



**An Assessment of Functions of Foreign Exchange Inspection and
Vigilance Department of Bangladesh Bank
-Drawback and Solutions**

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Examination Committee

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Agenda of Presentation

- **Objective**
- **Methodology**
- **Overview of FEIVD**
- **Analysis**
- **Conclusions**
- **Recommendations**



Objective

- To identify the **functions** of FEIVD
- To identify the **drawbacks** of the functions of FEIVD
- To identify the **mechanisms** through which those drawbacks could be resolved



Methodology

To Identify the Drawbacks(Quantitative):

❖ Questionnaire-

-Likert Five Scale:

(1 Strongly Disagree, 2 Disagree, 3 Neither Agree nor Disagree, 4 Agree, 5 Strongly Agree)- Employees of FEIVD (34 Questions) & CB(22 Questions)

-Two Scale:(1 Yes, 2 No)- Customers of CB(9 Questions)

❖ **Factor analysis-** Identify small number of factors the explain most of the variance

❖ **Mean and standard deviation-** indentify most important questions that affect the functions of FEIVD most. Use below 3 mean value.



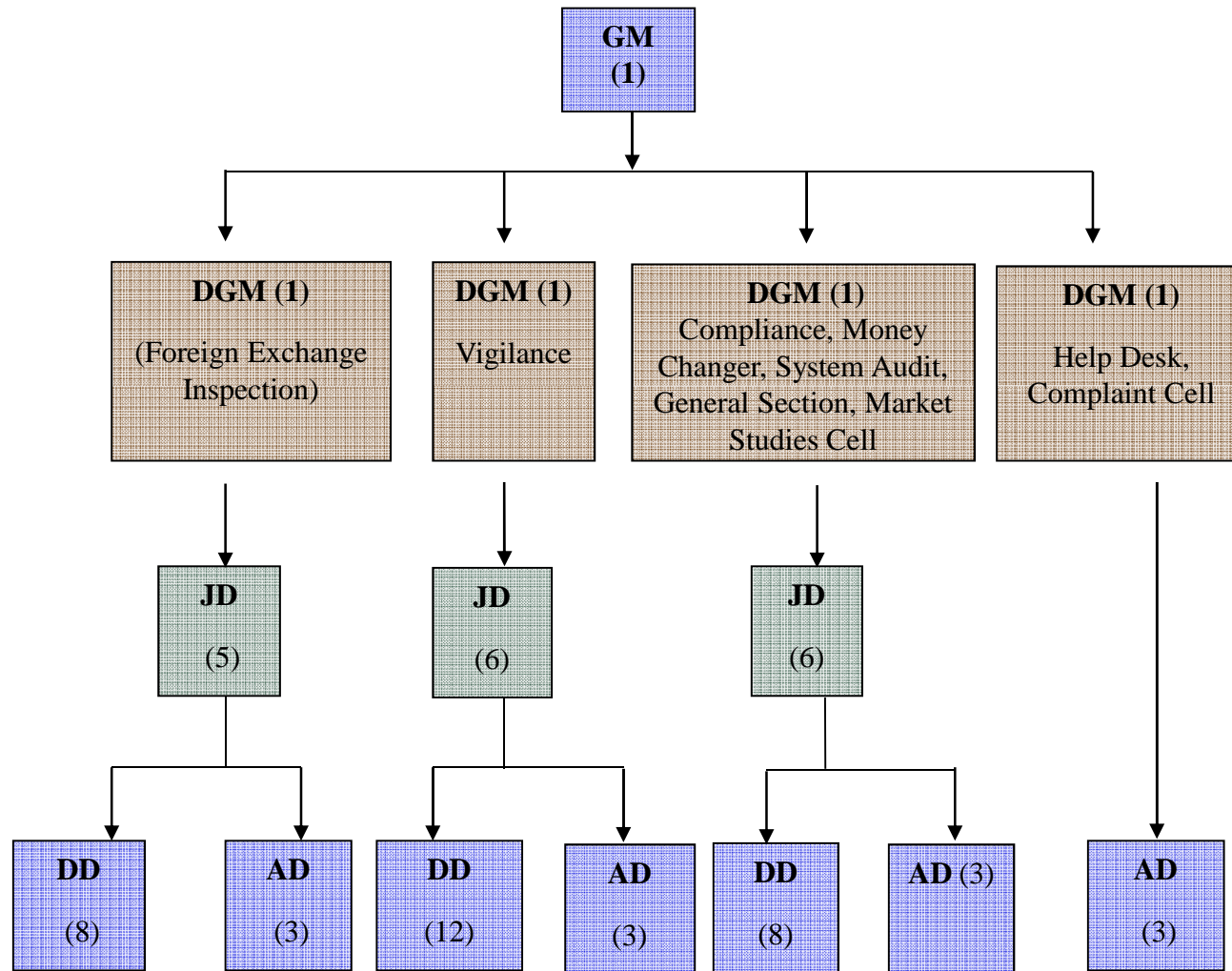
Methodology

To Reach the Best Solutions (Qualitative)

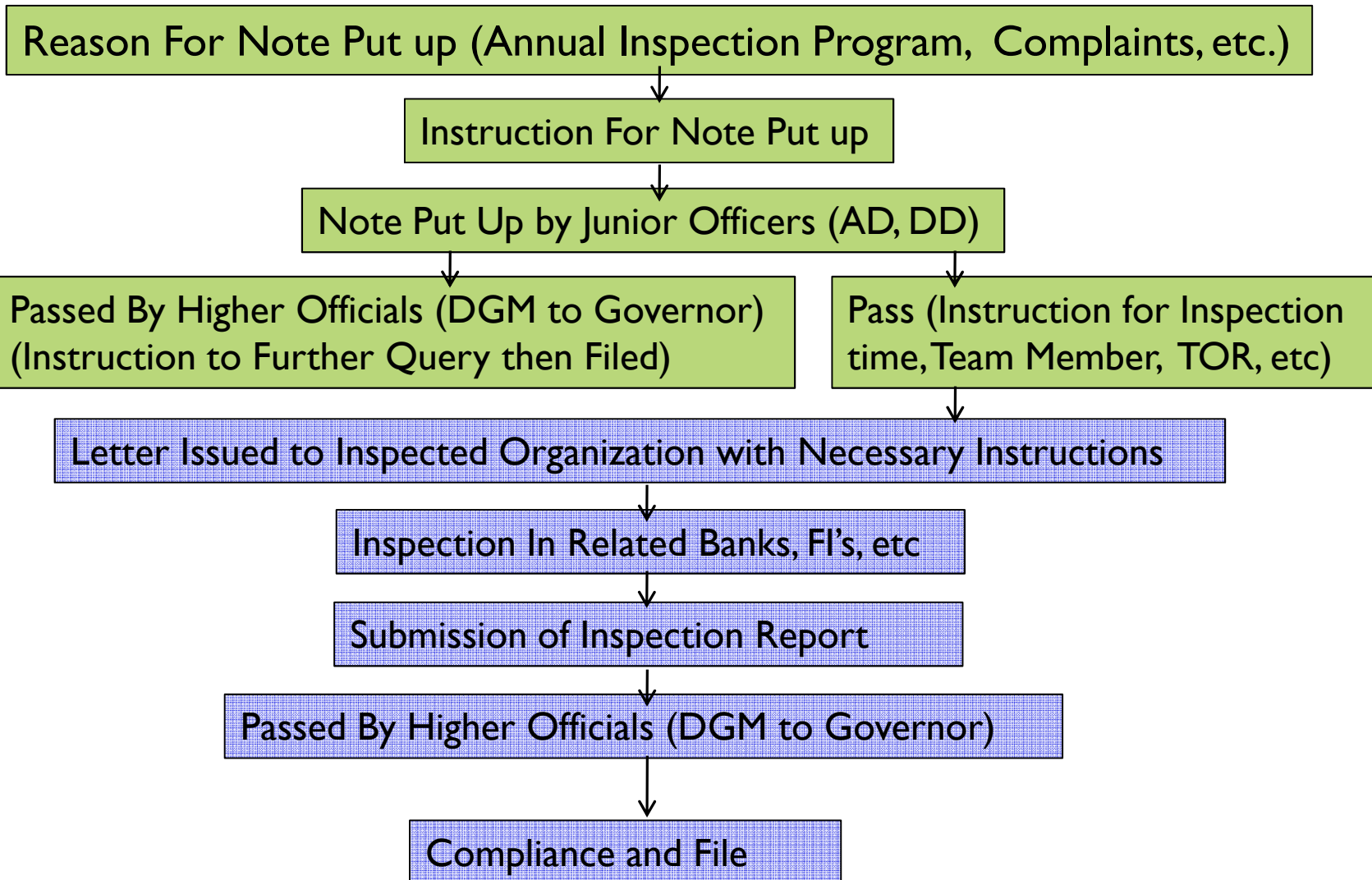
- Suggestions from-
 - Employees of FEIVD and CBs
 - Customers of CBs
 - Higher Officials of FEIVD
 - Central Bank of Srilanka
 - Author's Experience

