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Shariah-Compliant Finance in Bangladesh: Bridging Banking and Capital Markets for Inclusive Growth

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The BICM Financial Market Review provides analytical insights about the performance of the financial market in Bangladesh on a monthly basis.

“Bangladesh’s Economy Shows Early Signs of Stability: Inflation Eases as Forex Reserves Rise”

— Imran Mahmud, Lecturer, BICM & Md. Adnan Ahmed, Lecturer, BICM



Economy of Bangladesh

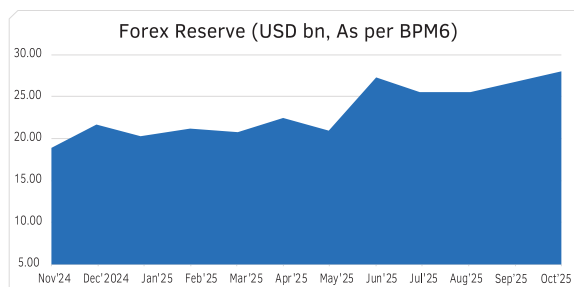


Figure-01 Forex Reserve

Bangladesh's foreign exchange reserves were reported at USD 27.35 billion in October 2025, according to the International Monetary Fund's BPM6 framework, an increase from USD 26.62 billion in September. This rebound in reserves is part of a broader improvement in external-sector stability, driven by a sharp increase in remittance inflows and the maintenance of a flexible exchange rate regime [Fig-01].

As of October 2025, the yields on government securities stood at 10.24%, 10.00%, 9.99%, 9.44%, 9.34%, 9.99%, 10.09%, and 10.30% for the tenures of 91 days, 182 days, 364 days, 2 years, 5 years, 10 years, 15 years, and 20 years, respectively [Fig-02].

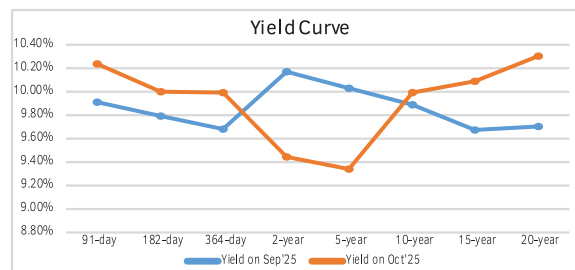


Figure-02 Yield Curve

Between September and October 2025, the call money rate marginally decreased to 9.80%, while the interbank repo rate remained stable at 10.00%. Meanwhile, the 10-year T-bond yield increased slightly, from 9.89% to 9.99% [Fig-03].

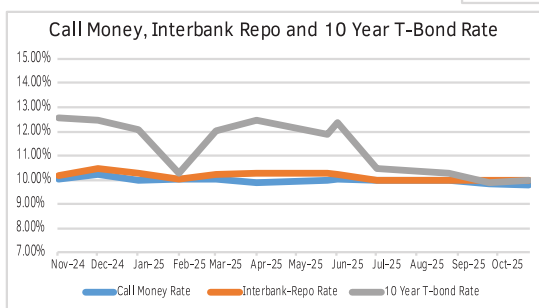


Figure-03 Call Money Rates

According to the most recent report from Bangladesh Bank, private sector credit growth stood at 6.29% in September 2025, significantly below the central bank's target of 9.8%. This followed a growth of 6.52% in July and 6.35% in August, with September showing a decline from August's 6.35%, marking the lowest level of credit growth in the past 21 years [Fig-04].

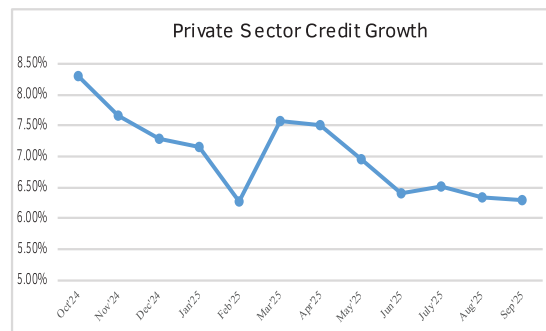


Figure-04 Private Sector Credit Growth

A Visual Tour of the Key Statistics

In October 2025, Bangladesh's inflation rate declined marginally to 8.17%, down from 8.36% in September, due to a surge in both food and non-food inflation. The overall trend still indicates a steady economic recovery. If this trend continues, the inflation rate could reach 7.81% by December 2025 [Fig-05].

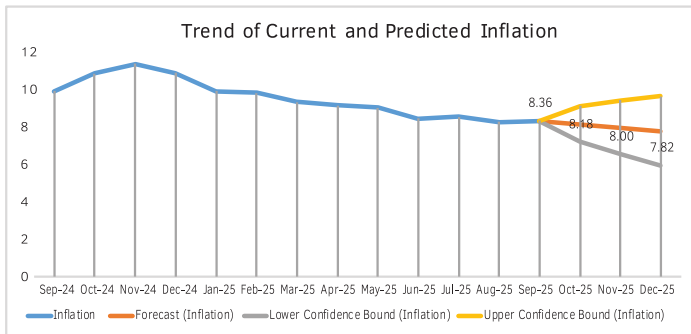


Figure-05 Inflation Trend and Prediction

In July 2025, Bangladesh's exports surged to USD 477.06 crore, up from USD 381.95 crore in July 2024, marking a strong start to the new fiscal year. However, in August, exports dipped to USD 391.50 crore, down from USD 403.32 crore in the same month last year. This downward trend continued into September and October, with exports of USD 362.76 crore and USD 382.39 crore, respectively, both below their 2024 counterparts (USD 380.29 crore and USD 413.08 crore) [Fig-06].

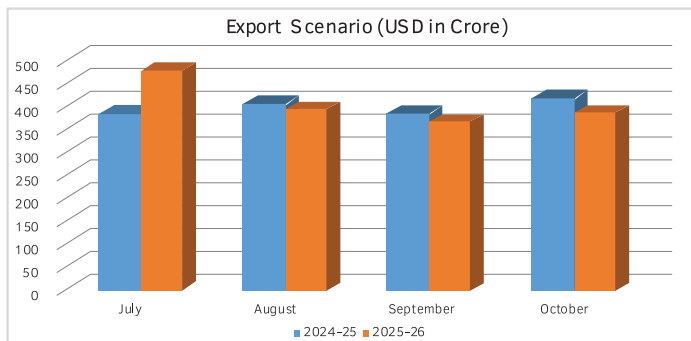


Figure-06 Export Scenario

From 2021–22 to 2024–25, external debt as a percentage of GDP increased from 22.7% to 24.5%, while public sector debt to GDP rose from 15% to 20.2%, and private sector debt saw a slight increase from 0.6% to 0.9%. Short-term external debt as a share of total debt declined from 19.8% to 12.7%, while long-term external debt remained high, around 85–87%. The share of public sector debt in total debt grew from 66.2% to 82.5%, while the share of private sector debt rose marginally to 3.8% [Fig-07].

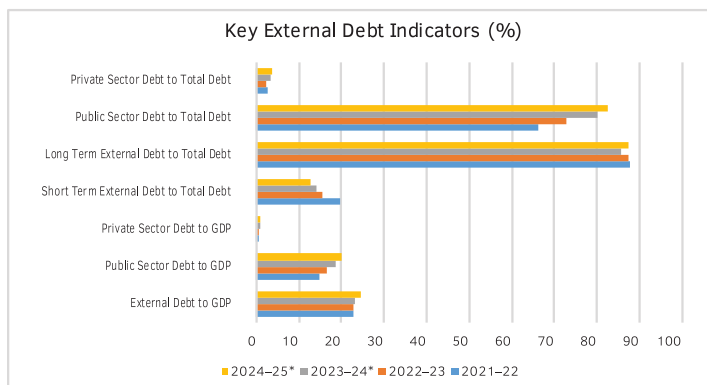


Figure-07 Key External Debt Indicators

In August 2025, total deposits in scheduled banks rose by 10.02% year-on-year and total bank credit grew by 11.28%, driven mainly by a 31.11% surge in investments, despite modest growth in advances and an increase in import bills and inland bills by 8.13%. [Table -01].

Items	Aug, 2025	Jul, 2025	Aug, 2024	Percentage Changes	
				Aug, 2025 over July, 2025	Aug, 2025 over Aug, 2024

Deposits held in DMBs (TK in millions)

Demand Deposits*	2,008,084.00	1,975,584.00	1,934,719.00	1.65	3.79
Time Deposits*	17,039,318.00	16,825,495.00	15,377,888.00	1.27	10.80
Total	19,047,402.00	18,801,079.00	17,312,607.00	1.31	10.02

Bank Credit (TK in millions)

Advances	17,360,396.00	17,332,146.00	16,369,242.00	0.16	6.05
Bills (Import & Inlands Bills)	284,796.00	272,395.00	263,390.00	4.55	8.13
Investments	5,710,457.00	5,594,265.00	4,355,557.00	2.08	31.11
Total	23,355,649.00	23,198,806.00	20,988,189.00	0.68	11.28

Table-01 Trend of Amount of Deposits and Credit in Banking Industry of Bangladesh

Insights from Numbers

► "Bangladesh's recent foreign exchange performance indicates a strengthening recovery in external sector stability, with reserves rising to USD 27.35 billion in October, up from USD 26.62 billion in September under the BPM-6 framework. This improvement has been supported by a notable rise in remittances routed through formal banking channels, driven by regulatory incentives and closer monitoring of hundi transactions. Increased foreign currency receipts have bolstered liquidity in the banking sector. Meanwhile, measured import management and selective dollar purchases by the Bangladesh Bank have contributed to reserve consolidation. The uptick in reserves also aligns with broader signs of macroeconomic recovery, as evidenced by improving import cover and moderated exchange rate volatility.

► The government securities market in October reflects a notable shift in yield curve dynamics compared to September. Short-term yields (91-day to 364-day) increased moderately, indicating tighter liquidity conditions and elevated demand for short-term financing. In contrast, most medium-term yields (2-year and 5-year) declined, suggesting improved investor confidence and expectations of easing inflation over the medium term. However, long-tenure instruments (10-year to 20-year) saw yields rise again, signaling that investors remain cautious about long-term inflation risks and fiscal pressures.

► The recent trend in money market and government securities rates indicates a gradual easing of short-term liquidity pressures, along with a moderation in long-term borrowing costs. The call money rate declined from around 10.02% in November 2024 to 9.80% in October 2025, suggesting improved liquidity conditions in the banking system. The interbank repo rate remained stable at around 10%, reflecting continued policy alignment and liquidity management by the central bank. Notably, the 10-year T-bond yield decreased from 12.55% in late 2024 to around 9.99% in October 2025, signaling declining inflation expectations and improved investor confidence in long-term government securities.

► Private sector credit growth remained muted, easing from 8.30% in October 2024 to 6.29% in September 2025, reflecting cautious borrowing and subdued investment sentiment. The brief rise in March–April appears to be temporary, linked to short-term working capital needs rather than sustained expansion. The persistent moderation below 7% in recent months suggests that businesses are still operating conservatively amid higher financing costs and uncertain demand conditions.

► Headline inflation declined to 8.17% in October 2025 from the peak of 11.38% in November 2024, largely due to a high base effect and a slight reduction in food price inflation. However, this easing offers limited real relief, as both food and non-food prices continued to rise month-on-month, indicating that underlying cost pressures remain strong. The rise in non-food inflation to 9.13% highlights sustained increases in housing, transportation, and essential service costs, particularly in urban areas. The combination of persistent non-food inflation, rising living costs, and stagnant wage growth suggests that the burden of inflation remains structurally embedded.

► Bangladesh's export performance in the early months of FY26 shows mixed signals. The sharp rise in July 2025 to USD 477.06 crore indicates strong initial export activity, reflecting temporary momentum from seasonal demand or early shipments. However, the subsequent decline from August to October, with exports falling below 2024 levels, highlights emerging vulnerabilities in trade performance. Weakening global demand, supply-chain disruptions, and policy uncertainties appear to have dampened export growth. This pattern suggests that while Bangladesh can achieve short-term gains, sustaining export momentum requires targeted policy support, diversification of markets, and strengthening competitiveness to mitigate external shocks and stabilize earnings over the medium term.

► The data indicate a rising reliance on public sector borrowing, with public debt-to-GDP increasing to 20.2% and its share of total debt reaching 82.5% in 2024–25. External debt has grown moderately to 24.5% of GDP, while the share of short-term external debt has declined, suggesting a shift toward longer-term obligations, which may ease rollover risks.

► In August 2025, deposits in scheduled banks increased 10.02% year-on-year, reflecting continued expansion of liquidity in the banking system. Total bank credit rose 11.28% year-on-year, driven primarily by a 31.11% surge in investments, indicating sustained focus on investment portfolios. Advances showed only modest growth, while import and inland bills increased 8.13%, suggesting some improvement in trade financing.

Data Source: Bangladesh Bank, Bangladesh Bureau of Statistics

"Market Indices Fall as Investor Confidence Weakens in October 2025"

The Dhaka Stock Exchange experienced a bearish month in October 2025, as all major indices declined, led by drops in DSEX (-5.97%), DSES (-7.79%), and DS30 (-5.01%), reflecting overall weak market sentiment.

Faima Akter [Lecturer, BICM] &
Gourav Roy [Lecturer, BICM]



Capital Market

The Dhaka Stock Exchange (DSE) witnessed a broad bearish trend in October 2025, with all five major indices closing lower. As shown in Table 1, the benchmark DSEX declined throughout October, driven by continuous sell-offs and weakened investor confidence, particularly in mid-month. The DS30, which represents blue-chip stocks, also moved lower, reflecting cautious institutional activity, while the DSES (Shariah Index) experienced the steepest decline amid increased profit-taking. Similarly, the CDSET weakened, indicating softness across both major exchanges. In contrast, the DSMEX (SME Index) remained relatively stable. Despite minor recoveries toward the end of the month, overall market sentiment remained risk-averse heading into November.

Index Name	2-Jul-25	31-Jul-25	Change	% Change
DSEX	5,447.63	5,122.22	-325.41	-5.97%
DSES	1,174.03	1,082.63	-91.4	-7.79%
DS30	2,092.56	1,987.76	-104.8	-5.01%
CDSET	1,097.97	1,049.99	-47.98	-4.37%
DSMEX	979.95	976.90	-3.05	-0.31%

Table-02 DSE Market Indices in October, 2025

Figure 08 shows the daily movements of the DSEX and DSES throughout October 2025, revealing similar trends, with the Shariah Index displaying sharper fluctuations. Both indices declined steadily in the first half of the month, marked by significant drops around mid-October amid heightened selling pressure. Brief recoveries occurred during a few sessions, particularly around October 20, supported by bargain hunting. Toward the end of the month, the indices stabilized slightly, though the overall tone remained bearish.

