

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

FE Circular No. 25

Date: June 30, 2020

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Export under open account credit terms against payment undertaking/payment risk coverage with option of early payment arrangement on non-recourse basis

Please refer to paragraph 25, chapter 8 of the Guidelines for Foreign Exchange Transactions-2018 (GFET), Vol-1 and its subsequent circulars regarding the stipulations for discounting usance export bills in foreign exchange.

02. To bring easy access to finance by exporters, it has been decided that Authorized Dealers (ADs) may allow exporters to ship goods on sales contracts under open account credit terms within the statutory period, if otherwise not extended, from the date of shipment, subject to compliance with following instructions:

(a) Exports shall be executed against payment undertaking/payment risk coverage for settlement of export bills/receivables within the permissible statutory period by international factoring companies/foreign banks/foreign financial institutions/trade financiers/insurance entities (hereinafter referred to as designated institutions) arranged in association with importers and/or exporters.

(b) Payment undertaking/payment risk coverage by designated institutions abroad shall be, in case of default by importers, received in such a way so as to be ensured of payment on priority basis in accordance with appropriate underlying arrangements for settlement on the basis of physical/electronic presentation of export invoices/bills/documents.

(c) Payment undertaking/payment risk coverage from designated institutions abroad may contain option for early payment arrangement before maturity against the relative export bills/receivables. Early payment shall be arranged on non-recourse basis from designated institutions or designated financiers based on the payment undertaking/payment risk coverage.

03. ADs shall satisfy themselves that exporters are appropriately financed. Expenses to exporters for guarantee commission against payment undertaking/payment risk coverage, and interest with relevant charges for early payment against export bills/receivables shall not exceed 6-month USD LIBOR plus 3.50 percent annually. These will, however, not include normal bank charges required for transactions. For calculation of FOB export value, such charges need to be adjusted.

04. Export price declared in EXP Form shall be competitive in consideration of necessary costs for underlying periods of export under open account credit terms.

05. ADs should have counterparty arrangements/relations for such transactions with designated institutions of repute with acceptable credit ratings operating under the licenses of central banks/competent authorities, for which they may join globally recognized professional bodies having representation for the services. Payments on account of membership/affiliation/subscription required for joining in such bodies are remittable abroad subject to deduction of applicable taxes.

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06. ADs may allow transport documents to be issued in accordance with underlying arrangements among the parties. In case of issuance of transport documents in the name of importers or other nominated parties as per arrangements, ADs may give instruction (as per enclosed format) to carrier companies. Export invoices/bills/documents can be sent abroad through banking channel/electronic platform/suitable arrangements directly to designated institutions/importers/other relevant parties as per requirement of the underlying arrangements.

07. The process to send the export invoices/bills/documents abroad as noted at 6 above needs to be completed within 14 days from the date of shipment. Within this period, exporters shall submit a full set of export documents including signed EXP Form to ADs for regulatory compliance as referred to paragraph 10(iii), chapter 8 of GFET.

08. Subject to observance of relevant instructions noted herein, ADs may extend early payment facilities to exporters on non-recourse basis out of their own funds against payment undertaking/payment risk coverage from designated institutions abroad. ADs shall ensure that the fund used for early payment is not committed for otherwise use. Payment guarantee commission payable abroad shall be within the all-in-cost limit to be charged to exporters as per 3 above.

09. In case of exercise of early payment option, relevant portion of export proceeds may be assigned to designated institutions or designated financiers abroad as per arrangements in terms of FE Circular No. 43 of November 17, 2019.

10. ADs shall be satisfied with the bonafide of underlying exports shipped from Bangladesh for which export invoices to be financed and shall comply with KYC and AML/CFT standards, including applicable taxes regulations on relevant expenses payable abroad.

ADs may, for technical support, consult with the [Guidelines on International Factoring](#) prepared by the technical committee on factoring. Other relevant instructions pertaining to export transactions shall remain unchanged. Please bring the contents of this circular to the notice of your concerned constituents.

Encl. As stated.

Yours faithfully,



(Mohammad Khurshid Wahab)
General Manager
Phone: 9530123

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(To be issued on the letter head of Authorized Dealer)

**CERTIFICATE OF AUTHORIZED DEALER TO BE PRODUCED
BY THE EXPORTER TO CARRIER COMPANY**

CERTIFIED THAT shipment against EXP Form No.....

dated.....by M/s.....
(Name and address of the exporter)

to M/s.....
(Name and address of the importer or their instructions)

is being made against financing through payment undertaking/payment risk coverage under factoring arrangement and there is no objection to Railway Receipt, Bill of Lading, Airway Bill and other documents of title to cargo being drawn to the order of

Signature of the Authorized Official :

Name:

Designation:

PA No.:

Phone No.:

Seal:

Date: