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CORPORATE GOVERNANCE PRACTICES IN FIS OF BANGLADESH

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ABSTRACT

The aim of this study is to know corporate governance practices in financial institutions of Bangladesh. The method of this study is based on secondary research that examines the legal framework in Bangladesh. Evidence of observed practice comes from the review of annual reports of financial institutions in Bangladesh including their internal control and compliance, board of directors, regular AGM call and regular dividend payment, top five executives and audit committee which play a vital role in corporate governance practices. The paper next examines financial reporting and disclosures which are statutory requirements for practice. The function and role of regulatory bodies have the responsibility to ensure that practices follow regulations as well as encourage good corporate governance practices. The current corporate governance in financial institutions is briefly explored. Finally, the findings and recommendations with the concluding remarks.

KEYWORDS

Compliance, Governance, Disclosure, Financial Reporting, and FIs.

1.0 BACKGROUND

This paper examines the corporate governance (CG) in financial institutions of Bangladesh. In Bangladesh, corporate governance has drawn attention of the policymakers and the regulators following 1996 capital market crash. Bangladesh Bank (BB) has brought major changes in the laws to strengthen the financial sector and ensure appropriate governance structure. Some changes in the rules and regulations of the Securities and Exchange Commission (SEC) have been made to ensure proper functioning and monitoring of the behavior of the Stock Exchanges. Some of the international accounting standards have been adopted by the ICAB. The SEC requires special auditing by the audit firms affiliated with the reputed international audit firms of the companies planning to go public. SEC has provided separate governance guidelines on compliance and explanation basis.

The role of governance is to maximize shareholder's wealth. Corporate governance depends on managerial performance as well as social responsibility, legal and ethical practices with a focus on stakeholders of the organization. The Companies Act 1994 is the law which governs incorporated domestic entities in Bangladesh. It governs the creation, functioning and dissolution of companies, the relationship of shareholders to a company, periodic disclosure and audit requirements, the functions of the Registrar of Joint Stock Companies, and the jurisdiction of the courts in relation to companies. To govern the corporate environment in Bangladesh, following legal frameworks are in practice:

- Securities and Exchange Ordinance 1969
- Bangladesh Bank Order 1972
- Bank Companies Act 1991
- Financial Institutions Act 1993
- Securities and Exchange Commission Act 1993
- Companies Act 1994
- Bankruptcy Act 1997

Since the early 1990s, the first initiative was undertaken by the Securities and Exchange Commission (SEC), as CG has been receiving increasing attention from regulatory bodies and practitioners worldwide. SEC issued a notification on Corporate Governance Guidelines (CG Guidelines) for the publicly listed companies of Bangladesh under the power vested on the Commission by Section 2CC of the Securities and Exchange Ordinance, 1969. The CG Guidelines were issued on a 'comply or explain' basis. CG practices in Bangladesh are gradually being introduced in most companies and organizations. 66.7 percent of the companies have adopted CG and 43.3 percent have compliance policy with national or international benchmarks.

2.0 LITERATURE REVIEW

Different authors view the meaning of corporate governance differently. For example, one school of thought describe corporate governance as a "system" by which companies are directed and controlled (Cadbury and Greenbury Report, CFACG 1992); another school views corporate governance as "structures and processes for decision making, accountability, control and behavior at the governing body" (Public accounts and Estimates Committee, 2002). But it must be kept in our mind that the fundamental concern of corporate governance is to ensure the conditions whereby a firm's directors and managers are held accountable, ensure better and effective protection to all stakeholders. The World Bank argues that the framework of corporate governance should be based on four "pillars" – of Responsibility, Accountability, Fairness and Transparency (RAFT).

3.0 UNDERSTANDING THE CORPORATE GOVERNANCE IN BANGLADESH

In general, CG deals with laws, procedures, practices and implicit rules that determine company's ability to take managerial decisions for shareholders, creditors, customers, the State and employees. However, a broader definition may be to define CG as a set of mechanisms through which a firm within a country operates when ownership is separated from management. Therefore, CG represents the value framework, the ethical framework and the moral framework under which business decisions are taken. Corporate governance therefore calls for four factors as Responsibility, Accountability, Fairness and Transparency.