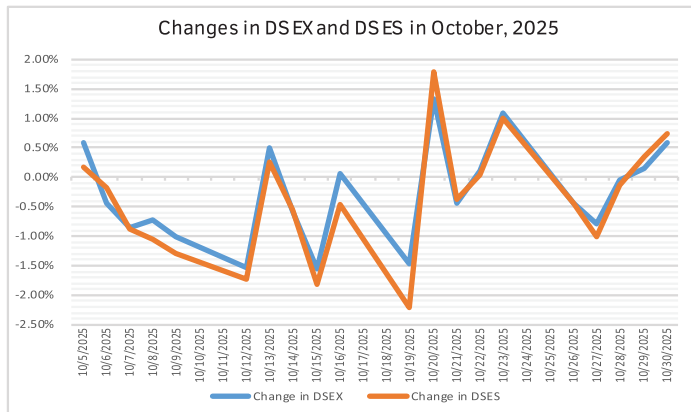


Figure-08 Changes in DSEX and DSES in October, 2025

Figure 09 shows the changes in the CASPI and CSE30 indices during October 2025, displaying broadly synchronized movements, with both indices reflecting alternating phases of recovery and correction. While the CASPI displayed slightly smoother trends, the CSE30 experienced sharper intraday shifts, indicating short-term volatility among leading CSE stocks. Overall, both indices mirrored investor caution throughout the month.

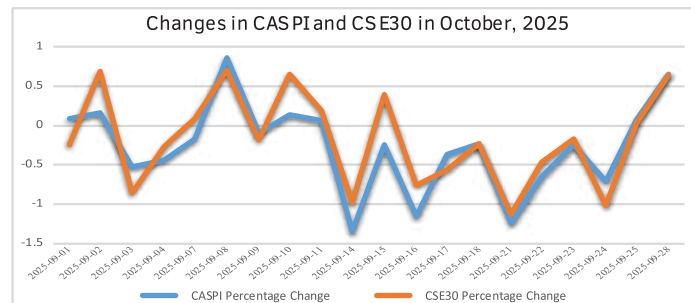


Figure-09 Percentage Changes in CASPI and CSE in October, 2025

The Advance-Decline (AD) ratio for October 2025 indicates weak market breadth, with most sessions showing more losers than gainers. Sharp declines were observed around mid-month, while brief recoveries on October 13 and 20 provided temporary relief. The late-month spike, driven by data, was short-lived, underscoring overall bearish sentiment and fragile investor confidence.

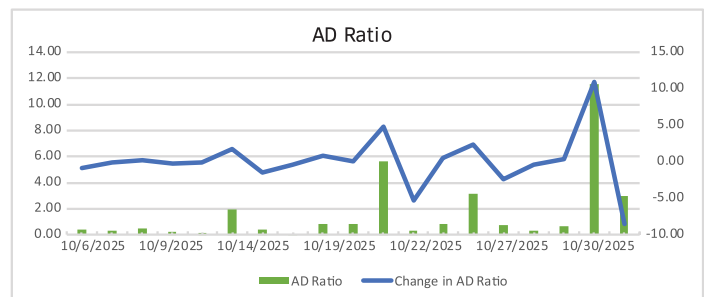


Figure-10 AD Ratio in October, 2025

As shown in Table 03, the Dhaka Stock Exchange experienced a clear slowdown in market activity during October 2025. Average market capitalization and turnover declined notably, reflecting reduced stock valuations and weaker liquidity. Both trading volume and the number of trades fell sharply, indicating lower investor participation and heightened caution amid prevailing uncertainty. Overall, market sentiment remained subdued throughout the month.

Particulars	30 September 2025	30 October 2025	Change	% Change
Average Market Capital (TK Million)	7245470.7	7,091,178.1	-154,292.6	-2.13%
Average Traded Value (TK Million)	8740.0	5,809.8	-2,930.3	-33.53%
Average Number of Trades	234587.5	179,779.5	-54,808.0	-23.36%
Average Trade Volume	275344684.8	180,429,844.2	-94,914,840.6	-34.47%

Table-03 Market Aggregates in October, 2025

In October 2025, market turnover was concentrated in a few actively traded stocks, most of which ended lower amid cautious sentiment. ANWARGALV emerged as the top gainer, reflecting strong investor interest, while PREMIERLEA was the month's top loser, indicating heavy sell-offs in selective scrips. Overall, trading remained narrow and sentiment subdued [Table-04].

Turnover			Gainer		Loser			
SI	Stock	Turn Over	SI	Stock	Return (%)	SI	Stock	Return (%)
1	ORIONINFU	1046.49	1	ANWARGALV	48.58%	1	PREMIERLEA	-18.33%
2	KBPPWBIL	872.59	2	CAPMBOBLMF	27.47%	2	STYLECRAFT	-5.99%
3	DOMINAGE	523.7	3	PENINSULA	24.59%	3	PREMIERBAN	-5.25%
4	ROBI	518.05	4	SPCL	14.58%	4	MEGHNACEM	-15.12%
5	ANWARGALV	510.9	5	TAMJITEX	14.51%	5	BPML	-14.01%

Table-04 Top Turnover Leaders, Gainers and Losers

Bangladesh's macroeconomic backdrop weighed heavily on its capital market. Inflation persisted at elevated levels, increasing operational costs for businesses and exerting pressure on profit margins. Simultaneously, borrowing costs rose and liquidity tightened, reducing investor confidence. External vulnerabilities also featured in market sentiment: despite recent improvements, foreign exchange reserves remained a concern and the taka continued to face depreciation pressures. Together, these factors constrained corporate profitability and heightened risk-aversion among investors, suppressing broader market participation and performance.

