**Ref:** MetLife-UP-400

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| --- | --- | --- |
| **Client name:** American Life Insurance Company, Bangladesh Branch (MetLife) | | |
| **Accounting period:** 01 January 2021 to 31 December 2021 | | |
|  | |  |
| **Work done by** | **:** Hasan Shahriar Khan | **Date:** 29-03-2022 |
| **Work reviewed by** | **:** Israt Jahan | **Date:** 29-03-2022 |

**Investment Procedures**

**We have summarized the current practice regarding investment as per discussion with following process owner of MetLife.**

|  |  |
| --- | --- |
| **Name** | **Designation** |
| Mr. Md. Imran Shikdar, CFA | Manager, Finance |

American Life Insurance Company, Bangladesh Branch manages its investment by its well-designed process. MetLife has investment in the following five categories:

|  |  |  |  |
| --- | --- | --- | --- |
| **SL#** | **Class of investments** | **Description** | **Remarks** |
| 01 | Statutory Deposit | Statutory deposit of 20-years Government Treasury Bonds of Taka 1.5 Cores with Bangladesh Bank. Investment was made in 2013. | No change |
| 02 | Treasury Bonds | Consist of Government Treasury Bonds for different tenure from 02 year to 20 years. | New investments and encashment incurred |
| 03 | Fixed Deposits with Banks | Fixed Deposit (FDR) with Banks consist of following three categories:   1. Long term (More than 1 year) 2. Short term (Up to 1 year) 3. Takaful Deposits (Islamic) | New investments and encashment incurred |
| 04 | Investment Corporation of Bangladesh (ICB) Unit Certificates | ICB Unit Certificates consist of following two categories:   1. 40,000 Units (BDT 100 each) 2. 47,620 Units (BDT 105 each including premium of BDT 5) | No change |
| 05 | Shares- Common Stocks | Shares-Common Stocks consist of investment in two company:   1. Padma Oil Company Limited 2. ACI Limited | No change |

MetLife has their internal policies and procedures regarding investment which are:

1. Bangladesh Asset Liability Management (ALM) SOP;
2. ALM 2019 Investment Guidelines (Yearly);
3. Investment Committee Charter;
4. Investment Committee Meeting.

**Bangladesh ALM SOP:** ALM SOP used for the governance of Asset Liability Management (ALM) for MetLife Bangladesh which is established in accordance with MetLife Enterprise ALM Charter to manage asset-liability risks within acceptable tolerance. ALM SOP is used for day to day operation and reporting of investment.

**ALM Investment Guidelines (Yearly):** The ALM Investment Guidelines Comprises of the targets and bands for both asset durations and allocations. The proposed ALM Investment Guidelines are submitted by the local Investment team annually to MetLife Asia ALM Working Group and MetLife Asia ALM Committee for review and approval. Once approved, the ALM Investment Guidelines are followed by Investment team to manage day to day Investment of the country. Besides, Investment Compliance Department produces a compliance report every month to raise flags/alerts if the approved ALM Investment Guideline is violated in any way.

**Investment Committee Charter:** MetLife has an Investment Committee Charter established by the management of the Company for overseeing investment portfolio, suggesting investment decisions, suggesting securities for investment, monitoring the financial institutions and monitoring quarterly results and providing directives if required. The investment management process includes determination of investible cash, approval of securities, entry of trades in Blackrock-Aladdin, reconciliation of investment sub system PAM and validation & posting of investment journals in People Soft’s ledger.

**Investment Committee Meeting:** The Investment Committee Meeting is a platform to discuss and see the ALM’s activities are in line with the approved ALM Investment Guidelines. According to the Investment Committee Charter, Investment Committee Meeting is held four times a year or more if required.

