expense, liquidity management, past due claims, capital base and its adequacy, maintenance of provisions, and initiatives of loan recovery including legal actions;
- Formulate and approve purchase policy; Capital Plan of the Bank;
- Ensure that the Bank complies with all relevant laws and regulations, including Central Bank's Guidelines, Dhaka and Chittagong Exchange's Listing Regulations and Securities & Exchange Commission's Notifications;
- Ensure the Codes of Corporate Governance, codes of best business practice, emphasizing importance on effective operating infrastructures and system of control;
- Ensure financial transparency, integrity of accounting and sustainable corporate behaviors are in right place;
- Appoint External Auditors, Consultants, and other Advisors, after having approval in the AGM of the Shareholders;
- Encourage and ensure the Bank's active participation in Corporate Social Responsibility activities.

4. Role and Responsibilities of the Chairman of the Board and the Managing Director & CEO:

In line with the best practices and to ensure appropriate supervision of the Management, the roles and responsibilities of the Chairman and the CEO are separated with clear division of responsibilities, defined and documented as approved by the Board Chairman .The Chairman leads the Board and is also responsible for the effective performance of the Board. The Chairman continuously works together with the rest of the Board members in setting the policy framework and strategies to align the business activities driven by the senior management with the Bank's objectives and aspirations and monitors its implementation. The Chairman ensures orderly conduct and proceedings of the Board, where healthy debate on issues being deliberated is encouraged. The Chairman takes the lead to ensure the appropriateness and effectiveness of the succession-planning program for the Board and senior management levels. He also promotes a healthy working relationship with the CEO and provides the necessary support and advice as appropriate. He continues to demonstrate the highest standards of corporate governance practices and ensures that these practices are regularly communicated to the stakeholders. Managing Director & CEO is primarily accountable for overseeing the day-to-day operations to ensure smooth and effective operation of the Bank. Furthermore, he is responsible for mapping the medium to longer term plans for Board approval, and is accountable for implementing the policies and decisions of the Board, as well as coordinating the development and implementation of business and corporate strategies. The CEO ensures that the financial management practice is performed at the highest level of integrity and transparency for the benefit of the shareholders. The CEO, by virtue of his position as a Board member, also functions as the intermediary between the Board and the management.

5. Role of the Company Secretary:

The Company Secretary of the Bank provides assistance to the Board of Directors and the Management. He is responsible for advising the Board audit members on issues relating to compliance with the relevant laws, rules, procedures and regulations, as well as best practices of governance. The Company Secretary keeps the records of the Bank's compliance noncompliance status of the conditions imposed by Bangladesh Securities and Exchange Commission (BSEC) which has been shown in the Compliance Report on BSEC Notification.

4.4 BOARD COMMITTEES

As per Bangladesh Bank's guidelines, all banks have to form an Executive Committee and an Audit Committee of the Board to take decisions on urgent matters of the banks. Without Executive Committee and Audit Committee, Banks cannot form any other Committee or Sub-Committee of the Board. JBL's Board of Directors has formed 2 (two) Committees I) Executive

Committee and ii) Audit Committee, complying with Central Bank's guidelines. The Board delegates some of its governance responsibilities to the following Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

I. Executive Committee

Executive Committee (EC) considers, approves business and operational proposals. EC decides upon all routine and day-to-day operational functioning of the Bank beyond delegated power of the Management. In the year 2012, forty meetings of Executive Committee were held to consider the proposals placed by the Management. Among others, Executive Committee according to its Charter discharges the following duties:

- Decides upon all routine and day-to-day operational functioning of the Bank beyond the power delegated to the Management.
- Ensures implementation of policies, as per approval from the Board of Directors.
- Reviews the policies and guidelines issued by the Central Bank regarding credit, foreign exchange, treasury and other operations of the Bank.
- Approves the credit proposals as per the approved policy of the Board of Directors.

The composition of executive committee:

All routine matters beyond delegated powers of Management are decided upon by or routed through the Executive Committee subject to ratification by the Board of Directors. The Chairman of this Committee is being selected by rotation. Currently, the Executive Committee of Board of Directors is constituted with the following members:

Sl. No.	Members	Photo
1.	**Mr. Md. Mahmudul Hoque, Director & Chairman(EC)**	
2.	**Mr. Shaheen Mahmud, Director & Chairman (BOD)**	
3.	**Engr. Md. Atiqur Rahman, Director**	
4.	**Mr. Md. Belal Hossain, Director**	
5.	**Mr. Md. Sirajul Islam Varosha, Director**	
6.	**Mr. Gazi Golam Murtoza, Director**	
7.	**Mr. Md. Hasan, Director**	