The Bangladesh Securities and Exchange Commission (BSEC) has undertaken several initiatives to make the capital market more investor-friendly. To strengthen regulatory governance, the BSEC approved the draft "Bangladesh Securities and Exchange Commission (Public Offer of Equity Securities) Rules, 2025," which will replace the 2015 Public Issue Rules. This draft introduces significant reforms in IPO pricing, disclosure standards, and book-building procedures to improve transparency and market efficiency. The Commission also invited public comments on the proposed rules on 30 October 2025, marking the beginning of a broad consultation phase. During the same month, BSEC addressed investor concerns regarding rumors of changes in margin-loan regulations, urging participants not to panic and assuring that any amendments would follow due consultation. These efforts reflect BSEC's continued commitment to restoring investor confidence through proactive monitoring, strict compliance enforcement, and timely intervention against market irregularities and manipulation.

On average, the market PE ratio of the Dhaka Stock Exchange Limited this month was 12.35 [Figure-11]. Higher sectoral P/E ratios in areas like IT and Paper & Printing indicate selective optimism, while lower valuations in banks and fuel sectors reflect cautious earnings expectations and risk-averse sentiment in October 2025.

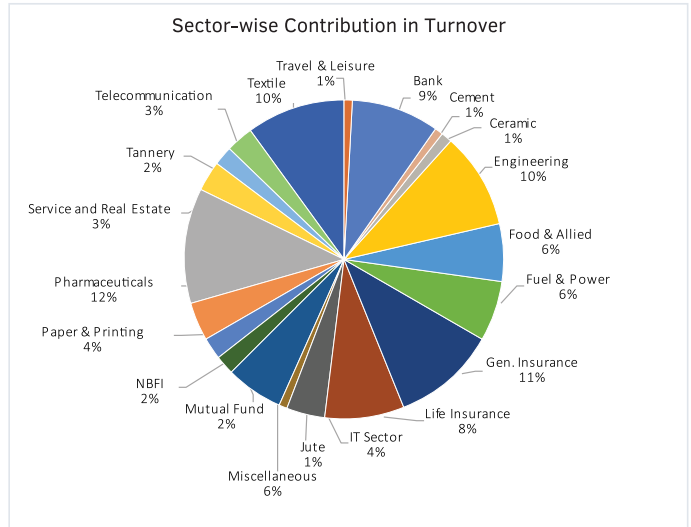


Figure-13 Sector-wise Contribution in Turnover

In October 2025, Bangladesh's DSEX was the weakest performer among selected markets, reflecting persistent bearish sentiment. In contrast, major global indices such as Japan's Nikkei 225, Turkey's BIST 100, and China's A50 showed positive returns, while India's Sensex remained nearly flat. The comparison underscores Bangladesh's market lag amid ongoing domestic challenges [Table 05].

Performance Comparison of the World's Major Index		
Country	Index Name	Return
India	BSESENSEX	0.01%
China	China A50	0.46%
Japan	Nikkei 225	16.64%
Turkey	BIST 100	1.58%
Bangladesh	DSEX	-5.97%

Table-05 Performance Comparison of the World's Major Index in October, 2025

Global commodities showed mixed trends. Natural Gas rose sharply amid supply concerns, while Soybean and Gold posted moderate gains. In contrast, Sugar saw the steepest fall due to improved supply, and Crude Oil edged lower on global growth worries. Overall, energy prices were volatile, while safe-haven assets stayed stable [Table 06].

Performance Comparison of Commodity Futures			
Commodity name	Return	Price (USD)	Parameter
SUGAR	-13.91%	14.44	Lbs
NATURAL GAS	26.68%	4.25	MMBtu
COTTON	0.99%	65.79	Lbs
SOYBEAN	8.80%	1107.29	Bu
GOLD	0.88%	3997.05	t.oz
CRUDEOIL	-1.26%	60.87	Barrel

Table-06 Performance Comparison of Commodity Futures

In summary, October 2025 marked a cautious phase for Bangladesh's capital market. While BSEC's reforms supported confidence, weak liquidity and macroeconomic pressures kept sentiment subdued. Sustained recovery will depend on effective policy execution and economic stability.

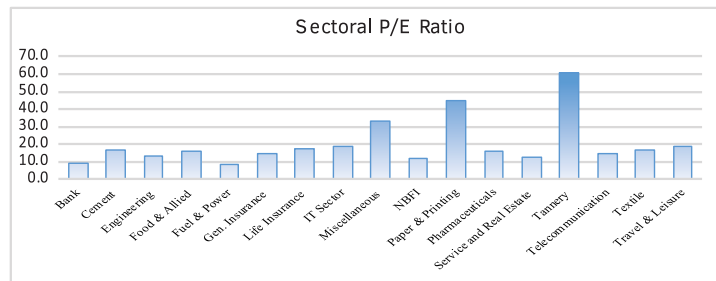


Figure-11 Sectoral P/E Ratio

Sector-wise, most categories posted negative returns, with only general insurance showing modest positive movements [Figure-12].

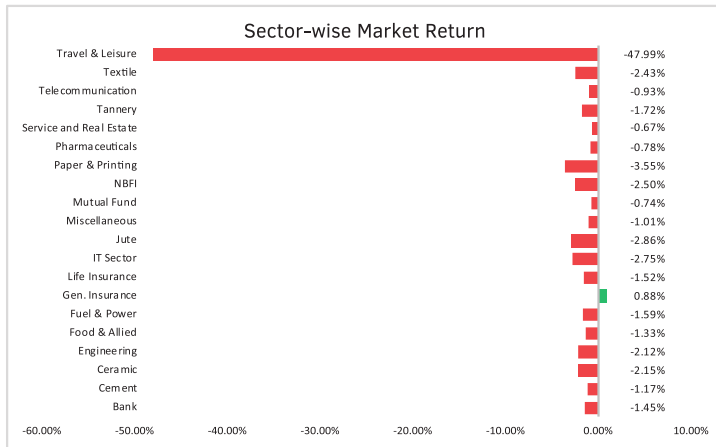


Figure-12 Sector-wise Market Return

Regarding turnover contribution, the pharmaceuticals, engineering, textile, and banking sectors dominated trading activity, together reflecting where investor attention was primarily concentrated during the month [Figure-13].



Shariah-Compliant Finance in Bangladesh: Bridging Banking and Capital Markets for Inclusive Growth



Islamic finance, which is structured to align with Shariah principles such as the prohibition of riba (interest), excessive uncertainty (gharar), and haram activities, while emphasizing risk-sharing and backing by real assets, has transitioned from a niche sector to a mainstream component across many Muslim-majority economies. Bangladesh, home to one of the world's largest Muslim populations and with decades of grassroots advocacy for Shariah-compliant services, has emerged as a significant Islamic finance market in South Asia. The previous five years have been notably consequential: sovereign and corporate sukuk have developed; Islamic banking has expanded and maintained its market share; and regulators have enhanced frameworks for governance, transparency, and sustainable financial instruments. Simultaneously, liquidity pressures and governance issues at a subset of banks prompted decisive policy interventions and a consolidation movement, influencing the sector's subsequent development.

Underlying theme of Islamic Finance

Islamic finance is fundamentally based on principles of Shariah (Islamic law), which governs all aspects of financial transactions, ensuring that they align with ethical standards and do not conflict with Islamic teachings. At its core, Islamic finance aims to promote fairness, transparency, and social justice, which contrasts with the conventional financial system that often emphasizes profit maximization at any cost. The basic underlying assumptions of the Islamic finance are as follows:

- 1. Riba (Interest) and the Prohibition of Usury:** The prohibition of riba (interest) is one of the foundational principles of Islamic finance. In traditional banking, interest is charged on loans, and it is considered a form of exploitation because it guarantees a fixed return regardless of the borrower's ability to repay or the underlying risks of the loan. Islamic finance rejects this practice, arguing that it undermines social justice by creating an unequal relationship between the lender and the borrower.
- 2. Gharar (Uncertainty) and Transparency in Transactions:** Another key principle in Islamic finance is the prohibition of gharar, which refers to excessive uncertainty or ambiguity in contracts. Gharar occurs when the terms of a contract are unclear, leading to potential disputes or unfair advantages for one party. In Islamic finance, all parties involved in a financial transaction must fully understand the terms and conditions, and the subject matter of the contract must be clearly defined.
- 3. Haram Activities: Ethical Investments:** Islamic finance also prohibits investment in activities that are considered haram (forbidden) under Shariah law. These include investments in industries such as alcohol, gambling, pork, pornography, and other sectors that violate Islamic ethical standards. Islamic financial institutions are required to screen investments to ensure that they do not support activities that are deemed unethical or harmful to society.

Current Landscape of Islamic Banking in Bangladesh

By end-June 2025, total deposits mobilized by Bangladesh's Islamic banking system reached BDT 4,572.07 billion, up 3.22% from end-March 2025. The Islamic share of systemwide deposits stood at 24.35%. On the asset side, total Islamic "investment" (the sector's term for financing) rose to BDT 5,147.06 billion, representing 29.18% of all banking-sector loans and advances. The system's investment-deposit ratio was 0.99 at end-June 2025, broadly unchanged from the previous quarter.

