

### Exchange Control Liberalisation

The Bangladesh Bank has liberalised, and is continuing to liberalise foreign exchange restrictions in conformity with government reform policies in trade, export and decontrol with a view to creating an environment conducive to investment and productivity. These are discussed below:

**Investment Facilitation:** Prior approval of the Bangladesh Bank is not required in the following cases:

- remittance of profits to the head offices by foreign firms and companies operating in Bangladesh;
- issuance of shares to non-residents for industrial investment in Bangladesh;
- remittance of dividends on such shares to non-resident investors;
- investment by non-residents including foreign enterprises in shares and securities through the Dhaka Stock Exchange (DSE);
- opening of Letters of Credit by banks against supplier's credits and other foreign borrowings contracted in the private sector in accordance with the prescribed criteria of the BOI, subject to a maximum effective rate of interest of LIBOR+4 percent and a repayment period of not less than 7 (seven) years;
- repayment of principal and payment of interest of such loans;
- remittance by banks of savings of expatriate personnel at the time of their leaving Bangladesh so long as the salary benefits are clearly stated in employment contract;
- remittance of pre-shipment inspection fees for imported goods in foreign currency on fulfillment of requisite conditions;
- extension of term loans by banks on normal banking considerations to foreign firms/companies operating in Bangladesh;
- extension of working capital loans to all foreign owned/controlled industrial and trading firms/companies by banks on the basis of banker-customer relationship and normal banking practices;
- remittance by banks of dividends and capital gains of foreign investors on shares and securities purchased through the Dhaka Stock Exchange (DSE) after withholding the tax payable, if any;
- obtaining of interest free repatriable short term foreign currency loans by foreign firms investing in Bangladesh from their head offices or any other sources through any authorized dealer;

**Encouragement of exporters:** Encouragement of exporters consists of the following:

- annual foreign exchange retention quota of exports in general has been enhanced from 2-2.5 percent to 10 percent of their FOB export earnings;
- for exports of POL products including naphtha, furnace oil, and bitumen; readymade garments and electronic goods where import content is relatively high the quota will be 5 percent of FOB earnings;
- exporters may keep their foreign exchange quota in foreign currency account in US dollars or pound sterling in banks dealing in foreign exchange;

- opening of foreign currency accounts on the basis of terms and conditions of the approved contract by local or joint venture contracting firms employed to execute foreign aided projects;
- effecting the remittance on account of "General Average" on approach by the insurance companies;

-in case of residents willing to charter ships owned by non-residents remittance of charter hire by authorised dealers with prior approval of the relevant ministry;

- remittance of the cost of ships purchased by a person or a company with the approval of the concerned Ministry; and
- exemption from payment of income tax on investments by residents in industries, stocks, shares or government bonds provided these investments are derived from earnings abroad and brought through the normal banking channel.

-on realization of export proceeds in foreign exchange, the bank concerned will credit the exporters quota to his foreign currency account;

- the balance in the foreign currency accounts can be used by the exporters for bonafide business purposes only, such as business visits abroad, participation in export fairs and seminars, import of raw materials, machinery and spares, etc; however, no amount from such currency accounts can be used for investment abroad;
- exporters are free to keep their quota in interest-bearing renewable term deposit accounts in US dollars or pound sterling;

-annual foreign exchange quota for business travel abroad for the new exporters has been raised from US\$ 4000 to US\$ 6000;

- service exporters may retain 5 percent of their repatriated income in foreign currency accounts; funds can be drawn from these accounts to meet expenses for bonafide business travel abroad; this quota may also be kept in interest bearing renewable term deposit accounts; however, foreign exchange earnings on account of indenting commission or agency commission for export from Bangladesh can not be credited to such accounts as these incomes originate from Bangladesh sources;

-apart from the above mentioned facilities, other facilities as announced and provided in the export policy are also applicable to export-oriented and export-linkage industries.

Prior approval of the Bangladesh Bank is not required in the following cases:

- opening of back-to-back letter of credits (L/Cs) for all export items so long as such exports conform to guidelines for domestic value addition;
- issuance of bank guarantee/performance bond in favour of foreign buyers by the authorised dealers on behalf of Bangladesh exporters in connection with merchandise export, subject to usual banking norms and fulfillment of the prescribed conditions;
- remittance of the authorised dealers of export claims not exceeding 10 percent of the export proceeds realized in case of short weight, quality and part shipment, on submission of the applications and required documents;
- Bangladeshi exporters' use of funds of their retention quota to set up offices abroad keeping the Bangladesh Bank informed;
- if, in the cases of discrepant documents, conservative arrest of loss of quality of perishable commodity exported on consignment basis, foreign buyer agrees to accept the documents/goods only at a discounted value, the authorized dealers may allow discount not exceeding 10 percent of the invoice value of relevant exports;

discount against export of readymade garments may only be allowed on the recommendation of the Discount Committee of the Export Promotion Bureau; in such cases the amount of discount must be adjusted by increased value addition within three years of allowing the discount.

### Aspects of Exchange Control

The main exchange control aspects which are of direct relevance to overseas investors are as follows:-

**Convertibility of the Bangladesh Taka Currency:** Bangladesh Bank has declared 'Taka' the national currency convertible for international payments on current account. This declaration symbolizes a turning point in the management of the country's exchange control and exchange rate systems.

**Remittance of Profits:** Foreign firms/companies including foreign banks, insurance companies and financial institutions are free to remit profits through any bank authorized to deal in foreign exchange without prior approval of the Bangladesh Bank.

**Remittance of Dividends/Capital Gains:** Prior approval of the Bangladesh Bank is not required for remittance of dividends/income to non-residents in respect of their investment in joint ventures in Bangladesh; remittance of dividend declared out of previous year's accumulated reserves; and dividends and sale proceeds including capital gains on share purchased through the stock exchange. Such remittance may be effected prior to actual payments of taxes provided that the amount payable at the applicable rate is withheld by the company.

**Remittance of Salaries/Savings by the Expatriates:** Banks authorized to deal in foreign exchange, may, without the Bangladesh Bank's approval, remit 50 percent of the net salary, 100 percent of leave salary and actual savings and admissible pension benefits of foreign nationals working with the approval of the government.

**Remittance of Royalty/Technical Fee:** Prior permission of the Board of Investment (BOI) is not required by the enterprises for entering into agreement for remittance of royalty, technical know-how/technical assistance fees etc. if the total fees and other expenses connected with technology transfer do not exceed (i) 6 percent of the previous year's sales of the enterprises as declared in the tax return or (ii) 6 percent of the cost of imported machinery in the case of new projects. Authorized banks may remit such royalty and fees without prior approval of the Bangladesh Bank.

**Remittance on Account of Training and Consultancy:** Industrial enterprises producing for local markets may remit through authorized banks upto 1 percent of their sales as declared in their previous tax return for the purpose of training and consultancy services without prior approval of the Bangladesh Bank.

**Export Proceeds:** All exports are to be declared in EXP-Form, and proceeds are to be realized within 4 months from the date of exports. In the case of deferred export involving repatriation of the proceeds beyond 4 months, prior permission from the Bangladesh Bank is required for realization.

**Foreign Currency Accounts:** Following are the new rules regarding different foreign currency accounts:-

**Non-resident Foreign Currency Deposit (NFCD) Accounts:** These may now be maintained as long as the account holders desire instead of 1 year without prior approval of the Bangladesh Bank. Eligible persons have also been allowed to open such accounts within 6 months of their return to Bangladesh.

**Foreign Currency Accounts for Overseas Bangladeshis:** Foreign currency accounts opened in the names of Bangladesh nationals or persons of Bangladesh origin working or self employed abroad can now be maintained as long as the account holders desire. Such account may also be opened by eligible persons within 6 months of their return to Bangladesh. Funds from these accounts are now freely remittable to any country.

**Foreign Currency Accounts for Other Entities:** Prior permission of the Bangladesh Bank is also not required by the authorized banks for opening of foreign currency accounts for diplomatic missions in Bangladesh and their expatriates; diplomatic bonded warehouses (duty-free shops); and local and joint venture contracting firms employed to execute projects financed by foreign donors/international donor agencies.

**Accounts with Banks Abroad:** Bangladeshi nationals working abroad and having bank accounts there may now maintain such accounts even after their return to Bangladesh.

**Borrowings in Bangladesh:** 100 percent foreign owned as well as joint venture industrial units located in the Export Processing Zones may freely borrow funds in foreign currency from abroad without prior approval of the Bangladesh Bank. Foreign and foreign controlled companies located outside the Export Processing Zones may also borrow funds, free of interest, from abroad in foreign currency. The Bangladesh Bank's permission is not required for these borrowings. Neither the permission of Board of Investment (BOI) nor of the Bangladesh Bank is necessary for contracting supplier's credit and other foreign currency loans by the private sector if the effective rate of interest is not beyond LIBOR+4 percent, repayment period is not less than 7 years and down payment is not more than 10 percent. The Bangladesh Bank's permission is also not required for contracting foreign loans which do not conform to the above terms but are approved by BOI. Remittance towards repayment of principal and payment of interest may be made by the authorized banks without prior approval of the Bangladesh Bank. There is no ceiling or restriction on working capital loans by a bank to foreign controlled manufacturing firms/companies. Prior permissions of the Bangladesh Bank is no longer required for extending working capital loans to foreign firms/companies manufacturing as well as non-manufacturing. Term loans may be extended to foreign controlled industrial firms/companies on the basis of banker-customer relationship without referring to the Bangladesh Bank. Banks are free to grant local currency loans to joint venture industries in EPZs upto the amount of short term foreign currency loans borrowed from abroad.

**Convertibility on Trade Account:** The Bangladesh Taka is fully convertible for payment of trade related transactions. Import license is not required from the licensing authority for importing commodities not included in the control list. For import of goods outside the control list an importer has automatic access to foreign exchange for payment of the import costs.



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