3.1 BANK & NON-BANK FINANCIAL SECTOR: In both the bank and non-bank financial sector, the primary regulator is the central bank of Bangladesh, Bangladesh Bank, which itself established by the Bangladesh Bank Order, 1972.

3.2 CORPORATE SECTOR & CAPITAL MARKET: In the corporate sector and the capital market, the principal regulators are the Registrar of Joint Stock Companies and Firms (RJSC) and the Securities and Exchange Commission of Bangladesh.

4.0 CORPORATE GOVERNANCE GUIDELINES BY SEC, BANGLADESH

The companies listed with stock exchanges in Bangladesh should comply with the conditions or shall explain the reasons for non-compliance in accordance with the following conditions:

4.1 BOARD OF DIRECTORS:

4.1.1 BOARD SIZE: The number of the board members of the company should not be less than 5 (five) and more than 20 (twenty). However, in the case of banks and non-bank financial institutions, the separate primary regulator is Bangladesh Bank.

4.1.2 INDEPENDENT DIRECTORS: The companies should comply with at least one tenth (1/10) of the total number of the company's board of directors, subject to a minimum of one, should be independent directors and should be elected by the elected directors.

4.1.3 CHAIRMAN OF THE BOARD & CEO: The positions of the Chairman of the Board and the Chief Executive Officer of the companies should preferably be filled by different individuals. The Chairman of the company should be elected from among the directors of the company. The Board of Directors should clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer.

4.1.4 THE DIRECTOR'S REPORT TO SHAREHOLDERS: The directors of the companies should include following additional statements in the Directors' Report prepared under section 184 of the Companies Act, 1994: (a) the financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity. (b) International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of the financial statements. (c) If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof should be given. (d) The number of Board meetings held during the year and attendance by each director should be disclosed. (e) The pattern of shareholding should be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by: means top five salaried employees of the company, other than the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer and Head of Internal Audit.

4.1.5 CFO, HEAD OF INTERNAL AUDIT & COMPANY SECRETARY APPOINT: The Company should appoint a Chief Financial Officer (CFO), a Head of Internal Audit and a Company Secretary. The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the Company Secretary.

4.1.6 AUDIT COMMITTEE: The Company should have an Audit Committee as a sub-committee of the Board of Directors. The Audit Committee should 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. The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee should be clearly set forth in writing. The Audit Committee should be composed of at least 3 (three) members. The Board of Directors should appoint members of the Audit Committee who should be directors of the company and should include at least one independent director. Report on activities carried out by the Audit Committee, including conflict of interests, fraud, infringement of laws should be signed by the Chairman of the Audit Committee and disclosed in the annual report of the issuer company.

5.0 ACCOUNTING STANDARDS

The Institute of Chartered Accountants of Bangladesh (ICAB) is a professional accountancy body in Bangladesh. It was created under the Bangladesh Chartered Accountants Order in 1973. ICAB regulates the accountancy profession and oversees professional ethics and code of conduct by its members, provides specialized training and professional expertise, and fosters acceptance of International Accounting Standards (IAS) and International Standards on Auditing (ISA) by adopting the same as Bangladesh Accounting Standards (BAS) and Bangladesh Standards for Auditing (BSA) respectively.

6.0 INDEPENDENT REGULATORS

In the financial sector, the primary regulator is the central bank of Bangladesh, Bangladesh Bank, which itself established by the Bangladesh Bank Order, 1972. In the corporate sector and the capital market, the principal regulators are the Registrar of Joint Stock Companies and Firms (RJSC) and the Securities and Exchange Commission. The Dhaka Stock Exchange and the Chittagong Stock Exchange are two self-regulatory organizations with key responsibilities in the capital market.

6.1 BANGLADESH BANK: The Bangladesh Bank has legal authority to supervise and regulate commercial banks and banking institutions. It can impose penalties for non compliance. The measures taken by the Bangladesh Bank to reinforce the governance structure of banks include the introduction of better disclosure and transparency standards. BB regulates the non-bank financial institutions under the Financial Institutions Act, 1993 and the microfinance institutions are regulated under the Microcredit Regulatory Act, 2006. The following guidelines are given by Bangladesh Bank:

- a. **DECEMBER, 2002** - Instruction has been given by the BB requiring banks to constitute Audit Committee of the Board to assist the Board in fulfilling its oversight responsibilities.
- b. **MARCH, 2003** - Provision for two independent directors representing the depositors' interest has been included in the amendments to the Bank Company Act.
- c. **APRIL, 2003** - Number of directors in Bank's board restricted to a maximum of 13 for more effective direction of these banks.
- d. **JULY, 2003** - With a view to ensuring proper CG, the responsibilities and accountabilities of the Board of Directors, chairman of the Board of Directors and the CEO of the banks outlined clearly.
- e. **JUNE, 2003** - Disclosure requirements of financial information were substantially enhanced for banks as per the Internal Accounting Standard (IAS).
- f. **JANUARY, 2006** - Number of the Board members (5-20), appointment of independent non-shareholder directors, abolishing CEO duality (chairman and CEO are same person), appointment of Chief Financial Officer, Head of internal audit and company secretary, and establishment audit committee.
- g. **FEBRUARY, 2006** - Banks/FIs have been advised to follow the guidelines by BB regarding the salary allowances and other facilities of the chief executive.

6.2 REGISTRAR OF THE JOINT STOCK COMPANIES & FIRM: The regulator dealing with company law is the companies' registry, the Registrar of Joint Stock Companies and Firms (RJSC), which is administered by the Ministry of Commerce. The functions of the RJSC are governed by the Companies Act 1994 in relation to the formation of companies, filing of statutory returns and power to call for information or explanations.

6.3 SECURITIES AND EXCHANGE COMMISSION: The Securities and Exchange Commission (SEC) was established in 1993 under the Securities and Exchange Commission Act, 1993. The institution has overall responsibility to administer securities legislation. The Commission is a statutory body and attached to the Ministry of Finance. The SEC exercises its powers limited to listed companies in the holding of AGMs, declaration and issuance of dividends and disclosure of price sensitive information.

6.3.1 SEC ACT, 1993: The SEC Act, 1993 authorizes the Commission for proper issuance of securities, protection of the rights of the investors and the development and regulation of capital and securities market. The SEC is empowered to take the following measures:

- Regulation of stock exchanges, the securities market, stock-brokers, issue managers, underwriters, portfolio managers, and investment advisers;
- Registration, regulation and management of mutual funds; prevention of fraudulent and corrupt trading in securities;
- Acquiring shares of a company or taking control, and takeover; Inspection, investigation, audit, obtaining information from issuers of securities, stock exchanges. The SEC is also empowered to suspend or cancel any registration certificate in accordance with regulations issued under the SEC Act 1993,

6.4 INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH: In Bangladesh, Chartered Accountants and auditors are regulated by a self-regulatory organization, the Institute of Chartered Accountants of Bangladesh (ICAB). Accountants and auditors could be better advocates for corporate governance. The Securities and Exchange Rules of 1987 require that a Chartered Accountant (CA) audit the financial statements of listed companies. The ICAB certifies Chartered Accountants and adopts and amends the BAS. ICAB Bye-laws require compliance with BAS by Chartered Accountants. The Institute of Cost and Management Accountants of Bangladesh (ICMAB) is an autonomous professional body under the Ministry of Commerce. ICMAB offers Cost and Management Accounting education and research. It also regulates and promotes the profession of cost and management accounting in the country.

6.5 THE JUDICIARY: The judiciary in Bangladesh is largely based on the structure established during the period of British India and later formalized under the Constitution of Bangladesh 1972, as comprising of the Supreme Court of Bangladesh, with two divisions: the High Court Division and the Appellate Division, the latter serving as the last court of appeal, and subordinate courts. The courts adjudicating debt recovery matters are presently ranked as Joint District Courts, which at the highest level of the lower courts. Appeals from such courts lie to the Supreme Court of Bangladesh. Projects for judicial capacity building have not focused on the outdated curricula of legal education institutions to include financial laws nor does the vocational training of lawyers include the peculiarities of the specialized courts, such as the *Artha Rin Adalat* [Money Loan Court] for debt recovery by banks and financial institutions, the Bankruptcy Court and a court of the High Court Division conventionally referred to as the "Company Court". The Company Court is vested with original jurisdiction on matters referred under the Companies Act 1994 in addition to jurisdiction for hearing other matters. Proposals continue to be made for a separate court in the High Court Division to dispose of financial cases and their appeals, including those related to debt recovery and securities laws. The High Court Division in the exercise of its jurisdiction for judicial review hears petitions challenging the actions of regulators such as the SEC and Bangladesh Bank.