Bangladesh Investment Committee consists of the following members:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **SL#** | **Name of members** | **Designation** | **Position in the Committee** | **Remarks** |
| 01 | Sayed Hammadul Karim | General Manager | Chairman | In the absence of the Chairman, his delegate shall act as Chairman of the Committee. |
| 02 | Ala Uddin | CFO | Member |
| 03 | Mohammad Redwanur Rahman | Financial Controller | Member |
| 04 | Michel Ch Wong | Assistant Director, Portfolio Management, Asia | Member |
| 05 | Cherilyn Sun | Vice-President (VP), Portfolio Management, Asia | Member |
| 06 | Moinul Hye Asif | Senior Manager & Head of Risk | Member |
| 07 | Md. Imran Shikdar | Manager, Finance | Member Secretary |

As there is no change incurred for Statutory Deposit, Investment Corporation of Bangladesh Unit Certificate and Shares- Common Stocks. We note down the process of Fixed Deposit (FDR or Takaful) and Government Treasury Bond.

1. **Fixed Deposits with Banks:** Fixed Deposit (FDR and Takaful) with Banks consist of following three categories:
2. Long term (More than 1 year)
3. Short term (Up to 1 year)
4. Takaful Deposits (Islamic)

Investment process starts with the determination of investible cash amount. Investible cash amount is determined by the Investment Team based on ALM Investment Guidelines approved from Regional Investment Team yearly. Investment team consists of following two members:

1. Mr. Md. Imran Shikdar, CFA, Manager-Finance (07 years working experience including 04 years in MetLife)
2. Mr. Earshad Ullah, Senior Executive-Finance (20 years working experience in MetLife)

After determining of investible amount they (Investment Team) gather information on terms and conditions of different banks such as interest rate, maturity period etc. Then the Investment Team discuss the matter with Chief Financial Officer (CFO) verbally. After that, CFO along with the Investment Team select the bank for investment based on favorable terms and conditions.

After finalizing the investment decision, Mr. Imran Shikdar, Manager-Finance send an email to CFO for approval. Then CFO forwards the email to General Manager – Bangladesh Branch for further approval. After getting approval from General Bangladesh investment is made on the selected bank.

**Accounting process:**

MetLife has one module for recording initial trading transaction of investment named Blackrock-Aladdin and a sub system named PAM for asset management which is connected with Blackrock-Aladdin. PAM is also linked with accounting software People Soft.

When investment is made on bank deposit (FDR or Takaful) an initial entry is recoded in the Blackrock-Aladdin by the local Investment Team. If the entry is made before 3.00 PM of the day, the entry is automatically transfer to another module PAM. If the entry is made after 3.00 PM of the day, the entry will automatically transfer to PAM on the next day. After getting transferred to PAM, the entry is automatically transfer to investment ledger of People Soft (Accounting Software).

The initial trading entry recorded in Blackrock-Aladdin is:

Investment…………………………………..……………………………………Dr.

Investment Suspense ……………………………………………………….Cr.

**Cash match entry**: The following entry is manually posted to People Soft by US Securities Team after getting the Bank Statements from Bangladesh by every 10 days interval.

Investment Suspense……………………………………..Dr.

Investment (Cash match suspense)……………….Cr.

Investment (Cash match suspense)……………….Dr.

Bank …………………………………………………………………Cr.

**Maturity**: When the fixed deposit being matured. The deposit is cashed from the bank. The following entry is made:

Investment Suspense …………………………………………………….Dr.

Bank deposit/bonds……………………………………..Cr.

**Cash match entry:** The entry is manually posted to People Soft by US Securities Team after getting the Bank Statements sent from Bangladesh by every 10 days interval.

Bank……………………………………………………………Dr.

Investment Suspense…………………………………Cr.

**Renewal of bank deposit:** No direct renewal of fixed deposit is made by MetLife. At first bank deposit is encashed and a fresh investment is made to the bank.

**Government Treasury Bonds:** Treasury bonds consist of different categories of Government Treasury Bond for different tenure varied from 02 years to 20 years.

Investment in Government Treasury Bond is analyzed by the local investment Team. The decision of investment on bonds are prepared and approved by Regional Investment Team (Hong Kong) based on ALM Investment Guidelines shared by Regional Investment Team yearly. Then the decision is approved by CFO and General Manager – Bangladesh Branch subsequently.

When investment in bond is made, an initial entry is recoded in the Blackrock-Aladdin by the Regional Investment Team (Hong Kong). If the entry is made before 3.00 PM, the entry is automatically transfer to another module PAM. If the entry is made after 3.00 PM the entry will automatically transfer to PAM on the next day. After transferring the entry to PAM, the entry is automatically transfer to People Soft (Accounting Software).

The initial trading entry recorded in Blackrock-Aladdin is:

Interest income (Accrued interest from issue date to purchase date) ……...Dr.

Treasury bond (Investment) ……………………………………Dr.

Investment Suspense ………………………………………………. Cr.

**Cash match entry:** The entry is manually posted to People Soft by US Securities Team after getting the Bank Statements sent from Bangladesh by every 10 days interval.

Investment Suspense……………………………………. Dr.

Bank…………………………………………………………………Cr.

**Maturity of Govt. Treasury Bonds**: When the treasury bonds being matured. The deposit is cashed from the bank. The following entry is made for encashment of treasury bond:

Investment Suspense ……………………………………………………. Dr.

Treasury Bonds (Investment)……………………………………..Cr.

**Cash match entry:** The entry is manually posted to People Soft by US Securities Team after getting the Bank Statements sent from Bangladesh by every 10 days interval.

Bank……………………………………………………………Dr.

Investment Suspense…………………………………Cr.

**What could go wrong:**

1. New investments in Treasury Bonds may be recorded for:

a) transactions that did not occur or pending

b) at incorrect amount

c) transactions for which the entity does not have legal title to investments

1. Treasury Bonds recorded and carried in the books as at the end of reporting period may not exist.
2. Bonds that have been encashed during the year are:

a) not removed from GL

b) removed at incorrect amount

1. Investments in bonds classified as held-to-maturity are not recorded at amortized cost properly.
2. FDRs recorded and carried in the books at the end of reporting period

a) may not exist

b) do not reconcile to the FDR receipts and custodian confirmation resulting in FDR being misstated

1. FDR encashment may not be accounted for properly in the books of accounts.

**Control points:**

1. When investment in bond is made, an initial entry is recoded in the Blackrock-Aladdin (Another investment module) by the Regional Investment Team (Hong Kong) which is finalized by US securities team in PAM and PeopleSoft upon receiving bank statements and bond allotment papers which confirms the occurrence, accuracy and legal title.
2. A statement is obtained from Bangladesh Bank containing all the investments in Treasury Bonds as on cut-off date (Tenor wise Instrument Balance Report).
3. Global Operation Support Centre (GOSC) team checks the bank statement of SCB before posting cash match entry to People Soft.
4. PAM system automatically calculates the BV of Bonds without any manual intervention.
5. ALM Investment Guideline is prepared every year by local investment team which is reviewed by CFO and MetLife Asia Working Group and then approved by MetLife Asia ALM Committee (regional office - Hong Kong).
6. Investment Compliance Department produces a compliance report every month to raise flags/alerts if the approved ALM Investment Guideline is violated in any way.
7. Investible cash amount is determined by the Investment Team. All the investments in FDRs are checked by CFO and approved by GM.
8. Original FDR instrument copies are obtained from concerned banks.
9. All the new investments in Treasury Bonds are primarily approved by regional office (Hong Kong) after checking the compliance with ALM Guideline. Then those are sent to General Manager, Bangladesh through CFO for final approval.
10. A forwarding letter is sent to respective bank regarding encashment of FDRs which is authorized by CFO and Financial Controller.
11. A reconciliation is prepared between PAM and GL on monthly basis by local investment team which is checked by Mr. Md. Imran Shikder – Manager, Finance.