Overview of FEIVD

Organogram



Overview of FEIVD



Overview of FEIVD

Functions of FEIVD at a glance

Subject	No. of Team Members	Inspection Period	Inspection Model Report	Inspection Area
Comprehensive Foreign Exchange Inspection	Normally 2/3	3/4 Days	Yes	Inspect all the foreign exchange related areas (import, export, remittance, etc).
Vigilance	Normally 2	2-5 Days	No	Inspect on the basis of complaint about the bank
System Audit	Normally 2	2 Days	Yes	Inspect Foreign Exchange Risk Management policies and practices
Money Changer	Normally 2	1 Day	Yes	Inspect the business activities of money changer about the foreign currency

Analysis

Factors of FEIVD

Factor	Total Variance Explained (%)	Questions/Variables
Factor 1	26.64	<ul style="list-style-type: none"> •The way of annual inspection program for comprehensive inspection, • Proper inspection method, •Skilled and effective inspectors, •Quality inspection report, •Proper implementation of inspection report suggestion by FEIVD and CB, •Monitoring and time utilization of Inspection, •Qualified and efficient supervisor, •Proper inspection guideline, •Basel core principles implementation, •Good coordination among supervisory departments of BB and among different regulatory bodies with BB
Factor 2	10.498	<ul style="list-style-type: none"> •Enough inspection team member
Factor 3	8.760	<ul style="list-style-type: none"> •Proper selection of types of banks •Timely response by CB to inspection teams query
Factor 4	7.795	<ul style="list-style-type: none"> •Sufficient time for inspection •Training •Timely implementation of inspection report
Factor 5	6.723	<ul style="list-style-type: none"> •Prepare the guidelines internally
Factor 6	5.822	<ul style="list-style-type: none"> •Familiar with the IT systems of banks
Factor 7	4.574	<ul style="list-style-type: none"> •More than one supervisor hampers departments work
Factor 8	4.163	<ul style="list-style-type: none"> •Timely submission of inspection report
Total= 74.975		

Analysis Factors of CB

Factor	Total Variance Explained (%)	Questions/Variables
Factor 1	24.203	<ul style="list-style-type: none"> •Proper implementation of inspection report suggestion by FEIVD and CB •Co-operation and timely respond of CB with inspection team, •Proper of inspection guidelines •Supervision standard is updated as per existing rule and regulations •Good coordination among inspection team members, supervisory departments of BB and among different regulatory bodies with BB
Factor 2	18.128	<ul style="list-style-type: none"> •Sufficient IT support for department's functions •Prepare the guidelines internally
Factor 3	11.242	<ul style="list-style-type: none"> •Training •Timely solution of Vigilance Complaints
Factor 4	8.574	<ul style="list-style-type: none"> •Proper inspection method •Quality inspection report
Factor 5	8.442	<ul style="list-style-type: none"> •Sufficient number of inspection •Timely implementation of inspection report
Total= 70.589		



Analysis

Considering FEIVD and CB factor analysis-exclude only the following questions:

- **The way to select the types of the banks is appropriate**
- **You know the goal of the department**
- **You know the action plan of the department to achieve its goal**

Consider Both Factors- Could not reduce the data that much

Consider only the FEIVD or CB-Could reduce more variables.