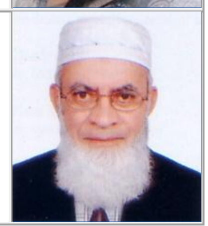
II. Audit Committee:

The Audit Committee of the Board plays significant role to ensure implementation of policies, guidelines etc. provided by Bangladesh Bank, other regulatory bodies and the Board of Directors of the Bank. The committee also reviews the policies, audit plan and its execution, financial statements, audit reports, internal control and compliance report etc. In the year 2014, 9 meetings of Audit Committee were held. The Audit Committee of the Board plays significant role in proper functioning of the Bank, some of which are as follows:

- Reviews the corrective measures taken by the Bank's Management as recommended by the Board Audit Division, Internal Control and Compliance Division, Bangladesh Bank's Inspection Team and External Auditors relating to deficiencies in internal control or other similar issues;
- Reviews whether Internal Control strategies recommended by the Board of Directors have been implemented by the Management;
- Reviews the Human Resource management and evaluates whether the Management is setting the appropriate compliance culture by communicating the importance on Internal Control;
- Reviews the audit plan of Bank's internal audit and inspection;
- Reviews the internal audit report of Head Office and Branches. Salient Features of the Audit Committee Charter JBL's Board of Directors has set some salient features for its Audit Committee Charter, such as:
- The Audit Committee should be composed of at least 3 (three) members from the Board;
- The Chairman of the Audit Committee should have professional knowledge and relevant financial expertise
- The Chairman of the Board of Directors shall not be a member of the Audit Committee;
- Audit Committee meetings must be held quarterly to monitor internal and external audits;
- Audit Committee must prepare reports on all meetings for the Board of Directors and report annually to Shareholders;
- The Managing Director & CEO or the Chairman of the Board may be invited to attend on the Audit Committee meetings as and when required.

The composition of audit committee:

In line with the guidelines of Bangladesh Bank, an Audit Committee of the Board of Directors has been formed to assist the Board with regards to Audit and Internal Control system of the Bank.

Sl. No.	Members	Photo
1.	**Mr. A. S. M. Abdul Halim, Independent Director & Chairman(AC)**	
2.	**Engr. A. K. M. Mosharraf Hussain, Director**	
3.	**Mr. Kanutosh Majumder, Director**	
4.	**Mrs. Tasmin Mahmud, Director**	
5.	**Mr. Md. Rafiqul Islam, Independent Director**	

III. Others committee

1. Management Committee (MANCOM)

As per directives of Bangladesh Bank and for setting a strong internal control framework, each bank must have an effective 'Management Committee (MANCOM)', which is responsible for overall management of the Bank. MANCOM is considered the highest decision and policy making authority of the Bank.

Responsibilities of MANCOM:

MANCOM of the Bank is primarily responsible to:

- Formulate procedures to identify, measure, monitor and control all risks;
- Assign clear responsibility, authority and reporting relationship;
- Monitor adequacy and effectiveness of the internal control system;
- Review overall effectiveness of the control system of the Bank;
- Recommend/ rectify alternatives in case of any deviation from desired goal.

2. Risk management committee:

JBL has formed a separate Risk Management Committee as per Bangladesh Bank's circular letter no DOS (EW) 1164/14 (Jamuna) 2009-457 dated June 10, 2009.

Responsibilities of Risk Management Committee:

The responsibilities of the Risk Management Committee for risk oversight include, amongst others, the following:

- To develop and foster a risk aware culture within the Bank;
- To review and approve risk management strategies, risk frameworks, policies, risk tolerance and risk appetite limits;
- To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which they operate effectively;

- To ensure the infrastructure, resources and systems are in place for risk management. The Staff responsible for implementing risk management systems perform those duties independently of the financial institution's risk taking activities;
- To review and approve model risk management and validation framework.

3. Asset liability committee:

Asset Liability Committee (ALCO) is mainly accountable for managing the market risks. The results of Balance Sheet analysis along with recommendations are placed before ALCO meeting to aid the decision making process of the Senior Management. In each ALCO meeting following issues are addressed:

- Review of actions taken in previous ALCO;
- Review of the assets' and liabilities' pricings;
- Review of interest rate structure in different economic scenarios;
- Liquidity risk related to the Balance Sheet;
- Economic and market scenario.

4. ICAAP Preparation Committee:

JBL has formed 'ICAAP Preparation Committee' to prepare the Internal Capital Adequacy Assessment Process for the Bank. The Committee assesses the overall capital adequacy of the Bank in relation to risk profile. The Committee clearly bears primary responsibility for ensuring that JBL has adequate capital to support its risks.

5. Management reporting system (MRS) committee:

JBL has formed a committee as per Central Bank's requirement, namely, 'Committee for Management Reporting Systems (MRS)'. MRS fulfills the following objectives: Collection of information from the internal as well as external sources against any product of the Bank which is apparently found ineffective or unacceptable to the ultimate user. Identify the actual weakness or defects for taking appropriate decision by the Management or Board of Directors. Locate the reason of weak performance of any of the branches through collection of relevant information of other banks of the same locality. Other internal as well as external issues may be raised by the Committee to the Management or Board of Directors for proper solution.

6. Purchase committee:

A Purchase Committee is functioning with a group of executives headed by a senior most Executive to examine the procurement procedure of goods, services or works whether it has been placed on the basis of actual requirement and maintained necessary formalities as per guidelines of the purchase policy. Among others, the followings are the main responsibilities of Purchase Committee of the Bank: To evaluate the proposal (s) received and find out the effectiveness of each proposal; To prepare a report on the basis of evaluation of the purchase proposal (s) with recommendation and send to concerned division for obtaining approval from the competent authority against procurement of goods, services or works; To supervise the entire activities against procurement.

7. Investment committee:

With a view to achieve diversification in asset portfolio and generating a healthy revenue (as income from buy/sale of shares through secondary market), JBL has formed an Investment Committee, which is primarily responsible to take investment decision in shares. Responsibilities of Investment Committee The Committee will sit for meeting at least once in a week, or as and when necessary after having consent from the Chair; The Committee will take primary decision for investment in shares; The Committee will ensure compliance of investment policy while maintaining portfolio of shares; The Member Secretary will prepare a weekly report on status of investment and report the same to Managing Director & CEO through Chairman; The Committee will determine buy range, sale range and loss limit for every share in the portfolio and Member Secretary will convey the same to the Front Office.

8. Shariah Supervisory Committee:

Jamuna Bank offers Islamic Banking too. At present it has two Islamic banking branches i.e. Nayabazar Branch, Dhaka and Jubilee Road Branch, Chittagong. To guide and oversee its Islamic banking operation, Jamuna Bank has a Shariah Supervisory Committee with the renowned scholars for Islamic banking and economics.

9. Internal Controls:

JBL's Board of Directors has established a management structure that clearly defines roles, responsibilities and reporting lines for Internal Control and Compliance. The Board has overall responsibility for maintaining sound internal control systems that cover financial controls, operational compliance controls and risk management to ensure that shareholders' investments, customers' interests and the Bank's assets are safeguarded. The systems of internal controls are continuously reviewed to ensure that they are working via the ongoing review through internal audit process. The Audit Committee (AC) reviews audit recommendations and management's responses to these recommendations. Lending to the members of the Board or Controlling Shareholders is strictly prohibited by the Bank.

4.5 INTERNAL CONTROL AND RISKS MANAGEMENT POLICIES

There exists risk in every transactions of a bank. So, Risk Management is important in financial sector. Bangladesh Bank has identified six Core Risks and provided guidelines to identify and thereafter minimize the risks. The Board of Directors of the Bank formulated policies for identifying, measuring and controlling the risks involved with banking activities. The Board makes sure that employees have been assigned responsibilities for managing risks, and proper training has been provided to enable them to understand, identify and minimize risks as well.

Internal control on different types of risks faced by the bank and risk management policies are depends on some criteria which are relevant with internal check and internal audit system.

Risk Management Committee (RMC) design some specimen for evaluate the risks faced by the bank to operate the internal control function.

4.6 AUDIT FUNCTION

In the case of financial audits, a set of financial statements are said to be true and fair when they are free of material misstatements - a concept influenced by both quantitative (numerical) and qualitative factors. Traditionally, audits were mainly associated with gaining information about financial systems and the financial records of a company or a business. However, recent auditing has begun to include non-financial subject areas, such as safety, security, information systems performance and environmental concern and compatibility.

1. Internal Audit Function:

- Board audit function

A separate Audit Division, namely, Board Audit Division has been formed within the Bank. Board Audit Division reviews the compliance status of Policy Guidelines of the Board of Directors of the Bank and also of the regulators. Board Audit Division visits the Branches and Other Divisions of the Bank for verification and inspection purpose.

- Internal control and audit function compliance

For an effective control system, a separate and independent Internal Control and Compliance Division (ICCD) have been established in the Bank. ICCD provides assurance to the Bank's Management that systems are operating effectively; internal controls are effective; laid down procedures are followed; financial and other information being produced is sound and reliable. The Bank, by its Internal Audit Team conducts regular audit functions on the business activities of the Bank based on different manuals, instructions, guidelines and procedures laid down by the Bank as well as by the regulatory bodies from time to time.

- Information Technology (IT) audit

JBL service delivery is designed on IT platform and hence a number of inherent risks such as data collapse, data loss, data modification, unauthorized access to data etc. may arise within the Bank. IT Audit Team has been formed as per the Central Bank's Guidelines to identify the inherent risks and manage those risks in an effective and efficient manner. IT Audit Team follows the prescribed guidelines, solves the unsettled issues and also suggests the higher Management for needful action.

2. External Audit Function:

- External auditors

M. J. Abedin & co. is appointed as the External Auditors of the Bank in the 14th AGM of the Shareholders. They audited the Financial Statements of the Bank namely, Balance Sheet, Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity, Statement of Liquidity Analysis and put explanatory notes to financial statements. External Auditors were entitled to enquire from the Bank's employees such information and explanation as they thought necessary for the performance of their duties as External Auditors. Bank employees provided accurate, timely information and explanations as and when required by the External Auditors.

- Central bank's inspection

Bangladesh Bank conducts comprehensive inspection at Head Office and Branches of the Bank. Central Bank's Inspection Team exchanges their views with the Bank's Auditors regarding Financial Operation, Treasury Operation, IT Operation, and various process of the audit. Inspection report of the Central Bank is reviewed by the Board of Directors and corrective actions are taken for the lapses mentioned in the report.

4.7 COMPLIANCE WITH REGULATORY MATTERS

1. Compliance with relevant Rules and Regulations:

JBL runs its business activities in full compliance with relevant rules and regulations. While conducting its operation, the Bank follows strictly Bank Companies Act 1991, The Companies Act 1994, Central Bank's Guidelines, Bangladesh Securities and Exchange Rules 1987, Dhaka Stock Exchange and Chittagong Stock Exchange Listing Rules.

2. Environmental Promotion:

JBL concentrates on environment preservation by financing Projects in the field of renewable energy, organic agriculture across the entire value chain including health food shops and environment technology such as recycling companies and nature conservation projects. JBL always encourages projects which take care of following points while financing them viz., Sustainable development and use of renewable natural resources

- Protection of human health, bio-diversity, occupational health and safety.
- Production, delivery and use of energy.
- Pollution prevention and waste minimization.

4.8 COMMUNICATION WITH STAKEHOLDERS

1. Communication with Shareholders:

JBL takes critically its corporate responsibility to provide shareholders with the information necessary to form an informed opinion of the Banks performance. Press releases, interim and final results announcements, interim and annual reports, and other information of interest to shareholders are uploaded to Company's corporate website www. JBLbd.com. Half Yearly and Annual Reports of the Bank are also sent to shareholders within the respective deadlines stipulated by the regulatory bodies.

2. Communication with Employees:

To enhance mutual understanding and promote cooperation at all levels, the Board of Directors and the senior management of the Bank always maintains communication with the employees; discuss matters such as safety and the work environment, as well as broader issues relating to staff welfare.

3. Communication with the General Public:

The Bank's website **www.JBLbd.com** serve as an easy access for key information source for business, financials and other relevant information about the businesses of the Bank. In addition, from time to time, the Bank publishes reports and information brochures which set out specific aspects of the Bank's operations for the general public.

4.9 COMPLIANCE REPORT ON BSEC NOTIFICATION

The Bangladesh Securities and Exchange Commission has issued a notification for all listed companies in order to improve Corporate Governance in the interest of the investors and capital market on 'Comply or Explain' basis.

Status report on compliance with the conditions imposed by BSEC is given below:

Condition No.	Title	Compliance status (put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.0	**Board of Directors**			
1.1	Board's size shall not be less than 5 and more than 20	√		
1.2	**Independent Director**			
1.2 (i)	Independent director: At least 1/5th of the total number of directors	√		Vacant position of independent Director will be filled up soon.
1.2 (ii)	For the purpose of this clause "independent director" means a director.	√		
1.2 (ii) a)	Independent director does not hold any share or holds less than one percent (1%) shares of total paid up capital.	√		
1.2 (ii) b)	Independent Director is not a sponsor of the company and is not connected with the company's Sponsor Or Director Or Shareholder who holds 1% or more shares of the company (certain family members are also required to comply with this requirement).	√		
1.2 (ii) c)	Independent director does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies.	√		
1.2 (ii) d)	Independent directors are not the members, directors or officers of any stock exchange.	√		
1.2 (ii) e)	Independent director is not the shareholder, director or officers of any member of Stock Exchange or an Intermediary of the capital market.	√		
1.2 (ii) f)	Independent director is/was not the partners or executives during preceding 3 (three) years of concerned company's statutory audit firm.	√		
1.2 (ii) g)	Independent directors is not the independent director in more than 3 (three) listed companies.	√		
1.2 (ii) h)	Independent director is not convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a non-bank financial institution (NBFI).	√		
1.2 (ii) i)	Independent director has not been convicted for a criminal offence involving moral turpitude.	√		
1.2 (iii)	The independent director shall be appointed by the Board of Directors and approved by the Shareholders in the AGM.			Such appointment is to be approved in the ensuing 14th AGM
1.2 (iv)	The post of independent directors cannot remain vacant for more than 90 days.	√		
1.2 (v)	The Board shall lay down a Code of Conduct of all Board Members and Annual Compliance of the Code to be recorded.	√		
1.2 (vi)	The tenure of office of an Independent Directors shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	√		

Condition No.	Title	Compliance status (put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.3	**Qualification of Independent Director (ID)**			
1.3 (i)	Independent director shall be knowledgeable individual with integrity who is able to ensure required compliance.	√		
1.3 (ii)	The independent director must have at least 12 (twelve) years of corporate management/ professional experiences along with other requisites.	√		
1.3 (iii)	In special cases above qualification may be relaxed by the Commission	N/A		
1.4	Separate Chairman and CEO and their clearly defined roles and responsibilities.	√		
1.5	**Directors Report to Shareholders**			
1.5 (i)	Industry outlook and possible future developments in the industry	√		
1.5 (ii)	Segment-wise or product-wise performance.	√		
1.5 (iii)	Risks and concerns	√		
1.5 (iv)	Discussion on cost of goods sold, gross profit margin and net profit margin	√		MBL being a bank, cost of interest expenses and GP% alongwith profit margin were discussed
1.5 (v)	Discussion on continuity of any Extra-Ordinary gain or loss	√		MBL does not have such gain or loss
1.5 (vi)	Basis for related party transaction- a statement of all related party transactions should be disclosed in the annual report	√		
1.5 (vii)	Utilization of proceeds from public issues, right issues and/ or through any others instruments.	N/A		During 2012 there were no public or right issue of shares
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for IPO, RPO, Rights Offer, Direct Listing etc.	N/A		
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	N/A		
1.5 (x)	Remuneration to directors including independent directors.	√		
1.5 (xi)	The financial statements prepared by the management of the company present fairly its state of affairs, the results of its operation, cash flows and changes in equity.	√		
1.5 (xii)	Proper books of account of the company have been maintained.	√		
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	√		
1.5 (xiv)	International Accounting Standards (IAS)/Bangladesh Accounting Standards (BAS)/International Financial Reporting Standards (IFRS) /Bangladesh Financial Reporting Standards (BFRS), as –applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed.	√		

Condition No.	Title	Compliance status (put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	√		
1.5 (xvi)	There are no significant doubts upon the company's ability to continue as a going concern.	√		
1.5 (xvii)	Significant deviations from the last year's operating results of the company shall be highlighted and the reasons thereof should be explained.	√		
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	√		
1.5 (xix)	If the company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	N/A		
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	√		
1.5 (xxi)	**The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:**			
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name wise details);	√		
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details);	√		
1.5 (xxi) c)	Executives (top five salaried employees of the company other than stated in 1.5(xxi)b);	√		
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name wise details).	√		
1.5 (xxii)	**In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:**			
1.5 (xxii) a)	a brief resume of the Director;	√		
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas.	√		
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the board.	√		
2.0	**Chief Financial Officer, Head of Internal Audit & Company Secretary**			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	√		
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	√		
3	**Audit Committee:**			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	√		
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business.	√		

Condition No.	Title	Compliance status (put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√		
3.1	**Constitution of the Audit Committee**			
3.1 (i)	The Audit Committee shall be composed of at least 3 members.	√		
3.1 (ii)	Constitution of Audit Committee with Board Members including one Independent Director.	√		
3.1 (iii)	All members of the Audit Committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management experience.	√		
3.1 (iv)	Filling of Casual Vacancy in Committee	N/A		There were no such vacancy
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	√		
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 independent director.	√		
3.2	**Chairman of the Audit Committee**			
3.2 (i)	Chairman of the Audit Committee shall be an Independent Director.	√		Chairman of the audit committee is also an independent director
3.2 (ii)	Chairman of the audit committee shall remain present in the Annual General Meeting (AGM).	√		Chairman of the audit committee will be present in the ensuing AGM
3.3	**Role of Audit Committee**			
3.3 (i)	Oversee the financial reporting process.	√		
3.3 (ii)	Monitor choice of accounting policies and principles.	√		
3.3 (iii)	Monitor Internal Control Risk management process.	√		
3.3 (iv)	Oversee hiring and performance of external auditors.	√		
3.3 (v)	Review along with the management, the annual financial statements before submission to the board for approval.	√		
3.3 (vi)	Review along with the management, the quarterly and half yearly Financial Statements before submission to the Board for approval.	√		
3.3 (vii)	Review the adequacy of internal audit function.	√		
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	√		
3.3 (ix)	Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.	√		
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/ applications of funds by major category (capital expenditure, sales and marketing expenses,	N/A		

Condition No.	Title	Compliance status (put √ in the appropriate column)		Remarks (if any)
		Complied	Not complied	
	working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results.			
3.4.	**Reporting of the Audit Committee**			
3.4.1	**Reporting to the Board of Directors**			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	√		
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1 (ii) a)	Report on conflicts of Interests.	√		Communicated to regulator duly
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	√		
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	NIL		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	NIL		
3.4.2	Reporting of anything having material financial impact to the Commission.	NIL		
3.5	Reporting to the Shareholders and General Investors.	NIL		
4	**External/Statutory Auditors should not be engaged in:**			
4 (i)	Appraisal or valuation services or fairness opinions.	√		
4 (ii)	Financial information systems design and implementation.	√		
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	√		
4 (iv)	Broker-dealer services.	√		
4 (v)	Actuarial services.	√		
4 (vi)	Internal audit services.	√		
4 (vii)	Any other service that the Audit Committee determines.	√		
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that Company.	√		
5	**Subsidiary Company**			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	√		
5 (ii)	At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company.	√		

4.10 STATUS OF COMPLIANCE BANGLADESH BANK GUIDELINE'S FOR CORPORATE GOVERNANCE

Bangladesh Bank issued a notification for all listed companies to improve and proper practice of corporate governance in the interest of the all customers of any commercial banks. Bangladesh Bank followed specific rules and regulations which compliance with corporate governance.

Status report on compliance with the conditions imposed by Bangladesh Bank is given below:

Sl No.	Particulars	Compliance Status
1.	Responsibilities and authorities of the board of directors:	
	(a) Work-planning and strategic Management: i) The board shall determine the objectives and goals and to this end shall chalk out strategies and work-plans on annual basis. It shall specially engage itself in the affairs of making strategies consistent with the determined objectives and goals and in the issues relating to structural change and reorganization for enhancement of institutional efficiency and other relevant policy matters. It shall analyze/monitor at quarterly rests the development of implementation of the work-plans. ii) The board shall have its analytical review incorporated in the Annual Report as regard the success/ failure in achieving the business and other targets as set out in its annual work-plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and other senior executives and have it evaluated at times.	Complied
	(b) Lending and risk management: (i) The policies, strategies, procedures etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, reschedulement and write -off thereof shall be made with the board's approval under the purview of the existing laws, rules and regulations. The board shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No director, however, shall interfere, directly or indirectly, into the process of loan approval. (ii) The board shall frame policies for risk management and get them complied with and shall monitor at quarterly rests the compliance thereof.	Complied
	(c) Internal control management: The board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory qualitative standard of its loan/investment portfolio. It shall review at quarterly rests the reports submitted by its audit committee regarding compliance of recommendations made in internal and external audit reports and the Bangladesh Bank inspection reports.	Complied
	(d) Human resources management and development: (i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the board. The chairman or the directors shall in no way involve themselves or interfere into or infiuence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the board of directors shall Compled be included in the selection committees for recruitment and promotion to different levels. Recruitment and promotion to the immediate two tiers below the CEO shall, however, rest upon the board. Such recruitment and promotion shall have to be carried out complying with the service rules i.e., policies for recruitment and promotion. (ii) The board shall focus its special attention to the development of skills of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies and the introduction of effective Management Information System (MIS). The board shall get these program incorporated in its annual work plan.	Complied
	(e) Financial management: (i) The annual budget and the statutory ⊠nancial statements shall finally be prepared with the approval of the board. It shall at quarterly rests review/monitor the positions in respect of bank's income, expenditure, liquidity, non-performing asset, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures. (ii) The board shall frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be adopted with the approval of the board.	Complied

Sl No.	Particulars	Compliance Status
	(f) Formation of supporting committees: For decision on urgent matters an executive committee, whatever name called, may be formed with the directors. There shall be no committee or sub-committee of the board other than the executive committee and the audit committee. No alternate director shall be included in these committees.	Complied
	(g) Appointment of CEO: The board shall appoint a competent CEO for the bank with the approval of the Bangladesh Bank.	Complied
2.	Responsibilities of the chairman of the board of directors:	
	(a) As the chairman of the board of directors (or chairman of any committee formed by the board or any director) does not personally possess the jurisdiction to apply policymaking or executive authority, he shall not participate in or interfere into the administrative or operational and routine affairs of the bank. (b) The chairman may conduct on-site inspection of any bank-branch or financing activities under the purview of the oversight responsibilities of the board. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the board or the executive committee and if deemed necessary, with the approval of the board, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to Bangladesh Bank through the board along with the statement of the CEO. (c) The chairman may be offered an office-room, a personal secretary/assistant, a telephone at the office and a vehicle in the business-interest of the bank subject to the approval of the board.	Complied
3.	**Responsibilities of the adviser:** The adviser, whatever name called, shall advise the board of directors or the CEO on such issues only for which he is engaged in terms of the conditions of his appointment. He shall neither have access to the process of decision-making nor shall have the scope of effecting executive authority in any matters of the bank including financial, administrative or operational affairs.	Complied
4.	**Responsibilities and authorities of the CEO:** The CEO of the bank, whatever name called, shall discharge the responsibilities and effect the authorities as follows: (a) In terms of the financial, business and administrative authorities vested upon him by the board, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management. (b) The CEO shall ensure compliance of the Bank Companies Act, 1991 and/or other relevant laws and regulations in discharge of routine functions of the bank. (c) The CEO shall report to Bangladesh Bank of issues violative of the Bank Companies Act, 1991 or of other laws/regulations and, if required, may apprise the board post facto. (d) The recruitment and promotion of all staff of the bank except those in the two tiers below him shall rest on the CEO. He shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and sanctioned strength of employees as approved by the board. The board or the chairman of any committee of the board or any director shall not get involved or interfere into such affairs. The authority relating to transfer of and disciplinary measures against the staff, except those at one tier below the CEO, shall rest on him, which he shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the board, he shall nominate officers for training etc.	Complied

4.11 CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE

Certificate on Compliance of Corporate Governance Guidelines to the Shareholders' of Jamuna Bank Limited

[Issued under Condition # 7(i) of Corporate Governance Guidelines of BSEC Vide Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

We are engaged by Jamuna Bank Limited to provide certification whether the company complied with the conditions of corporate governance guidelines issued by the Bangladesh Securities and Exchange Commission in its notification number SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 and SEC/CMRRD/2006-158/134/Admin/48 dated 21 July 2013 ("the conditions of corporate governance guidelines")

The Company's Responsibilities:

Those charged with governance and management of the company is responsible for complying with the conditions of corporate governance guidelines. Those charged with governance of the company is also responsible for stating in the directors' report whether the company has complied with the conditions of the corporate governance guidelines.

Our Responsibilities:

Our responsibility is to examine the Company's status of compliance with the conditions of the corporate governance guidelines and to clarify thereon in the term of an independent assurance conclusion based on the evidence obtained. For the purpose of the engagement, we comply with ethical requirements including independence requirements and plan and perform our procedures to obtain assurance whether the company has complied with the conditions of corporate governance guidelines.

Our conclusion has been formed on the basis of and is subject to the matter outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion:

In our opinion, the company has complied with the conditions of corporate governance guidelines for the year ended 31 December 2014.

Dated, Dhaka
08 April 2015

M. J. ABEDIN & CO
Chartered Accountants

4.12 CREDIT RATING OF JAMUNA BANK LIMITED

Credit Rating Agency of Bangladesh Limited

Ref: AGL (01)/RCM/140513/2014- 3425

18 May 2014

Mr. Shafiqul Alam
Managing Director
Jamuna Bank Limited
Hadi Mansion, 2 Dilkusha C/A
Dhaka - 1000

Subject: Credit Rating - Jamuna Bank Limited

Dear Sir,

We are pleased to inform you that Credit Rating Agency of Bangladesh Ltd. (CRAB) has assigned the following ratings to Jamuna Bank Limited

Particulars	Ratings
Long Term	A1
Short Term	ST-2
Outlook	Stable

The entity rating is valid up to 30 June 2015. The ratings may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We hope the Rating Awards will serve the intended purpose of your organization.

Yours Sincerely,

HamidulHuq
Managing Director

CHAPTER FIVE

FINDINGS, RECOMMENDATIONS & CONCLUSION

5.1 FINDINGS

Corporate Governance system actively adds value to the long run of a business. A Good Corporate Governance practice enhances the long term shareholders value while at the same time protecting the interest of other stake holders.

In case of banking industries there are several guidelines regarding the corporate governance. There are special emphases for this sector runs their business with the money of their depositors.

Jamuna Bank Limited (JBL) recognizes the importance of good corporate governance as a major factor in enhancing the efficiency of the organization. The bank therefore conducts its business in line with the principles of good corporate governance, for suitable and sustainable growth,

The board of directors was formed according to the law and the provision of independent or but the director from the depositors was not maintained at the same time and some members who regularly absent in the meeting. The directors of the board of directors were related with many organizations. Such kind of affiliation may be harmful for some instances. Directors might remain busy with many organization also most of the directors remained absent continuously.

Directors must hold some percentages of shares of the company. The shareholding pattern of the Broad of Directors are tried to be maintained as per the regulations of the banking Act 1991 and the BSEC regulations. The Broad of Directors hold 62.33% shares of total in 2014. But in 2013, it was 54.87%.

JBL doesn’t have any remuneration review Committee and succession planning process. Employee productivity analysis is not done and there is no measurement scale to evaluate it.

The bank believes in fair treatment accorded to all employees, and is fully committed in enhancing the quality of its human capital. In this context, the bank consistently offers training and support, provides staff with the opportunity to enhance their performance and carrier development options. But Lack of efficient executives or officers especially in the general and credit division hampers the customer service process. Lack of dedication of some employees is the main obstacle of the growth of this particular branch. There are various products and schemes of loans and advances but customer are not known to all of them.

5.2 RECOMMENDATIONS

The Policy on training of Directors includes providing training and updated information on all the latest policy guidelines, circulars and Acts issued by the regulatory/legislative authorities. So proper training has to be given so that The Directors of the JBL can perform in a better way.

Board members must attend the meetings regularly. The Board of Directors should time to time review and evaluate the remuneration paid to all level of employees, director and others and decides on the issue. In addition, Board Members should directly involve in recruitment, promotion and remuneration process of top executives.

JBL should possess a sound HR Policy covering succession planning for recruiting to carefully avoid the problems of leadership. Employee productivity should be measured in terms of total deposit, investment, income profit. In addition, needs to gives better training to the all level of employee for adopting new knowledge and experiences.

JBL offers various products and schemes of loans and advances to the customers. But all of those are not well known by the customers. For that, the bank needs to share their various products and schemes of loans and advances to the customer by various ways such as advertisement, face to face offers, etc.

Lack of efficient executives or officers are harmful for the sustainable growth of business. The bank needs to increases their efficient executives or officers by recruiting new employees. The bank should increases their training courses for specific job position for the employees.

5.3 CONCLUSION

Corporate governance is mainly to protect the interest of different stakeholders of the organization. Since the board of director's work as an agent of the stockholders so all the responsibilities lie to them to protect their interest's .In case of banking sector, Bangladesh Bank and BSEC is the key regulator for these issue. In this study I have found that Jamuna Bank Ltd. gives the disclosure according to the BSEC notification. This report aiming at the evaluating of the corporate governance of Jamuna bank Ltd. The data gathered from mainly secondary sources were arranged orderly to get a clear picture of the JBL's corporate governance system. To achieve the objective the study includes both qualitative and quantitative analysis to evaluate of corporate governance rules as well as the monitoring tools also five years annual report of Jamuna Bank Ltd. consider based on four corporate governance mechanisms –board size, board meeting, audit committee and affiliation of directors . In the board meeting the attendances of director has been improved and board size also according to the law not more than twenty. The board of directors was related with many organization such kind of affiliation still remain problem in the long run and the percentage of the share of the board member increased significantly that we have seen in the annual report. Finally Chairman and the member of the audit committee should have business studies backgrounds but in the annual report we have seen that Chairman and most of member was not business background that also might problem for efficient decision making issue in the long run. There are also some problem exist are not against the laws. If these problems can be solved or better compliance can be ensured it will be effective for the organization Apart from this by effective corporate practices of Jamuna Bank Ltd. has improved significantly over the year to enhance corporate image, improve reputation and ability to enlarge market share and enhancement of customer true worthiness, profitability and sustainable development. So hopefully they will try their best to bring a dynamic corporate governance environment in their organization. So far we have found that overall compliance act of The Jamuna bank Ltd. to corporate governance is very good and the level of compliance is increasing day by day.

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