

Foreign Exchange Policy Department
Bangladesh Bank
Head Office
Dhaka
www.bb.org.bd

FE Circular No. 22

Date: June 21, 2021

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Indicative cost for access to short term permissible trade finance in foreign exchange

Please refer to paragraph 25, chapter 8 of the Guidelines for Foreign Exchange Transactions, 2018 (GFET), Vol-1 and its subsequent circulars in terms of which usance export bills can be discounted at all-in-cost of 6-month LIBOR + 3.50 percent per annum. Such instruction with respect to interest is applicable for payment guarantee and early payment against export under open account in accordance with FE Circular No. 25 of June 30, 2020.

02. To bring flexibility in a wider scope for short term export financing in foreign currency at post shipment stages, it has been decided that:

- (a) Besides LIBOR, alternative reference/benchmark rate in the currency of financing, declared by competent bodies, may be applied with prescribed mark up of 3.50 percent per annum for discounting/early payment of export bills;
- (b) The tenure like 1-month, 3-month and so on will be flexible, depending on the credit period for financing;
- (c) In absence of tenure-linked rate, the relative rate applied as reference/benchmark rate for financing usance/credit export bills in the form of discounting/early payment including payment guarantee may be compounded in advance to calculate effective interest for the specified tenure.

03. In case of Islamic Shariah-based financing, globally recognized reference/benchmark rate should be applied instead of traditional one, with the prescribed mark up.

04. The above decisions shall, other than 2(c) above, equally be applicable for permissible usance import under supplier's/buyer's credit. Instead of 2(c), where forward looking reference/benchmark rate with tenure-link is absent, the relative rate applied as reference/benchmark rate for import finance may be compounded in arrears to calculate effective interest for the tenure of credit.

05. In case of risk free reference/benchmark rate to be applied for financing, adjustment for risk premium not exceeding 2.50 percent per annum on markup of 3.50 percent may be added with reference/benchmark rate compounded in advance or in arrear as necessary, for the relative tenure.

06. Respective reference/benchmark rate may, in case of necessity for phasing out of LIBOR, be applied during the credit period as per mutual understanding with the concerned lenders. In addition, ADs shall refrain from arranging LIBOR-tag financing as and when global discourse is published with regards to deadline for its usability.

Please bring the contents of this circular on indicative cost for trade finance, adjustable by Bangladesh Bank based on market conditions, to the notice of your concerned constituents.

Yours faithfully,



(Md. Shahidul Islam)
General Manager (Current Charge)
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