Table-01 Performance Comparison of Islamic Banks to All Banks in Bangladesh

Items	End June 2025 (Billion BDT)	Islamic Banks (Billion BDT)	Share of Islamic Banks among All Banks (%)	Islamic Banks Share (%)
Total Deposits	18,775.65	4,572.07	24.35	24.36
Total Investment (Loans & Advances in Conventional Banking System)	17,641.13	5,147.06	29.18	28.93
Remittances	1,045.88	265.57	25.39	23.40
Total Excess Liquidity	2,836.40	119.90	4.23	2.65

Source: Bangladesh Bank

Funding Mix of Islamic Banks

Deposit mobilization in Islamic banks relies heavily on mudaraba contracts, profit-sharing investment accounts where depositors share in the bank's distributable profit pool whereas current accounts structured under al-wadeeah and other permissible arrangements. The following figures depicts the types of contracts used by the banks for deposit mobilization:

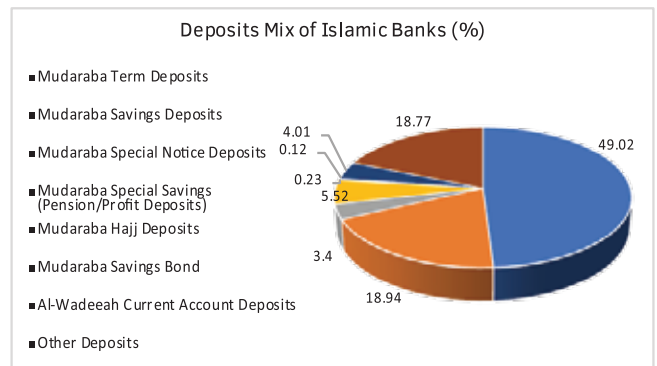


Figure-01 Deposit Mix of Islamic Banks

On the asset side, financing modes reflect the classical Islamic toolkit: bai-murabaha (cost-plus sale), bai-muajjal (deferred sale), ijara (leasing), HPSM (hire purchase under shirkatul melk), and equity-based sharing via musharakah/Mudarabah.

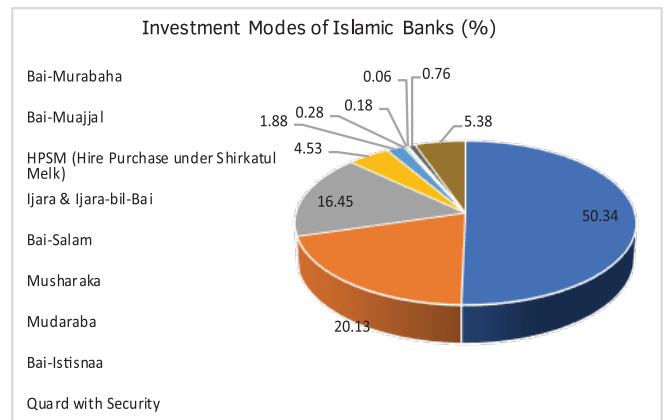


Figure-02 Investment Modes of Islamic Banks

External Sector Linkages: Trade and Remittances

Islamic banks intermediate a meaningful share of foreign trade flows. In April-June 2025, export receipts routed through Islamic banks rose to BDT 404.67 billion, up 9.67% from the previous quarter and 43.48%

year-on-year. Over the same period import payments stood at BDT 519.69 billion (down 2.88% quarter-on-quarter; down 23.56% year-on-year), reflecting demand management and price/base effects. Islamic banks also remain critical conduits for worker remittances: BDT 265.57 billion in the quarter, up 16.68% from January-March 2025.

Inclusion, Microfinance, and Agent Banking

A hallmark of Bangladesh's Islamic finance is its inclusion agenda. Deposit account holders in Islamic banking climbed from 36.41 million (March 2025) to 39.33 million (June 2025), underscoring strong retail adoption. On the agent-

-banking channel, Islamic financing volumes surged from BDT 222.04 billion to BDT 709.61 billion over the quarter, an indicator of outreach to peri-urban and rural clients via low-cost delivery.

Islamic microfinance also expanded. Total volumes of microfinance rose from BDT 76.29 billion (March) to BDT 90.42 billion (June), with a sharp pickup at Islamic branches of conventional banks complementing the steady base at full-fledged Islamic banks. Women’s entrepreneurship financing is gaining traction. Total financing by women entrepreneurs rose to BDT 50.27 billion in June 2025 (from BDT 43.66 billion in March). This dovetails with broader financial-inclusion mandates and aligns with Shariah’s emphasis on social justice and balanced opportunity.

Sustainable Finance and CSR

Islamic banks are gradually integrating ESG considerations. Green financing under Islamic banking climbed to BDT 204.29 billion (June 2025), up from BDT 174.59 billion in March, driven mainly by full-fledged Islamic banks and a notable step-up at Islamic branches of conventional banks. CSR expenditures, funded from zakat, compensation charges, and other Shariah-permissible sources, were BDT 0.51 billion in April–June 2025, channeled to education, health, and relief causes.

Current Status of Islamic Finance in Capital Market

The capital market of Bangladesh regarding Islamic financing mode has made noteworthy strides over the past several years. Driven by the country’s largely Muslim population and growing demand for Shariah compliant investment vehicles, the system now supports instruments such as sukuk (Islamic bonds), Shariah compliant equity funds, and other Islamic securities. Between the issuance of government Islamic investment bonds and the advent of private sector sukuk, the market has begun to lay a foundation for deeper Islamic capital market activity.

While still nascent compared with conventional debt markets or mature Islamic finance markets in Malaysia or the Gulf region, Bangladesh’s market shows positive signs of structural development. For example, the regulatory framework now explicitly recognizes Shariah based securities. Moreover, initiatives are under way to extend issuance into corporate sukuk, green or sustainability sukuk, and broaden investor access.

The Bangladesh Securities and Exchange Commission (BSEC) has taken several concrete steps to solidify the regulatory infrastructure of the Islamic capital market. Key measures include:

Investment Sukuk Rules, 2019: Issued by BSEC in May 2019, these rules provide the foundational legal framework for issuance of all types of investment sukuk—asset based or otherwise, whether via public offer or private placement. They define key terms (e.g., “asset”, “issuer”, “SPV”, “Shariah advisor”), prescribe requirements for Shariah governance (e.g., the originator must appoint a Shariah Supervisory Board/SSB), and integrate sukuk issuance into existing securities and debt issuance rules.

Shari’ah Advisory Council (SAC) Rules, 2022: Under the “Bangladesh Securities and Exchange Commission (Securities Market Shari’ah Advisory Council) Rules, 2022”, BSEC formally created a dedicated Shariah Advisory Council responsible for oversight of Islamic securities (ISBS) and the broader Islamic capital market (ICM). The rules set out the composition of the SAC (nine members, at least five Shariah scholars), term limits (max two consecutive terms of three years each), and functions including offering Shariah pronouncements. **Debt Securities Rules, 2021:** To further develop the corporate debt and securities market (which includes sukuk), BSEC issued rules relating to debt securities in 2021, facilitating Islamic compliant issuance under a clearer regulatory overlay.

Current Status of Sukuk in Bangladesh

Bangladesh Bank issued its first Sukuk on behalf of the Bangladeshi government on December 28, 2020, in order to generate BDT 80.00 billion for the implementation of a clean water delivery program across the country. The prospectus states that the government will contribute BDT 8.51 billion toward the project’s estimated total cost of BDT 88.51 billion. Bangladesh Bank will be the special-purpose vehicle (SPV) and the Finance Ministry will be the originator. Through an auction on December 28, 2020

the government raised BDT 40.00 billion for the project’s first phase. Bids from investors totaled BDT 151.53 billion at the auction. There was around a four-fold oversubscription to the issue. The remaining BDT 40.00 billion for the fund was raised through a second auction on June 9, 2021, which was once more than eight times oversubscribed. To fund BDT 50.00 billion for a government elementary school project, the third auction was held on December 29, 2021. It was oversubscribed five times. The significant oversubscription suggests that Bangladesh’s Sukuk market has a promising future. Sukuk holders would thereby benefit 4.69 percent on their whole Islamic Sukuk investment. The Bangladesh Government’s Islamic Investment Bond (BGIIB) served as the basis for Bangladesh Bank’s rate selection. Investors will get a payout of profits every six months. A client is required to provide a security deposit of at least BDT 10,000, with no upper limit. Banks, corporations, and individuals will all be allowed to make investments. The Sukuk will mature in five years.

Table-02 Govt. Sukuk and Key Features

SL.	Project Name	Tenor	Underlying Contracts	Issuing Date	Profit / Rental Rate	Outstanding BDT (Cr.)
1.	Safe Water Supply to the Whole Country	5 Y	Ijarah	2020-12-29	4.69%	8,000.00
2.	Need Based Infrastructure Development of Govt. Primary Schools (1st Phase)	5 Y	Ijarah	2021-12-30	4.65%	5,000.00
3.	IRIDP-3 Social Impact Sukuk	5 Y	Istisna’a and Ijarah	2022-04-20	4.75%	5,000.00
4.	CDWSP Social Impact Sukuk	5 Y	Istisna’a and Ijarah	2024-06-06	10.40%	1,000.00
5.	CIBRR-2 Socio-Economic Sukuk	7 Y	Istisna’a and Ijarah	2025-03-13	9.25%	3,000.00
6.	RDIRWSP Socio-Economic Development Sukuk	7 Y	Ijarah	2025-05-20	10.50%	2,000.00

Source: Bangladesh Bank

Looking ahead, both the Islamic banking and capital market sectors in Bangladesh are poised for growth. With a supportive regulatory framework, increasing demand for ethical investments, and a large untapped market, Islamic finance can play a critical role in financing the country’s infrastructural and developmental needs. Expanding sukuk issuance, strengthening Shariah governance, and developing liquidity instruments will help deepen the market and make it more resilient. Moreover, the integration of green sukuk and impact investing offers exciting prospects, aligning financial growth with Bangladesh’s development goals, including sustainable infrastructure and climate resilience.

In conclusion, Bangladesh’s Islamic finance sector, encompassing both Islamic banking and the Islamic capital market, is on a promising trajectory. Continued regulatory support, market infrastructure development, and investor confidence will be key to transforming Bangladesh into a leading hub for Islamic finance in the South Asian region. By capitalizing on its strengths, addressing its challenges, and tapping into global trends such as green and sustainable finance, Bangladesh can harness the full potential of Islamic finance to support long-term economic development while staying true to its ethical and religious values.

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