

Foreign Exchange Policy Department

Bangladesh Bank
Head Office, Dhaka.
www.bb.org.bd.

FE Circular No. 22

Date : 09 August, 2016

All Authorised Dealers of
Foreign Exchange in Bangladesh

Foreign Exchange Regulations applicable for enterprises and developers operating in Economic Zones (EZs) in Bangladesh

Attention of the authorised dealers (AD) is drawn to the FE Circular No 04, February 14, 2016 regarding the above mentioned subject. In consultation with the Bangladesh Economic Zones Authority (BEZA) decision has been taken to issue a new FE Circular by replacing the above mentioned circular as follows:

1. Introduction: By an Act of Parliament, namely 'The Bangladesh Economic Zones Act, 2010 (Act No. 42 of 2010), Economic Zones (EZs) will be established in all potential areas including backward and underdeveloped regions under the supervision of the BEZA. The broad features relating to the operations of the industrial enterprises in the zones will be published by BEZA.

2. Foreign Exchange Transactions by the Entities in EZs: Foreign exchange regulations applicable for entities in Export Processing Zones (EPZs) in Bangladesh established under the Bangladesh Export Processing Zones Authority (BEPZA) Act, 1980 shall be applicable equally for the entities in EZs also, if not otherwise directed by Bangladesh Bank. Such regulations are enumerated in Guidelines for Foreign Exchange Transactions (GFET), 2009 (Volume 1 & 2) published by Bangladesh Bank and FE circulars/circular letters issued by Bangladesh Bank from time to time which are available in its website. However, for ready reference and better understanding of the concerned, few major issues of foreign exchange regulations applicable for the entities of EZs are enumerated in subsequent paragraphs.

3. For foreign exchange regulatory purpose, the units located in the EZs shall be categorized as following units:

(a) Type A: 100 percent foreign owned including those owned by Bangladeshi nationals ordinarily resident abroad;

(b) Type B: Joint venture projects between foreign and Bangladesh entrepreneurs resident in Bangladesh;

(c) Type C: 100 percent Bangladeshi entrepreneurs resident in Bangladesh.

4. (I) Maintaining Foreign Currency and Taka Accounts : 'Type A', 'Type B' and 'Type C' units in EZs shall maintain foreign currency accounts as mentioned in Section V, Chapter 13, GFET, 2009 (Volume 1) with ADs. Type A units may open and maintain such accounts with Offshore Banking Units (OBUs) of scheduled banks of Bangladesh also. Proceeds from exports by entities of different types of EZs shall be retained and used through such foreign currency accounts as mentioned in the said Chapter of GFET, 2009 (Volume 1). Besides, equity from foreign shareholders and loan received in foreign currency from authorised sources may be credited in such foreign currency accounts of Type A and Type B units of EZs as above. In case of inward remittance on account of equity, ADs may issue a certificate with the amount credited in FC account mentioning equivalent Taka. Moreover, authorised external loan proceeds may be credited in foreign currency accounts of Type C units of EZs. Exporters of such areas may maintain Taka accounts in the same manner as mentioned in Section V, Chapter 13, GFET, 2009 (Volume 1).

(II) Exports from EZs: Export of goods from EZs (including sales within EZ, to other EZs, to EPZs, to other areas of Bangladesh) are subject to the usual requirement of declaration of exports in 'EXP Form' and repatriation of export proceeds mentioned in Chapter 8 of the GFET, 2009 (Volume 1) and related FE circulars/circular letters issued thereafter. For identification, EXP Forms for these exports should be rubber stamped or over printed with words "EXPORT FROM EZ" in bold letters.

(III) Selling of Bangladeshi goods or raw materials or non-physical contents to EZ enterprises: Sales of permissible Bangladeshi goods or raw materials to enterprises located in EZs shall be against convertible foreign currency only to be received from foreign currency accounts maintained by the EZ units with ADs/OBUs (for type A units) as mentioned above subject to compliance with other relevant instructions issued by BEZA, National Board of Revenue and Ministry of Commerce. Moreover, selling of such goods including non-physical contents to enterprises located in EZs against payment in foreign currency shall be treated as exports from Bangladesh in accordance with Foreign Exchange Regulation Act, 1947 (as amended upto September 09, 2015). Therefore, normal foreign exchange regulations concerning declaration of exports on 'EXP Forms' in case of export in physical form and repatriation of proceeds shall be applicable for exports to EZs from other areas of Bangladesh.

(IV) Import by units of EZs: For import by the enterprises located in EZs, ADs shall abide by the instructions as mentioned in Para 20, Section -II, Chapter 16, GFET, 2009 (Volume 1). For reporting, usual IMP Form reporting procedures will, however, be applicable for imports by EZ enterprises from abroad.

(V) Credit Facilities: For obtaining credit facilities by the units of EZs, instructions mentioned in Section -II, Chapter 16 of GFET, 2009 (Volume 1) and subsequent related FE circulars/circular letters shall be applicable. However, for obtaining medium and long term debt from abroad/ OBU (in case of Type A unit), borrowing approval applications shall have to be submitted to Bangladesh Bank through BEZA following the procedures as mentioned in FEID Circular No. 03, dated May 06, 2014.

(VI) Contribution of shareholders in Type B units: In case of contribution of shareholders in Type B units, relevant instructions as mentioned in Para 21, Section-II, Chapter 16 GFET, 2009 (Volume 1) shall be applicable.

(VII) Repatriation of dividend to non-resident Shareholders of Type A and B units of EZs: ADs/ OBUs (for Type A units) may remit dividends favoring non-resident shareholders of Type A and B units located in EZs without prior permission of Bangladesh Bank subject to observance of the instructions stipulated in Para 31, Chapter 10, GFET, 2009 (Volume 1). However, submission of documents as per instructions mentioned in Para 31(e), Chapter 10, GFET, 2009 (Volume 1) to Bangladesh Bank for post facto approval will not be required though usual reporting, online returns etc. shall be submitted by ADs/OBUs as per instructions mentioned in GFET (Volume 1 & 2) and related FE circulars/circular letters.

(VIII) Repatriation of investment/capital by non-resident shareholders: Subject to adherence to the instructions of BEZA, guidelines for effecting remittance of sales proceeds of non-residents' investment in Bangladesh will be similar as mentioned in Para 3, Chapter 9, GFET, 2009 (Volume 1) and FE Circular No. 32, dated August 31, 2014.

5. Foreign Exchange Regulations for developers of EZs: Locally owned/controlled zone developers of EZs will have to follow the similar exchange regulations like the entities outside EZs and EPZs. Likewise, foreign owned or foreign controlled entities/zone developers of EZs will follow the similar exchange regulations which are applicable for similar entities (foreign owned or foreign controlled) outside EZs and EPZs as per instructions mentioned in GFET (Volume 1 & 2) and related FE circular/circular letters.

6. Repatriation of royalty, technical know-how and technical assistance fees: ADs/OBUs (for Type A units) may remit the royalty, technical know-how and technical assistance fees of enterprises located in EZs from their FC accounts without prior permission from Bangladesh Bank or BEZA if the total fees and other expenses connected with above mentioned purposes do not exceed the following limits:

- (a) for new projects, not exceeding 6% of the cost of imported machinery;
- (b) for ongoing concerns, not exceeding 6% of the previous year's sales as declared in the income tax returns.

However, remittance of such fees in excess of the prescribed limit is subject to prior specific approval from BEZA. Besides usual reporting to Bangladesh Bank, each transaction shall have to be reported to BEZA also.

7. Working in EZs by foreign nationals: Foreign nationals working in EZs (with valid work permit issued by BEZA) are allowed to remit through an AD 75% of net salary, 100% of leave salary and actual savings and all pension benefits without prior Bangladesh Bank approval [Chapter 11, GFET, 2009 (Volume 1) and FE Circular No. 06, dated April 15, 2013].

8. Reporting: Investment in EZs shall have to be reported to Bangladesh Bank as per instructions mentioned in Para 2, Chapter 9, GFET, 2009 (Volume 1), Para 26, Chapter 02, GFET (Volume 2) and subsequent circulars/circular letters issued by Foreign Exchange Policy Department and Statistics Department, Bangladesh Bank in this regard. Besides, all foreign exchange transactions of EZ units are to be reported through online foreign exchange transaction reporting platform of Foreign Exchange Operation Department of Bangladesh Bank. Such transactions are also to be reported in monthly returns to Bangladesh Bank in relevant Statements (S-10 and S-11), Schedules, etc. as mentioned in Para 14, Chapter 02, GFET (Volume 2).

ADs are advised to provide necessary support to the investors of EZs. For any clarification, General Manager, Foreign Exchange Policy Department, Bangladesh Bank may be contacted at gm.fepd@bb.org.bd and fepd.fempl@bb.org.bd.

FE Circular 04, dated February 14, 2016 hence, will become nullified through the issuance of this FE Circular. This FE Circular is issued under the authority of Section 20(3) of the Foreign Exchange Regulation Act, 1947 (Act VII of 1947, amended upto September 09, 2015). Please bring the contents of the circular to all concerned.

Yours faithfully,



(Jagannath Chandra Ghosh)
Deputy General Manger
Phone: 9530092
Email: fepd.fempl@bb.org.bd