Analysis

Discussion Based on Mean and Standard Deviation

SL No.	Question	Mean (FEIVD)	Mean (CB)
01	The inspectors do not need training	1.41	2.2
02	The time for the inspection is enough	2.03	2.8
03	The number of People for inspection is enough	2.24	>3
04	There is good coordination among supervisory departments of BB	2.52	>3
05	The bank supervision standard is updated as per existing rule and regulations	2.59	>3
06	The inspection reports are timely implemented	2.62	>3
07	You are familiar with the IT systems of banks	2.69	>3
08	IT support is sufficient for you	2.69	>3
09	The suggestions of the inspection reports are properly implemented	2.79	>3
10	The inspectors are skilled enough	2.83	>3
11	The inspection reports are timely submitted	2.86	>3
12	The guidelines require development, it can be done internally.	>3	2.65

Analysis

Identified Problems and Solutions

Problems	Opinion-Higher Officials of FEIVD, Former Senior Deputy Governor of CBSL, Author
Inspectors need training	In house Training, Individual Training Need, Mandatory Training & Learning ,Mgt. Dev. Center
Time for inspection is not enough	Higher Officials communicate for time extension, Pre-pre. Work Program, Identify exact data requirement, Additional data- verbally
The number of people for inspection is not enough	Multi-disciplinary teams , Require more analysis
Absence of good coordination among supervisory departments of BB	Meeting among the employees and top mgt. of supervisory dept, Meeting with the BB top mgt., Central Data Receiving system, Different deputy governors responsible and coordinate

Analysis

Identified Problems and Solutions

Questions	Opinion-Higher Officials of FEIVD, Former Senior Deputy Governor of CBSL, Author
The bank supervision standard is not updated as per existing rule and regulations	Need High Officials consciousness, Continuous update of supervision standard
The inspection reports are not timely implemented	Monitoring, Accountability, Follow up mechanism, Reminder to Banks
Inspectors are not familiar with the IT systems of banks	Prior approval from BB to use software, Training on software, Encourage staffs of BB to learn the changing software
IT support is not sufficient for the employees of FEIVD	Continuous training, Technical support, Consults with IT experts where lacking

Analysis

Identified Problems and Solutions

Questions	Opinion-Higher Officials of FEIVD, Former Senior Deputy Governor of CBSL, Author
The suggestions of the inspection reports are not properly implemented	Monitoring, Adequate follow up
The inspectors are not skilled enough	Proper monitoring, Training , Selection of the right employee for inspection, Sufficient Fund for Training
The inspection reports are not timely submitted	Monitoring
The guidelines require development, it can be done internally	Combination of BB employees and experts from outside



Analysis

Discussion Based on Survey Result of Customers Response

CB's customers-limited knowledge about this service BB and FEIVD.

Survey Result on Customers of CB-

- All of them heard the name of BB.
- 79% knew about some activities of BB.
- 76% of them knew Supervision activities of BB
- Only 48% knew that they could complaint against CBs to BB.
- **Very few (7%) knew the various ways to complaint against CBs to BB.**



Analysis

Discussion Based on Survey Result of Customers Response

Way to inform Customers of CB-

- Notice in the Bank premises
- Short Message Service (SMS)
- Advertisement-News paper & Electronic Media
- Attach the information with Account Opening Form, Cheque Book, etc
- Internet

For Proper Functioning-

Banking Ombudsman- CBSL, RBI

Credit Counselling Unit -CBSL



Conclusions

- Identified some problem of FEIVD as discussed earlier
- Also tries to show the ways to identify problem and the way to solve it
- But this is not the end- concentrate more on the identified issues
- Difficult to Proper Solution of identified issues- qualitative factors, a continuous process.
- Always be prepared to solve the new areas for FEIVD's efficient functioning.



Recommendations

To overcome the identified problems, the following issues could be considered-

- **Training**
- **Accountability**
- **Proper Job management**
- **Meeting within the departments**
- **Encourage self development of employees**
- **Communication- CB's customers**
- **Central Data Receiving System**
- **Monitoring**
- **Multi disciplinary team**
- **IT based knowledge development**

Powerful Committee

Further in depth study on identified issues

Solve the identified problems continuously of the changing banking industry



END