7.0 OBJECTIVES OF THE STUDY

The objective of this study is to identify and understand corporate governance reporting by non bank financial institutions in Bangladesh. In particular, the paper is expected to know the followings:

- a. The current practice of corporate governance in terms of internal control and compliance.
- b. The current practice of independent Board of Directors.
- c. The regular AGM call
- d. Regular dividend payment
- d. Top five salaried persons other than CEO, CFO, CS & HIA
- e. The practice of Audit Committee Report
- f. The practice of financial reporting system

8.0 LIMITATIONS OF THE STUDY

This study paper has some limitations that need to be taken into account while considering recommendations. It was a difficult task to access the detailed information with a limited time. During this study, it has been found that there is a lack of financial institutions specific studies conducted in Bangladesh.

9.0 METHODOLOGY

The methodology followed to prepare this paper is based on review of the available literature/ secondary material, annual reports of non-bank financial Institutions, and a review of relevant literature on corporate governance in Bangladesh is conducted. This review examined recent articles, periodicals, books, and reports, both public and non-public.

10. OVERVIEW OF NBFIs

Twenty-nine financial institutions are now operating in Bangladesh. Of these institutions, 1(one) is govt. owned, 15 (fifteen) are local (private) and the other 13(thirteen) are established under joint venture with foreign participation. The total amount of loan & lease of these institutions is Tk.99,091.80 million as on 31 December, 2007. Bangladesh Bank has introduced a policy for loan & lease classification and provisioning for FIs from December 2000 on half-yearly basis. Among the 29 financial institutions, 21 institutions are listed with Dhaka Stock Exchange out of which DBHFC, IPDC, IDLC Finance Ltd., NHFIC, and PFIL are multi-product financial institutions in Bangladesh.

NON-BANK FINANCIAL INSTITUTIONS LISTED IN DSE: Bay Leasing & Investment Limited, Bangladesh Finance and Investment Co. Ltd, Bangladesh Industrial Finance Co. Ltd, Delta Brac Housing Finance Corporation Ltd, Fidelity Assets & Securities Company Ltd, First Lease Finance and Investment Ltd, ICB, IDLC Finance Ltd, International Leasing & Financial Service Ltd, Industrial Prom. & Dev. Co. of BD Ltd, Islamic Finance & Investment Ltd, Lanka Bangla Finance Ltd, MIDAS Financing Ltd, National Housing Fin. and Inv. Ltd, Phoenix Finance and Investments Ltd, Peoples Leasing and Fin. Services Ltd, Premier Leasing & Finance Limited, Prime Finance and Investment Limited, United Leasing, Union Capital Limited, Uttara Finance

Source: Dhaka Stock Exchange and Bangladesh Bank

11.0 CORPORATE GOVERNANCE IN NBFIs

The primary regulator of financial institutions is Bangladesh bank and secondary regulators are Securities and Exchange Commission, DSE, and CSE if they are listed with stock market.

12.0 CASES & FINDINGS

12.1 CASE 1-DBH (ANNUAL REPORT 2009): Delta Brac Housing Finance Corporation Limited - is the highest rated financial institution in Bangladesh started operation in the early 1997. Among all Banks and Financial Institutions of Bangladesh only DBH has been rated the highest 'AAA' credit rating. DBH is an international joint venture organization promoted by five institutions: three local shareholder organizations and two international partners (HDFC and IFC). The local promoters are: Delta Life Insurance Company Limited, BRAC, Green Delta Insurance Company. DBH includes a separate section in its 2009 Annual Report entitled 'Report on Corporate Governance' (pp.34-43). DBH is committed to the highest standards of corporate governance in all its activities and processes. The Company has always believed in and practiced various elements of corporate governance since its inception. Disclosures include in this section including internal control and compliance, Board of Directors, AGM, dividend payment, top five salaried persons other than CEO, CFO, CS & HIA, audit committee report, and financial reporting. Disclosures included in this section in the nature of corporate governance and reporting are summarized as follows.

'Internal Control and Compliance' (pp.35-35) - DBH made relevant mandatory disclosure in its financial statements under the regulatory framework, including compliance with the provisions of International Accounting Standards (IAS) and Bangladesh Accounting Standards (BAS). The annual financial statements have been audited by the reputed chartered accountants firm and issued unqualified audit reports for all the years of the operations. **'Board of Directors'** (pp.35) - The corporate governance principles of the Company ensures that the Board remains informed, independent and involved in the affairs of the Company. The Board members have collective experience in diverse fields like finance, banking, insurance, economics, corporate laws and administration. **'AGM'** (pp.36-37) - DBH holds General Meeting of shareholders once a year and the Company ensures effective interaction with the shareholders at the Annual General Meeting. The Directors pay special attention in answering the various queries raised by the shareholders at the Annual General Meeting. The Company's results and official news release are also displayed on the Company's web site and on the websites of the Dhaka and Chittagong Stock Exchanges and the news required to publish in the daily newspaper were also published accordingly. **'Dividend Payment'** (pp.37) - The final dividend if declared by the shareholders at the Annual General Meeting shall be paid on or before 24th December, 2009, i.e. within 30 days from the date of declaration. **'Top five salaried persons other than CEO, CFO, CS & HIA'** (pp.41) - Head of Operations, Head of IT, Head of Human Resources, Head of Credit, Head of Home Loans. All of them have zero number of shares. **'Audit Committee Report'** (pp.43) - According to the Bangladesh Bank and SEC's guidelines, the Audit Committee is a sub committee of the Board. The Committee reports on its activities to the Board of Directors. The Company Secretary of the Company is the Secretary of the Audit Committee. The Audit Committee of DBH is comprised of five members of the Board of Directors. **'Financial Reporting'** - DBH introduces and maintains disclosure in its financial statements under the regulatory framework, including International Accounting Standards (IAS) and Bangladesh Accounting Standards (BAS).

In the case of DBH the corporate governance disclosures are assembled with the issues mentioned above. It is notably needed to mention that DBH discloses all information above regarding corporate governance followed by the Bangladesh Bank and SEC guidelines.

12.2 CASE 2- IDLC (ANNUAL REPORT 2009): A public limited company incorporated in Bangladesh on May 23, 1985 under the Companies Act 1913 and listed with Dhaka and Chittagong Stock Exchanges on March 20, 1993 and November 25, 1996, respectively. IDLC commenced its journey in 1985, as the first ever leasing company of the country. In 1995, IDLC was licensed as a Financial Institution by the country's central bank, Bangladesh Bank, following the enactment of the Financial Institution Act 1993. IDLC has changed its name to IDLC Finance Limited from earlier Industrial Development Leasing Company of Bangladesh Limited in August 2007. The company continues to evolve as an innovative financial solutions provider. IDLC includes a separate section in its 2009 Annual Report addressing governance entitled 'Statement on Corporate Governance' (pp.28-33). IDLC considers that its corporate governance practices comply with almost all the aspects of the SEC Notification No. SEC/CMMRRCD/2006-158/Admin/02-08 dated February 20, 2006 and almost all aspects of Bangladesh Bank's DFIM Circular No. 7 dated September 25, 2007. IDLC also considers best governance practices in its activities. The independent role of Board of Directors, separate and independent role of Chairman and Chief Executive Officer, distinct role of Company Secretary, Chief Financial Officer and Chief Compliance Officer, different Board committees allows IDLC to achieve excellence in best corporate governance practices....(p.28).

'Internal Control' (pp.28) - the Company's internal control systems have been designed to provide the directors with reasonable assurance that assets are safeguarded against unauthorized use by the employees and/or management and/or third parties, transactions are authorized and properly recorded and material error and irregularities are either prevented or detected within a reasonable period of time. Properly designed management structure, clearly defined responsibilities, delegation of authorities, establishment of accountability at each level and system of periodic reporting and monitoring performance are the key elements of the internal control framework employed in IDLC. **'Board of Directors'** (pp.28) - the Board of IDLC comprises of ten directors who possess a wide range of skills and experience over a range of professions, businesses and services. All of them are nominated by their respective institutions except for the independent director. The Directors are appointed by the shareholders in the Annual General Meeting (AGM). **'AGM'** (pp.6) - the 25th Annual General Meeting of the shareholders of the Company will be held on Monday, April 19, 2010 to transact the business as approval of appointment of CEO & managing director of the Company, declaration of dividend, election of directors, appointment of auditors. **'Dividend Payment'** (pp.59) - proposed dividend for 2009 as stock dividend @ 100% (one share for every one share held) which is about BDT 300 million and cash dividend @ 10% (per share on 3,000,000 ordinary shares) or BDT 30 million. **Executives (Top five persons other than CEO,CFO,CS,HIA):** (pp.61) - Names have been mentioned. All of them have zero number of shares except one member who holds 79 shares. **'Audit Committee Report'** (pp.31) - The Audit Committee comprises of five Directors. The Company Secretary also acts as the Secretary of the Audit Committee. The Committee is headed by a director who has professional background in accounting and finance. The rules of the Audit Committee clearly lay down its authority, responsibility and specific duties. **'Corporate 7 Financial Reporting'** - The Directors, in accordance with SEC Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006; confirm compliance with the financial reporting framework for the following: a) The financial statements prepared by the management of IDLC, present fairly its state of affairs, the results of its operations, cash flows and changes in equity, b) Proper books and accounts of the Company have been maintained, c) Appropriate accounting policies have been consistently applied, d) International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of financial statements....(p.59).

In case of IDLC Finance Limited, internal control is complied as mentioned in the annual report, 10 Board of Directors are nominated except independent director and directors are appointed in the AGM. AGM was called in 2009 and declared for 2010 as well. Dividend has been declared in 2009. Top 5 most salaried persons were disclosed including their holding of shares. Audit Committee comprises 5 directors including company secretary which is complied. Financial statements preparation and reporting standards confirm compliance with IAS and BAS.

12.3 CASE 3-PRIME FINANCE & INVESTMENT LIMITED (ANNUAL REPORT 2009): Prime Finance is one of the leading financial institutions operating in Bangladesh. It was incorporated on March 10, 1996 and licensed from Bangladesh Bank April 25, 1996. Prime Finance got licensed from SEC as Merchant Bank in 1999. Prime Finance listed with both the DSE and CSE in 2005. Prime Finance operates within the legal framework of Bangladesh Bank, The Securities and Exchange Commission and Dhaka and Chittagong Stock Exchange. Prime Finance complied with all the conditions stipulated in SEC's Notification dated 20 February 2006 with no exception although it has been issued for the listed companies on 'comply or explain' basis. Statements on compliance of the conditions of SEC's Notification and Bangladesh Bank guidelines have been given on pages 68 to 70 of this Annual Report....(p.56). Disclosures included in this section in the nature of corporate governance are summarized as follows.

'Internal Control' (pp.70) - Audit Committee shall be formed for effective implementation of an integrated internal control system of the Company and for keeping loan/lease/investment quality at a desired level. Board Audit Committee shall review the report provided by the Internal Control & Compliance Department, the external auditor and the Bangladesh Bank shall make comments thereon. **'Board of Directors'** (pp.57) - The Board comprises of eleven non-executive Directors of whom seven are nominee Directors and one Executive Director who is also the Managing Director. The eleven non executive Directors also include one Independent Director. They encompass a range of talents, skills and expertise to provide prudent guidance with respect to the operations of the Company. **'Annual General Meeting/AGM'** (pp.42 and 209) - The thirteen AGM was held in 2009 and AGM to be held in 2010 has also been declared including agenda. **'Dividend Payment'** (pp.41) - the Board recommended 50 percent dividend (40 stock and 10 cash) for the year ended 31 December, 2009 for approval of Shareholders in the Fourteenth Annual General Meeting. **Executives (Top five persons other than CEO,CFO,CS,HIA):** (pp.48) - The top five executive's names have been mentioned including their zero shares holding. **'Audit Committee Report'** (pp.61) - An active Board Audit Committee comprises of four non-executive Directors, including independent Director is in place. The Chief Financial Officer and the Company Secretary attend the meeting by invitation. **Finally, 'Corporate and Financial Reporting'** (pp.43) - The Directors, in accordance with SEC's notification No. SEC/CMRRCD/2006- 158/Admin/02-08 dated 20 February 2006, confirm compliance with the financial reporting framework for the following: The financial statements prepared by the management of Prime Finance present fairly, appropriate accounting policies have consistently applied, International Accounting Standards, as applicable in Bangladesh, have been followed in preparation of financial statements.

In the case of Prime Finance and Investment Limited, internal control is complied and 11 Board of Directors including independent director encompass broad range of talent, skills and expertise to operate the company. AGM was called in 2009 and AGM to be called in 2010 has also been declared. Dividend has been declared for 2009. The top five executive names have been disclosed with their shares holding. Audit committee comprises four members including independent director and its report has been disclosed which is complied. Appropriate accounting policies including financial reporting have been applied followed by IAS and BAS.

12.4 CASE 4-NHFIL (ANNUAL REPORT 2009): National Housing Finance and Investment Limited is a Public Limited Company under the Companies Act, 1994 and licensed by Bangladesh Bank under the Financial Institutions Act, 1993. It was incorporated in August 18, 1998 with authorized capital Tk. 2000 million paid up capital of Tk. 400 million. A separate section includes in the annual report of NHFIL which focuses on the status of compliance on Corporate Governance with the conditions imposed by the Securities and Exchange Commission's Notification No. SEC/CMRRCD/2006-158/Admin/02-08 dated February 20, 2006....(p.15).

'INTERNAL CONTROL' (pp.15) - Internal control and compliance committee under board of directors. **'BOARD OF DIRECTORS'** (pp.19) - The Board comprises of fifteen Directors with no single Independent Director at all. **'ANNUAL GENERAL MEETING/AGM'** (pp.6) - The tenth AGM was held in 2009 and AGM to be held in 2010 has also been declared including agenda. **'DIVIDEND PAYMENT'** (pp.39) - Considering the overall financial result of the Company, the directors recommended 17.50% cash dividend for the year 2009. **EXECUTIVE (Top five persons other than CEO,CFO,CS,HIA)** - are absent in the annual report, 2009. **'AUDIT COMMITTEE REPORT'** (pp.44) - The Audit Committee consists of the following members: Chairman and one member with no independent director. **'CORPORATE & FINANCIAL REPORTING'** (pp.16) - Consistency in application of appropriate accounting policies in preparation of Financial Statements and IAS, as applicable in Bangladesh, is followed in preparation of financial statements. In the case of NHFIL, internal control and compliance committee is revealed but it's responsibilities are not mentioned which is under cover. Board of directors comprise with fifteen members but without independent director. AGM was called regular basis and declared cash dividend 17.5% in 2009. No high salaried executives were disclosed and audit committee has no independent director which is complied. Accounting policies are appropriate followed by IAS.

13.0 FINDINGS

I have found corporate governance disclosures contained with the annual report of DBH, IDLC, and Prime Finance. The focus was on transparency, corporate responsibility, and fairness in terms of company operations, independent director, board of directors, internal control, regular dividend payment including cash and stock dividends, regular AGM call, audit committee formation, top five persons in the executives other than CEO, CFO, CS, and HIA, and financial reporting system with the IAS and BAS compliance. I searched for evidence of the above compliances in the annual report of the 4 companies. The first three companies (DBH, IDLC, and PF) complied guidelines given by SEC and Bangladesh Bank in terms of dividend issue, board of directors, regular AGM call, internal control, audit committee formation, and financial reporting standards. NHFIL was complied regular AGM call and financial reporting system but internal control is not clear because its responsibilities were not mentioned although there was a committee under Board of Directors. Independent director was absent in the board as well as in the audit committee.

14.0 RECOMMENDATIONS

1. There may be specific instructions to be given by Bangladesh Bank as well as SEC on internal control under code of corporate governance to be more accountable and make better disclosures.
2. Appointment of independent director which is 1/10 or subject to minimum of one may be an obligatory option to form the Board of Directors which can ensure more responsibility.
3. As directors are elected in AGM which is under agenda, independent director may also be included to be appointed in under AGM agenda.
4. Appointment and disclosure of top five persons in executives should be a compulsory option in the annual report to be published.
5. Formation of audit committee and independent director to be a member of committee should be a code of governance which may be a requisite for annual report publication.

15.0 CONCLUSION

Corporate governance disclosure has important implications in the financial sector. It is observed that regulators are playing an important role to promote the governance disclosures in the annual report of financial institutions. In this study I did not investigate all companies listed with DSE which is likely to give important information in the context of the Bangladesh financial institution sector.

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